

Time 2.00 pm **Public Meeting?** YES **Type of meeting** Pensions
Venue Committee Room 3 - 3rd Floor - Civic Centre, St Peter's Square, Wolverhampton, WV1 1SH

Membership

Employer Representatives

Jacqueline Carman
Paul Johnson
Ian Martin
Joe McCormick

Member Representatives

Sharon Campion (Unison)
Steve Carter (GMB)
Michael Foxall (Unite)
George Hickman (Unite)
Cllr Hazel Malcolm
Adrian Turner (Unison)

Quorum for this meeting is four (minimum of two member and two employer representatives and include either the Chair or the Vice Chair)

Information for the Public

If you have any queries about this meeting, please contact the Democratic Services team:

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Some items are discussed in private because of their confidential or commercial nature. These reports are not available to the public.

Agenda

Part 1 – items open to the press and public

<i>Item No.</i>	<i>Title</i>
1	Election of Chair
2	Election of Vice Chair
3	Apologies for absence
4	Declarations of interests
5	Minutes of the previous meeting - 30 April 2019 (Pages 5 - 10) [For approval]
6	Matters arising [To consider any matters arising from the minutes of the previous meeting]
7	Times of Meetings 2019-2020 [To note the date and times of meetings for the Board for 2019/2020]: 22 October 2019 -2pm 21 January 2020 – 2pm 28 April 2020 – 2pm
8	Governance Update Report (Pages 11 - 24) [To provide an update of the work of the Fund in delivering good governance in line with the Pension Regulator's code of practice and in meeting the expectation of the Scheme Advisory Board]
9	Internal Audit Annual Report 2018-2019 (Pages 25 - 34) [To provide the outcome of the work programme for internal audit for 2018-2019]
10	Regulatory Update (Pages 35 - 38) [To provide an update on the work of the Fund to deliver a well governed scheme and to note the current regulatory environment in which the Fund operates]
11	Business Performance and Data Management (Pages 39 - 92) [To provide an update on the work of the Fund in delivering improved data quality in line with the Pension Regulator's Code of Practice, and on an end of year overview of Fund performance against its set objectives]
12	Pensions Administration Report from 1 April 2018 to 31 March 2019 (Pages 93 - 104) [To provide an update of the work undertaken by the pensions administration service during the period 1 April 2018 to the end of March 2019 for both the Main Fund and the West Midlands Integrated Transport Authority Fund]

- 13 **Customer Engagement Update** (Pages 105 - 130)
[To provide an update of the Fund's customer engagement activity from 1 January to 31 March 2019, in line with its Customer Engagement Strategy]
- 14 **Funding Management Update** (Pages 131 - 138)
[To provide an update on funding management, to include the proposed changes to the Funding Strategy Statement following the introduction of Exit Credit legislation, and the 2019 actuarial valuation]
- 15 **Annual Report and Accounts 2018-2019** (Pages 139 - 144)
[To provide an update on the preparation, approval and audit of the Statement of Accounts and the Annual Report for the year ending 31 March 2019]
- 16 **LGPS Central Investment Pool Update** (Pages 145 - 150)
[To provide an update on the LGPS Central investment pool product development, transition and governance arrangements]
- 17 **Responsible Investment** (Pages 151 - 196)
[To provide an update on the policies in place and work of the Fund in relation to responsible investment and in managing the risk and opportunities available in relation to Climate Change]

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Board Minutes - 30 April 2019
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Attendance

Members of the Pensions Board

Employer representatives

Jacqueline Carman
Paul Johnson
Joe McCormick (Vice-Chair)
Mike Sutton

Employee representatives

Sharon Campion (Chair)
Michael Foxall
Adrian Turner

Observer

George Hickman

Employees

Rachel Brothwood	Director of Pensions - West Midlands Pension Fund
Jill Davys	Assistant Director - Investments and Finance - West Midlands Pension Fund
Dereck Francis	Democratic Services Officer - City of Wolverhampton Council
Rachel Howe	Head of Governance and Corporate Services - West Midlands Pension Fund
Amy Regler	Head of Operations - West Midlands Pension Fund
Holly Slater	Governance Officer - West Midlands Pension Fund
Simon Taylor	Head of Pensions - West Midlands Pension Fund

Part 1 – items open to the press and public

Item No. Title

- 1 Apologies for absence**
Apologies for absence were received on behalf of Jan Britton and Steve Carter.
- 2 Declaration of interests**
No declarations of interests were received for the meeting.

3 **Minutes of the previous meeting - 22 January 2019**

Resolved:

That the minutes of the meeting held on 22 January 2019 be approved as a correct record and signed by the Chair.

4 **Pension Board Annual Governance 2019**

Regarding the expiry of Mike Sutton's term of office on the Pensions Board, the Chair placed on record her thanks and appreciation to Mike Sutton for his contributions to the work of the Board during his time as a Board Member and wished him well for the future.

Rachel Howe, Head of Governance and Corporate Services presented for approval a Conflicts of Interests Policy, and role profile and job description for Local Pension Board Members, which had been developed in line with the good governance guidance and standards set by the Pensions Regulator. The Head of Governance also reported that in line with the annual cycle of elections onto the Board for 2019/2020, a nomination had been received from Unite, the Union to appoint George Hickman to the vacant member representative seat. Mr Hickman was present at the meeting in an observer capacity. The employer body representative had also been confirmed and the Fund was in dialogue with nominee Mark Wildman, on the responsibilities and commitment required of the role, following acceptance of his application by the Appointments Panel.

Resolved:

1. That the appointment of Mark Wildman to the vacant employer representative seat be approved.
2. That the Conflicts of Interest Policy be approved.
3. That the role profile and Job Description for a Local Pensions Board Member be approved.
4. That the nomination of George Hickman received from Unite the Union to the vacant member representative seat be noted.

5 **Regulatory Update**

Rachel Howe, Head of Governance and Corporate Services presented the update report on forthcoming and potential regulatory changes across the LGPS. The Fund continued to see and manage a series of changes, with a number of consultations (both directly and indirectly related to the LGPS) issued within the last 3-6 months.

Rachel Brothwood, Director of Pensions reported that over 90 responses had been received to an informal consultation on revised investment pooling guidance. The outcomes to the consultation were awaited from Government. The Director also updated the Board on the Government's plans to introduce a £95,000 cap on payouts for public sector workers when they leave their jobs. The Government had previously held consultations on the proposal and five documents had recently been issued for the consultation. Clarity on the detail and impact of the proposal would be sought in preparing a response on behalf of the Fund.

Paul Johnson understood that a previous consultation on this issue had led to a rush of public sector workers retiring. The Director of Pensions noted that this proposal had led to loss of experienced resource across the sector and additional work for the Fund due to retirement pension strain costs, measured by the LGPS, being caught in the calculation of exit payments. Under the proposal, more moderate earners with

longer service would also be impacted by the proposed cap. The Fund and the Local Government Association would be making representations to Government in response

Resolved:

The current regulatory environment, consultations which could impact the Local Government Pension Scheme and the steps the Fund is taking to prepare for those changes be noted.

6 **Governance Report**

Rachel Howe, Head of Governance and Corporate Services presented an update on the work of the Fund in delivering a well governed scheme and on amendments to the statutory Governance Compliance and Administering Authority Discretion Statements for 2019.

Members of the Board welcomed the increase in the production of the Annual Benefit Statements (ABS) from 70% to 85% since the last meeting in January 2019. The Head of Governance and Corporate Services reported that the current performance was close to the maximum level of ABS that the Fund could produce without employer support/information (88%).

The Director of Pensions thanked members of the Board who had completed the questionnaires as part of the external governance review of the Fund, that had been circulated at the last meeting. The Fund was reflecting on the feedback and reviewing the Board's training programme accordingly. An update on the Board's training hours was tabled for information and update where necessary.

Resolved:

1. That the top ten risks for this quarter and their movement be noted.
2. That the quarterly compliance monitoring be noted
3. That the work of the Fund to continue maximising the production of Annual Benefit Statements for members be noted.
4. That the updated Governance Compliance Statement and Administering Authority Discretions Policy Statement be noted
5. That feedback from engagement with the Pensions Regulator, together with the outcomes of the Fund's independent governance review be noted.
6. That progress in consideration of potential merger of the West Midlands Integrated Transport Authority Pension Fund with the West Midlands Pension Fund.

7 **Service Plan 2019-2024**

Rachel Howe, Head of Governance and Corporate Services presented the report on the work of the Fund to ensure ongoing review of service delivery which meets the standards and expectations of its members and employers.

Resolved:

1. That the Fund's Service Plan 2019-2024 be noted.
2. That the Fund's Key Performance Indicators be noted.

8 **Audit 2019-2020**

Rachel Howe, Head of Governance and Corporate Services presented an overview of the plan for the external audit of the Fund's Annual Report and Accounts for 2018/2019 and on an outline of the internal audit work programme for 2019/2020.

In response to questions, Rachel Brothwood, Director of Pensions reported that an interim external auditor report on the Fund's Statement of Accounts for 2018/2019 would be presented to the next meeting of the Pensions Committee in June at the end of the external audit process.

The Director also reported that the Government was revisiting the review of 2014 on how administering authorities performed their role alongside functions of the wider Local Authority hosting the funds. The review will include a closer look at the role of section 151 officers (senior finance officer often tasked with oversight of the fund and local authority finances) and potential conflicts of interest, together with how these can be managed in practice.

The Board also discussed controls the Fund had in place to detect/prevent fraud. The Director of Pensions reported that the Fund had an anti-money laundering policy incorporated in its policy. The Fund also has an authorised signature list in its control measures but the need for both Fund officers, employers and members to be vigilant was noted. In terms of clauses within the Funds policies on cyber fraud, Jill Davys, Assistant Director, Investments and Finance reported that the policies on cybercrime were arranged by the administering authority, the City of Wolverhampton Council. Representatives from the Fund's Management Team also sat on the City Council's Cyber Security Group.

Resolved:

1. That the external audit plan for the 2018/2019 Annual Report and Accounts as prepared by Grant Thornton be noted.
2. That the internal audit plan for 2019/2020 as prepared by City of Wolverhampton Council Internal Audit be noted.

9 **Customer Engagement**

Simon Taylor, Head of Pensions presented the update report on the Fund's customer engagement activity to date, in line with its Customer Engagement Strategy.

The Chair praised the positive work taking place by the teams responsible for Customer Engagement.

Resolved:

1. That the engagement activity and informed service development be noted
2. That the updated Customer Engagement Strategy and Plan for the forthcoming year be noted.

10 **Pensions Administration Report from 1 December 2018 to 28 February 2019**

Amy Regler, Head of Operations presented the report on the work undertaken by the pension's administration service during the period 1 December 2018 to the end of February 2019 for both the West Midlands Pension Fund (the Main Fund) and the West Midlands Integrated Transport Authority Pension Fund.

Rachel Brothwood, Director of Pensions referred to the increase in the number of employers within the Fund and highlighted that as at December there were 199 admitted bodies in the Fund, approaching 1/3rd of Fund employers, noting the importance of. representation from this group on the Board.

Resolved:

That the pensions administration activity for both the West Midlands Pension Fund (the Main Fund) and the West Midlands Integrated Transport Authority Pension Fund be noted.

11 **Digital Transformation and Exploitation Programme**

Amy Regler, Head of Operations presented the report on a summary of the Fund's Digital Transformation and Exploitation Programme and on progress made with key projects within the programme.

Rachel Brothwood, Director of Pensions asked that the PowerPoint slides that were circulated at the training session prior to the meeting be forwarded to those members who were not able to attend.

Resolved:

The developments identified and being progressed as part of the Fund's Digital Transformation and Exploitation Programme (DTEP) to increase administration capacity and efficiency.

12 **Funding Management Update**

Rachel Brothwood, Director of Pensions presented the report on an update on the policies in place and work of the Fund in relation to responsible investment and in managing the risk and opportunities available in relation to Climate Change.

Rachel Brothwood, Director of Pensions reported that the Fund had developed a strategy and framework on this issue to guide further assessment and consideration of these risk factors within the investment and funding strategies of the Fund. She drew the Boards attention to evidence-based beliefs related to climate change as contained in the Framework and Strategy document. The Director also noted ongoing engagement activity around the Fund's core themes, including climate risk, where business strategies and performance were starting to more closely recognise and align to climate risk management in response to wide-spread engagement from institutional investors.

Resolved:

The proposed changes to the Funding Strategy Statement and attaching Termination Policy, subject to finalisation following consultation closing 30 April be noted.

13 **Responsible Investment and Climate Change**

Rachel Howe, Head of Governance and Corporate Services presented the report on an update on the policies in place and work of the Fund in relation to responsible investment and in managing the risk and opportunities available in relation to Climate Change.

Rachel Brothwood, Director of Pensions commented that there was huge interest in climate change at the moment. The Fund had a strategy and framework on this issue based on principles. She drew to the Boards attention evidence based beliefs

related to climate change as contained in the Framework and Strategy document. The Director also reported that the Fund supported the Paris Commitment to Climate Change. Companies like BP were integrating climate change into its investment and recruitment plans.

Resolved:

That the Fund's Responsible Investment Framework and the recently approved Framework and Strategy for Managing the risks and opportunities presented by climate change be noted.

14

LGPS Central Investment Pool Update

Jill Davys, Assistant Director - Investments and Finance presented the key points from an update report on LGPS Central investment pool product development, transition and governance arrangements.

Resolved:

That the update on the LGPS Central investment pool product development, transition and governance arrangements be noted.

CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 2 July 2019
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Report title	Governance Update Report	
Originating service	Pension Services	
Accountable employee(s)	Rachel Howe Tel Email	Head of Governance and Corporate Services 01902 552091 Rachel.Howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel: Email:	Director of Pensions 01902 552091 Rachel.Brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Board is asked to note:

1. The Scheme Advisory Board's annual report for 2018.
2. The Risk Register and the movement and management of risks across the Fund.
3. Items being monitored through the Fund's compliance monitoring programme.
4. Publication of findings from the Pensions Regulator's engagement with LGPS funds is due over the Summer.

1.0 Purpose

- 1.1 To provide the Local Pensions Board with an update of the work of the Fund in delivering good governance in line with the Pension Regulator's code of practice and in meeting the expectation of the Scheme Advisory Board.

2.0 Local Pensions Board Terms of Reference

- 2.1 The West Midlands Pension Fund believes a well governed scheme is led from the top, by its governing bodies and decision makers. To support the members of those bodies in their roles, equipping them with the knowledge and understanding of relevant issues, the Fund has adopted a formal training policy which details the minimum requirements expected of Pension Committee and the Local Pensions Board to support and enable policy decision and oversight of implementation, where delegated.
- 2.2 Local Pension Boards have a statutory duty to complete 22 hours training, and to support the Board achieve this target, the Fund complies with the expectations of the CIPFA knowledge and skills framework and builds its formal training programme around those topics highlighted as being of relevance to Local Government Pension Scheme decision making bodies.
- 2.3 The Fund reviews its training policy each year to ensure it remains compliant with best practice and delivers a comprehensive suite of opportunities for the Committee and Local Pensions Board to develop knowledge and understanding.
- 2.4 This year, the Fund has reviewed the policy and considered the experience (in terms of years involved in the Fund or similar pensions governing bodies) of each member. The policy has been reviewed to reflect the variable experience of our Pension Committee and Local Pension Board with a view to developing a programme that supports both an introductory and progressive knowledge base.
- 2.5 In addition to the training policy, the Fund is required to publish a member conduct review policy outlining how the Fund will manage and respond to complaints about members of its governing bodies. Following the Board's approval of the conflicts of interest policy at its April meeting, the member conduct review policy has been amended to reference conflicts of interest under this new separate policy. All other aspects of the conduct review policy remain the same.
- 2.6 The Pensions Committee approved the training policy at its June meeting and a copy is appended to this report at Appendix A. A copy of the conduct review policy is published on the fund's website.

3.0 National Scheme Advisory Board Update

- 3.1 In line with its Regulatory duty, the national Scheme Advisory Board (SAB) every year produces its Scheme Annual Report highlighting national averages in areas such as investment returns, asset allocation, funding and governance.

3.2 The SAB produces its report based on published annual report and accounts of all LGPS Funds across England and Wales. It is therefore produced retrospectively each year. This latest report highlights the average position from the 2018 reports, and is a useful point of reference for a variety of stakeholders.

3.3 Key LGPS Highlights for 2018 as noted by the SAB include:

- The total membership of the LGPS grew by 197,000 (3.4%) to 5.8m members in 2018 from 5.6m in 2017.
- The total membership of employers increased from 14,019 in 2017 to 14,785 in 2018, an increase of just under 5.5%.
- The total assets of the LGPS increased to £275bn (a change of 5%). These assets were invested in pooled investment vehicles (54%), public equities (29%), bonds (7%), direct property (3%), as well as other asset classes (7%).
- The Local Authority return on investment over 2017/2018 was 4.4%. This was reflective of the volatile market conditions during the year.
- The scheme maintained a positive cash-flow position overall. Scheme income was higher than total scheme outgoings by £500m; this is including investment income.
- Over 1.7m pensioners were paid over the year, a 6.3% increase from 2017.

3.4 In comparison, West Midlands Pension Fund's (Main Fund) highlights for the year to 31 March 2018 show:

- The total membership grew from 302,902 to 313,399 (3.5%)
- Employers increased from 605 to 623 (2.98%)
- The Fund's total assets increased from £14.2billion to £15.2 billion (7%)
- The total number of pensioners paid during the year was 91,741 an increase of 4.28% from 2017.

3.5 For the West Midlands Integrated Transport Authority Pension Fund it is difficult to use the average as a comparator due to the closed status of the Fund and it having only 2 employers. The majority of those members are in receipt of their pension benefits with just over half being supported by the purchase of an annuity buy-in contract held in the name of the Fund.

3.6 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 Board and Committee in update reports to formal meetings and through the Fund's media roundup communication. Copies of all SAB meeting papers are available on their website www.lgpsboard.org.uk

4.0 Risk Register

4.1 The Fund's risk register has been compiled to represent all known and perceived risks across all Service Areas of the Fund. Each quarter the Fund's compliance team, in conjunction with Senior Managers and Risk Owners review the key risks which are drawn from detailed risk registers separately maintained for each service area of the Fund. The

risk register is an active document that is regularly monitored to ensure it reflects the most recent activity of the Fund and is looked upon as both a reactive and proactive document to ensure emerging risks are identified quickly and action taken to address, as required.

- 4.2 The Fund's full risk register contains 56 Risks, of which 14 are rated as Red and noted as Key Risks. 41 Risks are rated as Amber and 1 rated as Green. In assessing risks, the Fund undertakes a 5 x 5 matrix assessment as follows

Impact	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
		1	2	3	4	5
		Probability				

- 4.3 Since conducting the end of year review, the Fund has not identified any further movement in the risks. At the quarter end (March 2019) one risk area had increased in relation to the potential change in committee and local pension board membership. This is a precautionary assessment due to the cycle of elections held each year. This will be reviewed this quarter following confirmation of changes in membership and completion of the Fund's induction training.
- 4.4 Further to the review, the key risks register is attached at Appendix B providing assurance to Committee of the controls in place to protect the Fund.

5.0 Policy Review Update

- 5.1 In line with the Fund's annual policy review framework, the Fund has completed its annual review of policies to ensure they meet both statutory and best practice requirements.
- 5.2 Of note this year, the Fund has adopted a new Climate Change Risk Management Framework, as part of its annual review of the Investment Strategy Statement (approved by Committee in March), acknowledging the potential risk climate change has to the Fund's investments over the long term, outlining the proposals to manage this through appropriate investment strategy.
- 5.3 All statutory policies will be published in the Fund's Annual report and Accounts due to be published in September.

6.0 Compliance Monitoring

6.1 Finance and Investments

Late Trades

The Fund continues to monitor late and failed trades. Late trades relate to instructions on stocks which were not executed at the time requested but executed at a later period with no detriment to the Fund. A failed trade is where the execution on stocks was not actioned.

The number of late trades for the period January to March was 7, this was an improvement on the previous quarter's late trades of 8. None of these late trades resulted in detriment to the fund.

The number of failed trades for this period was 22, this was a reduction on the previous quarters failed trades of 27. None of the failed trades resulted in detriment to the fund.

Contributions

The Finance team continue to engage with employers to ensure contributions are received monthly in line with TPR guidelines. The procedures for monthly reconciliation of contributions continue to develop and embed within the employer monthly return process.

For the testing sample of March, the Fund had 56 out of 670 employer contributions (£282,628 in value) received late. Finance and employer services continue to work with the employers with a shortfall in employer contribution payment. Ongoing monitoring is in place to identify any outstanding or repeat cases of late payments.

6.2 Governance and Operations

Freedom of Information (FOI) requests

This quarter the Fund has received 5 FOI requests mainly regarding the Fund's investment performance. Requests of this nature are becoming more frequent and to assist in the Fund's management of these queries, the Fund has decided to publish more detailed investment information on a quarterly basis via the website.

Data Breaches

This quarter the Fund has recorded 15 data breaches, all of which have been reported to the City of Wolverhampton Council's Information Governance team. All breaches related to the disclosure of information to unintended recipients. The Fund continues to identify improvements to working practice where required, which includes the implementation of a hybrid mail printing solution, which will shortly be introduced. None of the breaches were required to be reported to the Information Commissioner.

7.0 Engagement with the Pensions Regulator

- 7.1 Since taking on responsibility for Public Sector Pension Schemes in 2014, the Pensions Regulator launched its corporate plan in 2018 which included a programme of engagement and learning for the Public Sector Pension Schemes it now regulates, with a focus on the LGPS.
- 7.2 To facilitate development of its understanding of the LGPS, the Regulator chose 10 LGPS Funds with whom they would undertake a deeper engagement programme to further their learning of the governance, administration and management in practice following the issuance of the Code of Practice 14.
- 7.3 West Midlands Pension Fund was once such fund the Regulator engaged with, holding 6 structured meetings to discuss the Fund's approach to complying with its statutory Code of Practice. Over the course of 4 months, Senior Managers from the Fund engaged with officers from the Regulator, providing examples of governance and administration practices in place to support compliance with the Code of Practice evidenced through adopted policies, the risk register, cyber and fraud risk management, as well as providing evidence of the Fund's Committee and Local Pension Board training programme.
- 7.4 That programme concluded in March and the Fund recently received correspondence from the Regulator thanking officers for their engagement and noting the mutual benefit from the close proactive working. The Regulator was keen to stress that West Midlands had not been chosen out of any concern for how we are managed and governed and noted the variety of good practice approaches the Fund has taken to implement their guidance on scheme governance and administration.
- 7.5 The Regulator continues to engage with a number of LGPS Funds and is due to publish a report of their engagement in the Summer. This is expected to cover areas of good practice on a no-names basis.

8.0 Financial implications

- 8.1 The Fund has accounted for Regulatory change as part of its Service Development Budget, there are therefore no implications to the Fund's budget.

9.0 Legal implications

- 9.1 Changes to legislation and statutory guidance are detailed in the report. Failure by the Fund to comply with legislation and/or statutory guidance can result in enforcement action and a fine from both the Pension Regulator and the Courts via judicial review.

10.0 Equalities implications

- 10.1 There are currently no equalities implications contained within this report, an equality impact assessment will be undertaken where new policies are adopted following change in regulation/statutory guidance.

11.0 Environmental implications

- 11.1 The Fund's Climate Risk Strategy and Framework has been published in consideration of the potential impact of climate change risks on the funding and investment strategy. Details are contained within the Framework itself.

12.0 Human resources implications

- 12.1 There are no implications

13.0 Corporate landlord implications

- 13.1 There are no implications

14.0 Schedule of background papers

- 14.1 Public Service Pensions Act 2013
<https://www.legislation.gov.uk/ukpga/2013/25/contents>
- 14.2 The Pension Regulator's Corporate Plan 2019 – 2022
<https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/corporate-plan-2019-2022.ashx>
- 14.3 LGPS Scheme Advisory Report 2018
<http://lgpsboard.org/index.php/2018-foreword>
- 14.4 Pension Regulator's Code of Practice for Public Sector Pensions Schemes
<https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-14-public-service-pension-code-of-practice>
- 14.5 West Midlands Pension Fund Investment Strategy Statement 2019
<http://www.wmpfonline.com/CHttpHandler.ashx?id=16022&p=0>
- 14.6 West Midlands Pension Fund Climate Change Framework and Strategy 2019
<http://www.wmpfonline.com/CHttpHandler.ashx?id=17543&p=0>
- 14.7 West Midlands Pension Fund Member Conduct Review Policy
<http://www.wmpfonline.com/article/6810/West-Midlands-Pension-Fund-Policy-for-Dealing-With-Complaints-About-Pensions-Board-Members>

15.0 Schedule of Appendices

- 15.1 Appendix A: Pensions Committee and Local Pensions Board Training Policy 2019
- 15.2 Appendix B: Risk Register

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PENSIONS COMMITTEE AND PENSION BOARD TRAINING POLICY 2019

1.0 BACKGROUND

- 1.1 The West Midlands Pension Fund aims to achieve good standards of governance in line with or exceeding best practice and supported by its established governing bodies and their appointed advisers:
- Pensions Committee
 - Local Pensions Board
 - Trade union representation and provision of information
 - Advisors and officers

Details of how these four elements function and operate to ensure they are effective are set out in the Fund's Governance Compliance Statement.

- 1.2 The Fund is required by regulation and statutory guidance to ensure that those individuals who undertake a role as part of one of the four elements of good governance have an appropriate level of knowledge and understanding to enable them to exercise their function in the role that they are appointed to perform.

This policy is written to comply with such regulation, namely section 248 of the 2004 Pensions Act and section 248a of the 2013 Public Service Pensions Act. It also is written in consideration of the Pension Regulators (tPR) Code of practice no. 14 (Governance and administration of public service pension schemes) and the Scheme Advisory Board's statutory guidance which all relate directly to the role of Local Pension Boards.

As noted in the guidance from the Scheme Advisory Board for the LGPS (England & Wales), the legal requirement for knowledge and understanding for members of a Local Pension Board does not apply to members of a Pension Committee. However, the requirement serves as a useful benchmark for the knowledge and understanding that a member of a decision-making Pension Committee should have.

2.0 SKILLS REQUIREMENTS

- 2.1 The 2004 Act requires members to be conversant with:
- the rules of the LGPS, in other words the Regulations and other regulations governing the LGPS;
 - any document recording policy about the administration of the Fund; and
 - to have knowledge and understanding of the law relating to pensions.

Legal responsibilities begin from the date of appointment, with the knowledge and understanding requirements applying to every individual member of a Local Pension Board rather than to the members as a collective group.

In developing a programme to support development of relevant skills and knowledge the Fund applies the CIPFA Knowledge and Skills Framework to its training policy and programme. The CIPFA knowledge framework was created to help ensure that training is delivered effectively and efficiently by identifying and focusing on key knowledge areas.

Appendix A

- 2.2 Seven areas of knowledge and skills have been identified as core technical requirements for those Members associated with LGPS pension funds:

- pensions legislation and governance context
- pensions administration
- pension accounting and auditing standards
- financial services procurement and relationship management
- investment performance and risk management
- financial markets and products knowledge
- actuarial methods, standards and practices

The Fund recognises that members of the Pensions Committee and Local Pension Board should individually develop the knowledge and understanding required, as outlined within the above seven areas to undertake their role, however it is not the intention that they become technical experts. They should have the ability to contribute effectively to collective discussion and decision making and have the confidence to question and challenge the information and advice that they are presented with.

To ensure that adequate coverage and depth of each of the seven topics is achieved, the Fund has developed a training plan that addresses all elements of the CIPFA Knowledge and Skills framework over a rolling 2-3 year period. Delivered through structured training events, this rolling programme ensures that knowledge is developed progressively.

- 2.3 Following the creation of investment pooling, the CIPFA knowledge and skills framework has been expanded to include additional competencies for representatives of LGPS Funds to reflect their role in the implementation of investment pooling. The Fund has updated its training programme to include such elements.

The Fund's structured training plan is supported by a number of additional training sources that members can access to develop their knowledge and skills. Examples include:

- Self-reading of a range of financial, pension related publications
- Online webinars hosted by industry experts (such as AON Hewitt, Barnett Waddingham and Eversheds Sutherland).
- Local Industry events relevant to the pensions sector.

- 2.4 The Fund reports in its annual report and accounts details of the knowledge and skills development undertaken by members of the Fund governing bodies, which includes the reporting of individual training hours recorded and attendance at structured training events.

3.0 **POLICY**

- 3.1 Upon joining the Pensions Committee or the Local Pensions Board, new Members will be invited to attend an in-house induction training session facilitated by Pension Fund Officers. This will provide an overview of their role, the associated responsibilities and an update on key policies together with current policy matters to facilitate informed participation in discussion and decision-making.

Appendix A

- 3.2 Committee and Local Board members are requested to commit to undertaking minimum training requirements each year as part of fulfilling their obligation in supporting good governance. Training guidelines are developed based upon length of service on the Committee or Local Board and are intended to encourage members to attend opportunities as follows:

New Members (First Year and as a refresher in the Fifth Year of membership)

- Induction
- Completion of all online tPR Trustee Toolkit Modules
- Mid-Year Review (MYR) and/or Annual General Meeting (AGM)
- Two in-house structured training days
- One National Conference (Committee members only)
- Quarterly pre/post meeting training sessions

Second Year of Membership

- Induction
- Mid-Year Review (MYR) and/or Annual General Meeting (AGM)
- Two in-house structured training days
- One National Conference (Committee members only)
- Quarterly pre/post meeting training sessions

Third Year onwards of Membership

- Mid-Year Review (MYR) and/or Annual General Meeting (AGM)
- Two in-house structured training days
- One National Conference (Committee members only)
- Quarterly pre/post meeting training sessions

- 3.3 Members will also have the opportunity to build their knowledge and skills through other training opportunities offered by the Fund and additional support will be provided to any member seeking more advanced or specialist interest knowledge development. Members are encouraged to undertake independent reading to support in their development of knowledge in relation to current events within the pensions industry. This independent reading is supported by the production of a regular media round-up produced by Fund Officers.

Development is also supported through the facilitation of quarterly training sessions that are held on the same day as Committee and Local Board meetings with the aim of providing further consideration of a topic that is also covered on the meeting agenda.

- 3.4 Individual training records will be maintained by the Governance Officer for each member to enable quarterly monitoring and annual reporting.
- 3.5 Periodically, themed training or off-site visits may be undertaken to support building the skills and knowledge of members of the Committee, often in specific areas (for example, property investment). Meetings outside of the West Midlands are made on an 'as required' basis, aimed at addressing specific training needs and/or providing opportunity for more in-depth discussion on key issues with the agenda developed in consultation with the Chair.
- 3.6. Where training is delivered on a specialist topic, the Fund may invite external speakers to deliver sessions to the Pensions Committee or Local Pensions Board.

Appendix A

- 3.7 To facilitate a robust training plan, the Fund allocates an annual budget to cover the cost of member training. This budget is monitored by the Director of Pensions, and where required, allocation of spending in regard to conference places is undertaken in consultation with the Chair of each governing body.

June 2019

Appendix B- West Midlands Pension Fund - KEY RISKS							Mar-19			
Risk ID		Risk Description					Risk Rating	Movement from Last Qtr / Positions	Last Reviewed	
POOLING										
P3	Pooling	Transition timeline slips causing additional cost/resource on the fund					16		No Change	Mar-19
		Controls	> Transition plan is monitored and regularly updated to pension committee							
			> Robust Client Services Agreement and Contract Management of LGPSC							
P4	Pooling	Investments not reflecting Funds investment strategy putting investment returns at risk					16		No Change	Mar-19
		Controls	> Assurance of Investment managers mandate monitoring and adherence							
			> Analysis of performance against Fund's objectives; Quarterly reporting; regular dialogue with LGPSC							
			> Pension committee review and approve investment strategy							
			> Investment working group of PAF effective in feeding requirements back to LGPSC							
P6	Pooling	Resourcing - Staff transition to LGPC leaving insufficient resources to manage legacy assets					15		No Change	Mar-19
		Controls	> Client Service agreement with LGPSC to provide services to cover management of legacy assets							
			> Resourcing within Fund to oversee CSA							
			> Retain Expertise within the Fund.							
INVESTMENTS										
I2	Investments	Fund does not achieve investment returns in line with longer term strategic objectives to meet funding objectives					16		No Change	Mar-19
		Controls	> Diversified portfolio							
			> Regular reviews of asset allocation/investment strategy							
			> Monitoring of investment managers quarterly.							
			> Regular monitoring of market conditions.							
I7	Investments	Brexit uncertainty					15		No Change	Mar-19
		Controls	> Currency hedge is currently applied for 50% of foreign currency exposure thus protecting on the downside							
			> The Fund has a diversified investment portfolio allocated through strategic risk assessment of global markets.							
					> Stress testing of the Fund's investments have been undertaken to ensure the Fund is able to withstand any impact on markets.					
I8	Investments	Climate Change					16		No Change	Mar-19
		Controls	> Engagement with companies to be aware of carbon risks and introduce mitigation							
			> Engagement through LAPFF							
			> Sustainable Equity Strategy							
			> Carbon positive FTSE Index investing							
			> Seek new opportunities in carbon beneficial infrastructure investments							
FINANCE										
F6	Finance	Non payment of receipt of monies due to the fund					15		No Change	Mar-19
		Controls	> Monthly monitoring of ongoing (FSR) and deficit (PSD) contribution payments by Finance. Finance are working in conjunction with the Employer and Data Teams through monthly submissions with more analysis, reviews and feedback							
F7	Finance	Compliance with new CIPFA Annual Report disclosure requirements					15		No Change	Mar-19
		Controls	> Head of Finance is preparing a schedule of data required for compiling Annual Report under new guidance							
GOVERNANCE										
G2	Governance	The Fund is unable to meet its statutory requirements on Data Quality					16		No Change	Mar-19
		Controls	> The fund has implemented a data improvement strategy to enable effective monitoring of its data quality							
			> Systems team continue to develop reporting in UPM on the common and conditional data requirements							
G4	Governance	Change in Committee and Pension Board structure					16		8	Mar-19
		Controls	> Induction training provided to new members joining Pension Committee and Pension Board							
			> Annual training plan in place for all members drafted with the CIPFA code of practice							
			> Code of conduct covering members training hours requirements							
			> Conflicts of Interest Policy for Pension Committee and Pension Board Members							
			> Rotation of nominations of mebership on Pension board and pension committee							
G9	Governance	Change in government policy/LGPS reforms					16		No Change	Mar-19
		Controls	> The Fund keeps abreast of developments, participating in consultation and calls for evidence, and collaborating with other funds							
G11	Governance	Adequate governance framework for pooling					16			Mar-19
		Controls	> LGPS Central follows Statutory Legislation and Guidance from CIPFA/SAB/MHCLG							
			> The Fund ensures robust governance oversight of the LGPSC Ltd via COGG (Client Oversight Governance Group)							
			> Internal Audit oversight via the Partner Funds Internal Audit Functions linking in with COGG							
			> Reporting requirements to be established with the Company via an SLA with KPI monitoring							
OPERATIONS										
OP4	Operations	Failure to adhere to statutory regulatory requirements					20		No Change	Mar-19
		Controls	> Technical team in place to translate regulations and working group to review and discuss impacts of any changes							
			> Robust testing process for any system changes							
			> Work with other Pension Funds to develop understanding i.e. Civica Technical Group and SPOG							
			> Project management for the delivery of key changes and Statutory requirements and regulations i.e. benefit statements							
			> Monitoring of KPI's and performance against disclosure							
PENSION SERVICES										
PA1	Pension Services	Pension Administration Strategy (PAS) not complied with by employers					16		No Change	Mar-19
		Controls	> Communication with employers at the Annual General Meeting (AGM) to ensure they understand the PAS and their requirements under it							
			> Employers adherence to the PAS is monitored							
			> PAS regularly reviewed by committee							
			> Reports produced for all employers highlighting issues with data files. Regularly meetings with districts to review progress and all other employers have been assigned a "data guru" who will be responsible and the main point of contact for any issues or queries							

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 2 July 2019
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Report title	Internal Audit Annual Report 2018 - 2019	
Originating service	Pension Services	
Accountable employee(s)	Amanda McDonald	Client Lead Auditor
	Tel	01902 550411
	Email	Amanda.mcdonald@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 552091
	Email	Rachel.Brothwood@wolverhampton.gov.uk

Recommendation for noting:

The Board is asked to note:

1. The internal audit report for 2018-2019.

1.0 Purpose

- 1.1 To provide the Local Pensions Board with the outcome of the work programme for internal audit for 2018-2019.

2.0 Background

- 2.1 The purpose of internal audit is to provide the Director, Section 151 Officer, Pensions Committee and the Local Pensions Board with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the Fund's agreed objectives. In order to provide this opinion, audit are required to review risk management and governance processes.
- 2.2 At its meeting in April, Board were presented with the Internal Audit work programme which outlined the focus of this work for the year 2019-20.

3.0 Internal Audit Annual Report 2018-19

- 3.1 A copy of the outcome report is attached at Appendix A.
- 3.2 The report confirms that no significant audit issues have arisen throughout the year and most importantly, where identified weaknesses / improvements have been identified during the course of audit work, management have agreed recommendations.

4.0 Financial implications

- 4.1 There are no financial implications

5.0 Legal implications

- 5.1 Outlined in the report and appendix

6.0 Equalities implications

- 6.1 There are no implications

7.0 Environmental implications

- 7.1 There are no implications

8.0 Human resources implications

- 8.1 There are no implications

9.0 Corporate landlord implications

- 9.1 There are no implications

10.0 Schedule of background papers

10.1 Report to the Local Pensions Board 23 April 2019 - Audit 2019-2020.

11.0 Schedule of Appendices

11.1 Appendix A: Internal Audit Annual Report 2018-2019

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Internal Audit Annual Report 2018-2019



Introduction

Our internal audit work for the period 2018-2019 was carried out in accordance with the Internal Audit Plan. The Plan was constructed in such a way as to allow us to make a statement on the adequacy and effectiveness of West Midlands Pension Fund's (the Fund) governance, risk management and control processes. In this way our annual report provides one element of the evidence that underpins the Fund's assurance framework, which supports the City of Wolverhampton Annual Governance Statement and WMPF annual report. This is only one aspect of the assurances available to the Fund as to the adequacy of governance, risk management and control processes. Other sources of assurance on which the Fund may rely, could include:

- The work of the external auditors;
- Statutory policies and plans;
- Compliance reviews;
- The results of any quality accreditations;
- Other pieces of consultancy or work designed to alert the Fund to areas of improvement;
- Other external review agencies

As stated above, the framework of assurance comprises a variety of sources and not only the Fund's internal audit service. However, Internal Audit holds a unique role as the only independent source of assurance on all internal controls. Internal Audit is therefore central to this framework of assurance and is required to acquire an understanding not only of the Fund's risks and its overall whole control environment but also all sources of assurance. In this way, Internal Audit will be able to indicate whether key controls are adequately designed and effectively operated, regardless of the sources of that assurance.

The definition of internal audit, as described in the Public Sector Internal Audit Standards, is "Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

Overall Assurance

As the providers of internal audit to the Fund, we are required to provide the Managing Director, Director of Pensions and Section 151 Officer with an opinion on the adequacy and effectiveness of the governance, risk management and control processes. In giving our opinion it should be noted that assurance can never be absolute. The most that internal audit can provide to the Managing Director, Director of Pensions and Section 151 Officer is reasonable assurance that there are no major weaknesses in the Fund's governance, risk management and control processes. In assessing the level of assurance to be given, we have taken into account:

- All audits undertaken for the year ended 31 March 2019.
- Any follow-up action taken in respect of audits from previous periods.
- Any key recommendations not accepted by management and the consequent risks.
- Any limitations which may have been placed on the scope of internal audit

Internal audit opinion

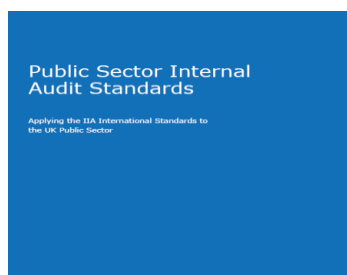
We have conducted our audits in accordance with the Public Sector Internal Audit Standards. Within the context of the parameters set out in the paragraph above, our opinion is as follows:

Based on the work undertaken during the year, the implementation by management of the recommendations made and the assurance made available to the Fund by other providers as well as directly by Internal Audit, Internal Audit can provide **reasonable assurance** that the Fund has adequate and effective governance, risk management and internal control processes.

In reaching our opinion, the following factors were taken into consideration:

- The need for management to plan appropriate and timely action to implement our and other assurance providers' recommendations.
- Key areas of significance, identified as a result of our audit work performed in year.

Compliance with the Public Sector Internal Audit Standards



The internal audit service follows the Public Sector Internal Audit Standards.

Summary of work completed

A detailed written report and action plan is prepared and issued for every review. The responsible employee will be asked to respond to the report by completing and returning an action plan. This response must show what actions have been taken or are planned in relation to each recommendation.

Where appropriate each report we issue during the year is given an overall opinion based on the following criteria:

Limited	Satisfactory	Substantial
There is a risk of objectives not being met due to serious control failings.	A framework of controls is in place, but controls need to be strengthened further.	There is a robust framework of controls which are applied continuously.

Summary of audit reviews completed

The following internal audit reviews were completed during 2018-2019:

Auditable area	Date	Recommendations					Level of Assurance
		Red	Amber	Green	Total	Number accepted	
Annual Benefit Statements The audit examined processes to ascertain whether appropriate actions were taken to facilitate the accurate and timely issue of annual benefit statements.	November 2018	-	2	4	6	6	Satisfactory
GDPR Review Following the introduction of the General Data Protection Regulation (GDPR) in May 2018, a review was undertaken to provide assurance that the controls and procedures implemented were fully embedded within the Fund and operating effectively.	October 2018	-	-	5	5	5	Satisfactory
Members Communications The audit focused on ensuring that the Fund was providing information to members in accordance with legislative and regulatory timescales.	January 2019	-	-	2	2	2	Substantial
Payroll A review of the Fund's pensions payroll system was undertaken.	November 2018	-	-	2	2	2	Substantial

Auditable area	Date	Recommendations					Level of Assurance
		Red	Amber	Green	Total	Number accepted	
<p>Review of Pensions Administration Strategy</p> <p>The audit examined the Fund's internal review of the PAS, undertaken in early in 2018. The review focussed on the roles and responsibilities of both employers and the Fund, and the associated performance measures.</p>	March 2018	-	2	6	8	8	Satisfactory
<p>Transfer of Assets</p> <p>An audit review of the initial transfer of assets was undertaken. Investments valuing £5.2 billion were transferred from the Fund to LGPSC. This represents approximately a third in value of the Fund's total net assets.</p>	February 2019	-	-	4	4	4	Substantial
<p>Trustee Governance Arrangements</p> <p>An audit of trustee governance arrangements provided assurance that the Fund has appropriate controls and procedures in place and adheres to the Constitution, internal policies and regulatory guidance</p>	April 2019	-	-	5	5	5	Substantial

Key Financial Systems Work

A full review of the controls within the payroll system has been completed. We also reviewed the high-level controls for the calculation of benefits. We evidenced robust systems and the continuous application of internal controls. Overall, we provided a substantial level of assurance for this work.

Follow up Reviews

A review of recommendations made as part of the 2017/2018 internal audit programme confirmed that all actions had been appropriately implemented or were in the process of being implemented.

Consultancy / ad hoc work

- Internal audit has completed 33 financial appraisals on behalf of the Fund during the year. These are undertaken when an organisation is seeking to obtain admitted body status and establishes whether an organisation will, or will not be able to meet its financial obligations to the Fund.
- In accordance with the Cabinet Office requirements, internal audit continues to be the Fund's key contact for the National Fraud Initiative. In addition, advice and support is provided throughout the year when requested.
- We have worked closely with the Pool's Partner Fund audit teams and with LGPS Central to develop an appropriate assurance framework. This work is still ongoing and will continue throughout the new financial year.
- We have provided advice and consultancy to the Fund as required and liaise with the Fund's compliance team with regards to risk and ongoing issues.
- In addition, we have provided ongoing support to the Fund's external auditors throughout the year.

CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 2 July 2019
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Report title	Regulatory Update	
Originating service	Pension Services	
Accountable employee(s)	Rachel Howe	Head of Governance and Corporate Services
	Tel	01902 552091
	Email	Rachel.Howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	Rachel.Brothwood@wolverhampton.gov.uk

Recommendation for noting:

The Board is asked to note:

1. The updates to the current regulatory environment within the LGPS.

1.0 Purpose

- 1.1 To provide the Local Pensions Board with an update on the work of the Fund to deliver a well governed scheme and to note the current regulatory environment in which the Fund operates

2.0 Regulatory Updates

2.1 Cost Management Review

In May, the Scheme Advisory Board issued guidance on the approach funds should take in the assessment of liabilities for the 2019 valuation, following the pause in the Cost Management process and review of changes to scheme benefits with effect from 1 April 2019, pending the outcome of the McCloud court case.

The changes could have significance in LGPS Funds' valuations which are required to assess and determine the liabilities of pension funds and their ability to meet the cost of paying pension benefits. At the time of pausing the changes, a package of improvements costing an average of 0.9% of payroll had been recommended. Depending on the profile of the membership of individual LGPS employers, the impact on contributions could have varied widely and guidance was sought from the Scheme Advisory Board on how Funds should account for this change as part of the 2019 valuation. The potential impact on all public service pension schemes is significant should the 2018 Court of Appeal's finding that protections for those within 10 years of retirement are unlawful be upheld. If, however, the finding is not upheld then the cost cap process will restart.

Guidance from the Scheme Advisory Board has stated that if no outcome from McCloud is known by 31 August 2019, funds and their actuaries should consider liabilities under the current regulations and scheme benefits, noting the expectation that the Scheme cost may rise in future. West Midlands Pension Fund will be working closely with its Actuary, Barnett Waddingham to consider any potential outcome as it moves forward with the 2019 Actuarial Valuation and commences its engagement programme with Fund employers.

2.2 Employee exit payments

Committee will recall the proposal by Government to implement a £95,000 cap on payments to individuals who leave public sector employment with a view to reducing the burden on the public purse.

The cap is proposed to cover all payments and include the calculation of the employer strain costs on pension payments where an individual leaves employment and is entitled to receive their (often unreduced) pension benefits.

In April 2019, the Government launched a consultation on the proposals which have been criticised for capturing those individuals with long term service earning average salaries. The consultation closes on 3 July 2019 and the Fund will be considering the proposals and the questions posed in its response.

2.3 LGPS Actuarial Valuation cycle

West Midlands Pension Fund, in line with LGPS Regulations currently undertakes a local triennial valuation to assess its funding level and future levels of contributions required from employers.

In May government issued a consultation proposing to move this valuation cycle to every four years with the ability to conduct an interim valuation where there has been significant change between valuation cycles. Also proposed, is the widening of a power that allows LGPS administering authorities to amend an employer's contribution rate in between valuations, so that contribution rates can be adjusted if circumstances change.

The Fund will be working with its Actuary, Barnett Waddingham to understand the implications of the proposals and will keep employers informed of the consultation.

2.4 Good Governance in the LGPS

Previously referred to as the "Separation Review" the Scheme Advisory Board appointed Hymans Robertson to look at a range of options which may support governance arrangements for individual Funds within the LGPS, noting that the separation of LGPS Funds from their Administering Authority is not the intended outcome, with any degree of separation considered retaining local authority control.

Speaking at the Pensions and Lifetime Savings Association (PLSA) conference in May, the Scheme Advisory Board (SAB) set out their intention for the review in assisting LGPS Funds to ensure their ability to meet statutory requirements on good governance which included the ability to adequately resource their funds to deliver pension benefits for their members.

SAB have outlined their key considerations/criteria for the review which include avoiding the risk of conflict where officers in administering authorities conduct two, sometimes conflicting roles. In addition, SAB is considering the representation and standards of decision-making bodies in the LGPS, which may include the requirement for statutory training and knowledge requirements of those charged with decision making (elected members and officers).

The Fund participated in an initial fact find with Hymans Robertson and has issued a response to the survey. Hymans will be presenting their findings to SAB in July, following which SAB may make recommendations to MHCLG (Minister for Housing, Communities and Local Government).

3.0 Financial implications

3.1 Further consideration may need to be given to the Fund Budget depending on the nature of change requirements for implementing regulatory change. There is the potential for cost pressures on the Fund.

4.0 Legal implications

- 4.1 Changes to legislation and statutory guidance are detailed in the report. Failure by the Fund to comply with legislation and/or statutory guidance can result in enforcement action and fine from both the Pension Regulator and the Courts via judicial review.

5.0 Equalities implications

- 5.1 There are no implications

6.0 Environmental implications

- 6.1 There are no implications.

7.0 Human resources implications

- 7.1 There are no implications

8.0 Corporate landlord implications

- 8.1 There are no implications

9.0 Schedule of background papers

- 9.1 Regulatory Update report to Local Pensions Board April 2019
<https://wolverhamptonintranet.moderngov.co.uk/documents/s106419/Regulatory%20Update.pdf>
- 9.2 Scheme Advisory Board guidance on the cost management review and application of McCloud in the 2019 valuation
http://www.lgpsboard.org/images/Other/Advice_from_the_SAB_on_McCloud_May_2019.pdf
- 9.3 Government consultation on the £95K cap
<https://www.gov.uk/government/consultations/restricting-exit-payments-in-the-public-sector>
- 9.4 LGPS Valuation cycle consultation
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/800321/LGPS_valuation_cycle_reform_consultation.pdf
- 9.5 Scheme Advisory Board Good Governance Review
https://www.lgpsboard.org/images/PDF/Options_for_separation_Instructions_for_bidders_20180820.pdf

10.0 Schedule of Appendices

- 10.1 None

CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 2 July 2019
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Report title	Business Performance and Data Management	
Originating service	Pension Services	
Accountable employee(s)	Rachel Howe Tel Email	Head of Governance and Corporate Services 01902552091 Rachel.Howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 551715 Rachel.Brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Board is asked to note:

1. The Data Management Strategy adopted by the Fund.
2. The progress of work on the Monthly Submissions project.
3. The work to progress delivery of Annual Benefit Statements.
4. The Fund's Key Performance Indicators as an annual review.
5. The work of the Fund on delivering its Digital Transformation Programme.
6. The progress of GMP Reconciliation.
7. The reviewed and updated Pension Administration Strategy.

1.0 Purpose

- 1.1 To provide the Local Pensions Board with an update on the work of the Fund in delivering improved data quality in line with the Pension Regulator's Code of Practice.
- 1.2 To provide the Local Pensions Board with an end of year overview of Fund performance against its set objectives.

2.0 Data Management Strategy

- 2.1 All Local Government Pension Schemes collect and hold records about scheme members' identities, personal data, pay and their time in the scheme to calculate and pay out pension benefits. Record keeping is a vital part of running a scheme and failure to maintain complete and accurate records means the Fund is at risk of failing to meet its legal obligations. Crucially, it can affect the Fund's ability to complete basic functions such as paying members the right amount at the right time and issuing annual benefit statements as required under the Local Government Pension Scheme Regulations.
- 2.2 In 2018, the Pensions Regulator (tPR) set out its aims of becoming "Quicker, Clearer, Tougher" in its oversight of pension schemes with good clean data quality at the heart of delivering a well governed pension scheme. Good data governance has been a key focus for the Scheme Advisory Board (SAB) and the Local Government Minister, noting the role of data in ensuring the delivery of accurate and timely pension benefit information to members. The Fund launched its Data Improvement Strategy in 2018 collating various workstreams focused on identifying, managing and continuing to improve data quality across the Fund's membership profile through a series of focussed data improvement plans.
- 2.3 The evolving Fund membership, employer base, the cycle of actuarial valuations, developing standards and the increased complexities in the scheme following benefit change, require the strategy to be responsive to change, meeting new requirements and priorities, while retaining the ability to monitor continued and progressive steps to managing data quality.
- 2.4 Attached at Appendix A is the Fund's revised Data Management Strategy for 2019/20 adopted by Committee at its June meeting. This has been updated with recent changes in the Fund's data management approach following a corporate review of monitoring tools and the continued focus of the Fund on improving services for Scheme Members, as outlined in the Fund's Service Plan 2019 – 2024.
- 2.5 In formulating the strategy, the Fund has undertaken a data impact risk assessment, considering the potential outcomes of poor data and how to mitigate them through proactive management. That risk assessment has been used to design data management projects and inform priorities to deliver related initiatives, such as the Fund's Digital Transformation Programme (DTEP), and the 2019 Actuarial Valuation which is heavily reliant on good data in assessing the Fund's liabilities. Progress on these projects is reported monthly to the Fund's Senior Management Team, to Pensions Committee on a quarterly basis and monitored by the Local Pension Board bi-annually, providing oversight and assurance of the Fund's commitment to improved Data Quality.

3.0 Monthly Submissions

- 3.1 While development of the monthly submissions process continues, the Fund has undertaken a review of the delivery and practical application, which currently requires a greater volume of manual work than anticipated at the launch of the programme, restricting reporting back to employers.
- 3.2 For the year 2018/19 the Fund has uploaded and processed all files received and continues to work through the data analysis having recruited additional temporary resource to support and prioritise this work in the lead up to the 2019 Annual Benefit Statement production.
- 3.3 Following the initial launch in 2017, the Fund has undertaken a review of the operation of the monthly submissions programme. The review has focused on increasing efficiency and increasing reporting capabilities back to employers, seeking greater automation of data analysis, streamlining functions for employer and Fund users, reducing manual intervention and enabling greater employer-led validation at the point of upload. The improvements identified will be being delivered in conjunction with elements of the Fund's Digital Transformation Programme with, for example, greater use of shared work trays to manage queries.
- 3.4 This year, the Fund has seen improved employer performance in terms of delivery of monthly submission files compared to this time last year, with approximately 75% of files submitted on time compared to approximately 37% last year. 97% of files have been submitted by year-end compared to 88% last year and the Fund is currently working through the analysis to identify any errors which may prevent the Fund from delivering an individual's Annual Benefit Statement. Engagement with employers continues through the employer engagement roadmap; where identified as necessary, improvement plans will be issued to employers from May through to July (extending over the summer, if required) to assist in the delivery of annual benefit statements.

4.0 Actions to Improve Data Quality

- 4.1 Annual Benefit Statements 2019
Work has begun to deliver Annual Benefit Statements to Fund members for 2019 with the first run completed for Deferred Benefit Statements. This first run saw an 87% production ahead of the 31 August deadline, and work continues to cleanse the data on identified leavers with the aim of maximising this production further on the second production run to meet the statutory deadline.

As noted above, work continues in assessing and cleansing the data from monthly files, with employer engagement planned to highlight and present queries for resolution prior to the first production run of Active Benefit Statements.

- 4.2 Common and Conditional Data Analysis
Data Quality remains a key focus area for all governing bodies across the LGPS including the Pensions Regulator (tPR) and the Scheme Advisory Board (SAB).

One measure used by tPR to assess the quality of data across the LGPS is their common and conditional data score.

Common data being the data that is consistent across all schemes (name, DOB, Nino). Conditional data being data that is specific to the scheme (salary, hours, start and end dates).

The Fund participates in the reporting of common and conditional data and this year has reported 98% accuracy of its common data fields. The Fund has been developing a suite of conditional data reports since 2016 and has used the initial output from these to inform data cleansing work, with further development pending awaiting further details on a national standard for the LGPS.

As reported to Committee in September 2018, in June 2018 the Fund received communication from the Local Government Association (LGA) on behalf of the Pension Regulator, confirming that they were moving forward with assessing the possibility of a consistent data approach across the LGPS, responding to concerns from employers and payroll providers about the inconsistent requests for data from different Funds in connection with the conditional data aspect of LGPS data requirements.

4.3 Member Tracing

As part of its review of existing tracing services and provider, in February, the Fund engaged with an external Tracing provider, via the National LGPS Framework for member Data Services to complete a pilot exercise to support the Fund with cleansing and tracing a number of Deferred member addresses.

As part of this process, the Fund has produced a file of identified deferred members where the Fund believes they have gone away from the address held on the system, which has been provided to the third-party provider who has begun a stage process of tracing and validating the data.

The first stage of the process is for the whole data set to undergo a mini trace, to identify potential new addresses. The data is then graded on level of certainty and accuracy of match/trace. Any new addresses which are found and have a higher grading undergo a high-level verification stage, those with a lower graded accuracy rating (linked only on minimal identifiers) are taken through a more in-depth verification stage. Currently this process has resolved c40% of new cases, with a further 25% undergoing the second verification stage

5.0 Key Performance Indicators

- 5.1 This year, the Fund has seen a steady increase in its performance which is reflective of the increased workloads and complexities in the scheme, including amendments to regulations enabling early access of benefits for deferred members. As reported to Committee in March, the Fund has engaged with SAB on the timing of issuance of changes to regulations to enable Funds to more fully prepare for amendments to scheme benefits through earlier updates to software systems and the training of employees. This is an issue felt across all LGPS Funds and is not unique to West Midlands.

- 5.2 Workloads continue to increase across all service areas of the Fund, with more demand for face-to-face services and an increase in calls to the Fund's customer call centre. This is reflective of the current pensions culture with more national campaigns and awareness raising of pensions and planning for retirement. In addition, registrations to the Fund's online pensions portal have exceeded target with more than 75,000 members registered to access their benefit accounts. The Fund is continuing to identify more ways to engage its customer base and will, this year, participate in a national benchmarking exercise to assess the value of its customer services looking to identify further ways it can improve and engage the customer experience.
- 5.3 In addition, the Fund is reporting improved performance in the average days of sickness across its employee base which is below average when compared Council wide. Further in its employee development, while average numbers of training have reduced across the employee base, the Fund now has more employees than previous years undertaking a relevant training and/or qualification, with higher levels of reported training hours also coming through for Pension Committee and Local Pension Board members.
- 5.4 Outlined in the Fund's Service Plan 2019-2024 is the continued focus on developing more channels for customer engagement, including the creation of online videos and webinars as the Fund continually reviews and develops its services to meet the increasing demand and the changing way members interact with us. Our People Development Framework will be key to ensuring we have a highly skilled workforce, flexible to the changing environment of pensions and one that supports our colleagues in their personal development and future careers.
- 5.5 A copy of the end of the year KPIs is attached at Appendix B.

6.0 GMP Reconciliation

- 6.1 Since April 2018, ITM have been appointed by the Fund to undertake Stage 2 of the Guaranteed Minimum Pension (GMP) Reconciliation project. This second stage involves raising and resolving disputed contracted out membership queries and agreeing GMP amounts with HM Revenue and Customs.
- 6.2 At the start of the project there were 230,923 discrepancies between the Fund's administration data and the data held by HMRC. These discrepancies were in the form of both membership mismatches, for example members on HMRC records but not on the Fund's administration system or vice versa, and the GMP differences where HMRC holds different GMP values to the Fund's records. All new queries had to be raised with HMRC by 31 October 2018.
- 6.3 At the end of December 2018, just over 28,000 queries remained unreconciled, with the majority awaiting a response from HMRC. The responses were scheduled to be received back from HMRC during March and April 2019.

Summary of Project Position from the Baseline at 23/04/2018 to 21/12/2018:

	Reconciled	Unreconciled	Other (out of scope)
Baseline Totals (as at 23.4.2018)	157,712	230,923	143,385
21.12.2018 Totals	251,221	28,074	248,533
Difference	+93,509	-202,849	+105,148

- 6.4 It can be seen from the above table that since the baseline was established on 23 April 2018, the number of unreconciled cases has reduced from 230,923 to 28,074, a reduction of 202,849 cases. The reconciled cases have increased to 251,221 and the out of scope cases to 248,533.
- 6.5 Out of scope cases include the following:
- Members with no liability under the scheme and no corresponding record on the HMRC data e.g. transfers out, refunds
 - Members with pre-6 April 1978 service only or post 5 April 2016 service only
 - Member with no liability status but another liability record is already linked to a HMRC record.
 - HMRC records initially not matched to the Funds records that subsequently are at a later date
- 6.6 ITM are currently reviewing and processing the responses received after 31 December 2018 and the final Stage 2 Reconciliation report will be issued to the Fund by mid-June. As such, a more comprehensive report will be submitted to Committee as part of the September 2019 meeting.

7.0 Pension Administration Strategy

- 7.1 Following review and consultation with employers, Pensions Committee approved the Pension Administration Strategy (PAS) 2019, included at appendix C at its June meeting.
- 7.2 The updated strategy includes and reflects:
- Requirements to provide detailed breakdowns with respect to contributions to assist with the reconciliation of payments. In particular where payment is made on behalf of multiple employers by payroll providers.
 - Greater clarity required with respect to information provided regarding members' previous periods of employment as part of the new joiner process.
 - A review of the charging and re-charging structure in the event of poor performance, which has resulted in no amendments for this version. The level and structure of charges remain aligned to the monthly data submission process whilst maintaining transparency and proportionality.

- Inclusion of the requirement to review Tier 3 Ill health benefits after they have been in payment for 18 months, in line with the LGPS Regulations.
- The implications for provision of annual pension accounting reports where the Fund is unable to prepare cashflow information due to inadequate or missing contribution breakdowns being submitted by an employer.

7.3 In conjunction with the PAS, the Fund also published a revised 2019 Employer Engagement Roadmap, included at Appendix D, which has been issued to employers with the PAS consultation. The purpose of the Employer Engagement Roadmap is to outline the framework available to support performance improvement and the steps the Fund will take (including escalation) where any issues with performance are not being addressed and where the engagement and further support is unsuccessful. The primary revisions included in this iteration are:

- Alignment to the employer journey outlined in the Customer Engagement Strategy.
- Revisions to the escalation procedures and timescales, primarily to split out the monthly submission of data and the payment of contributions.
- Further clarity on benefit operation processes and the stages for escalation as required.

8.0 Financial implications

- 8.1 There are no financial implications outlined in the report, however, failure by the Fund to meet statutory requirements could result in a fine from the Pensions Regulator.
- 8.2 Poor data quality has the potential to impact the Fund's setting of contribution rates as part of the 2019 actuarial valuation. Its ability to assess its liabilities is key to the assessment of the Fund's funding level and the setting of employer contribution rates.
- 8.3 Overriding all duties is the ability of the Fund to pay accurate and timely pension benefits to its members, poor quality of data may result in incorrect payments and/or delays to member finances.

9.0 Legal implications

- 9.1 The Fund has a statutory duty to provide Annual Benefit Statements to members, failure to produce statements could result in enforcement action from the Regulator.

10.0 Equalities implications

- 10.1 The Fund's Data Management Strategy has been assessed under the Equality Impact Assessment, no implications were identified.

11.0 Environmental implications

11.1 There are no implications

12.0 Human resources implications

12.1 There are no implications

13.0 Corporate landlord implications

13.1 There are no implications

14.0 Schedule of background papers

14.1 The Pensions Regulator's Code of Practice No14

<https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes>

14.2 The Pensions Regulator's Corporate Plan 2018-2021

<https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/corporate-plan-2018-2021.ashx>

14.3 Data Management Report to Pensions Committee 5 September 2018

<https://wolverhamptonintranet.moderngov.co.uk/documents/s84041/Data%20Management%20Report.pdf>

15.0 Schedule of Appendices

15.1 Appendix A: Data Management Strategy 2019

15.2 Appendix B: 2019 Key Performance Indicators

15.3 Appendix C: Pension Administration Strategy 2019

15.4 Appendix D: Employer Engagement Roadmap



DATA MANAGEMENT STRATEGY

2019/20

Appendix A

1. Introduction

The West Midlands Pension Fund is one of the largest Local Government Pension Funds in the UK and manages the pension records of over 320,000 members. The Fund is not a legal entity in its own right, it sits as a function of the City of Wolverhampton Council who hold the capacity of Administering Authority.

The Council, and therefore the Fund, are bound by the obligations set out in the Public Service Pensions Act 2013 and associated legislation, including statutory guidance issued by the Scheme Advisory Board (SAB) and the Pensions Regulator (tPR).

In compliance with those obligations, the Fund is required to keep accurate records of member data that is necessary to perform its function as a Local Government Pension Scheme provider.

This strategy has been approved by the Fund's Pension Committee, its implementation and progress for improving data quality across the Fund is monitored by the Fund's Local Pensions Board.

2. Purpose

The purpose of this strategy is to provide a framework for identifying areas for data improvement and to develop and monitor data improvement plans where a data quality issue is identified. It defines the Fund's responsibilities in relation to record keeping and data quality, providing assurance to our stakeholders that their data is managed in compliance with the statutory obligations placed upon the Fund.

The strategy provides the parameters for assessing areas for improvement based on risk analysis and impact assessment. Through effective risk management the Fund is able to mitigate the impact of poor data quality, put plans in place to reduce future impact and improve process efficiencies.

The overriding purpose of this strategy is to set out the Fund's commitment to improving the service it provides to Fund Members thus ensuring:

- Members get the right benefits at the right time and;
- Actuarial valuations accurately reflect pension benefit obligations and funding requirements for the Fund's employers when reviewing contribution rates.

Appendix A

3. Scope

It applies to all Officers, Pension Committee Members, Pension Board Members, contractors and partner agencies (including employers) who have a responsibility under the legislation to maintain or assist in the maintenance of accurate pension member records.

It applies to all data required by the Fund to administer the scheme and meet the tPR requirements for record keeping covering all types of member (active, deferred, pensioner (including beneficiary)) across all membership records and aims to improve both the current and historical data held by the Fund.

The Fund may hold information about deceased members or members who have transferred out of the West Midlands Pension Fund, this Data Management Strategy applies to their data also where the Fund has a statutory duty to pay beneficiary/spousal benefits and to provide statutory reconciliation of data such as GMP reconciliation.

4. The Legal Basis

In line with the Pension Regulator's Code of Practice 14, Scheme Managers should review their data at least once a year and if there are any issues, put an improvement plan in place to address them. The improvement plan should clearly set out the steps to be taken to improve the data held.

Failure to maintain accurate records can put the Fund, Administering Authority and its employers at risk of failing to meet their legal obligations to members which could result in the Pensions Regulator taking enforcement action to remedy and rectify inaccurate data. It could have a further financial impact if the Fund is unable to accurately assess its liabilities and set appropriate contribution rates.

There is therefore both a legal and reputational risk to holding inaccurate or incomplete data.

In conjunction with the legal requirement to hold accurate data, the Fund also has a legal duty under the Data Protection Act 2018 and General Data Protection Regulations (EU) to ensure it manages personal information in an appropriate way enabling individuals to access their information while providing assurance as to its security and appropriate use.

For more information on the Fund's compliance with Data Protection, please visit www.wmpfonline.com/informationgovernance

Appendix A

5. Responsibilities

In delivering this strategy, the Fund has identified key owners for certain aspects of its delivery, these are set out as follows:

Role	Responsibility
Pension Committee	<p>As the decision-making body for the Fund the Pension Committee has ultimate responsibility for adhering to the legislation on managing and protecting data. This includes the responsibility for ensuring effective management processes are in place to ensure compliance.</p> <p>All members of the Pensions Committee are required to undergo data protection training.</p>
Local Pensions Board	<p>To monitor the delivery of this strategy and the activity taken to improve data quality where issues are identified. On a bi-annual basis the local pensions board will receive updates on the progress of the Fund's Data Management project with responsibility for ensuring focussed resource and delivery of improvements.</p> <p>All members of the Local Pensions Board are required to undergo data protection training.</p>
Officers	<p>As users of the Fund's data (in the processing of member benefits), officers have the responsibility to ensure the information they access is relevant, secure and used only for the purpose of providing pension benefits. Each individual officer is responsible for highlighting discrepancies in data, for raising queries where discrepancies are highlighted and for rectifying incorrect information on a member's record.</p>

Appendix A

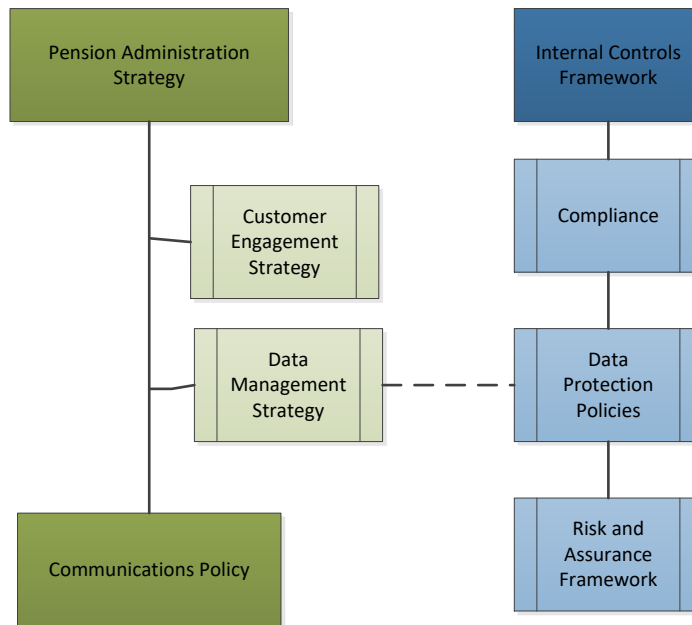
	<p>All officers of the Pension Fund are required to undergo bespoke data protection training with the Fund's governance officer tailored to the level of access to data required by their individual role.</p> <p>The Head of Governance and Corporate Services holds the role of Data Protection Officer for the Fund and is responsible for the ongoing compliance with the Data Protection legislation.</p>
Partner Agencies (including employers)	<p>Are required to adhere to the Fund's Pension Administration Strategy which sets out data quality requirements and performance expectation in the delivery of member data to the Fund.</p> <p>In addition, contractors also have an obligation to adhere to the Data Protection Act when processing Fund data, the Fund requires all such contractors to enter into data sharing agreements providing assurance of their protection and use of the data provided.</p>
Contractors	<p>Are required to adhere to the Fund's Data Protection Policy, including providing assurance of their own data management arrangements. Each contractor or third party is required to enter into a data sharing agreement with the Fund confirming the need for the sharing of data, the restrictions of use and confirmation by them of the safe and secure storage of data where it is passed for the performance of a service.</p>

6. Strategy Objectives

The Fund has identified the following objectives which are supported through the delivery of our corporate strategies and policy framework.

- To improve member **experience** of the Fund providing accurate information at the right time to enable them to make informed decisions about their retirement options.
- To improve **efficiency** in the Fund's processes, including provision of benefit information and payments, keeping administrative costs manageable and meeting KPIs
- To increase **automation** in Fund processes and enable greater self-service in the context of increasing demand.
- To maintain employer **confidence** in the assessment of liabilities and the appropriateness of their contribution and recovery plans set for funding purposes.
- To enable the Fund to meet regulatory record keeping **standards**
- To ensure the Fund effectively **protects** personal data in line with legislative requirements, including GDPR
- To ensure **compliance** with code of practice including the recording and reporting breaches of law.

Policy Framework



7. Key Outcome Indicators

In monitoring the delivery of this strategy and the ongoing analysis of the Fund's data quality the Fund has identified key outcomes to be achieved from the effective implementation of data management projects.

These include;

- A greater understanding of the Fund's data, its use across all service areas and its impact on service delivery
- Identified service development opportunities which lead to efficiencies in service delivery for key stakeholders
- Shared focus on data management across the Fund with identified ownership across individual service areas

Appendix A

- Effective oversight of the Fund's compliance with statutory requirements on data
- A risk-based approach to assessing impact against action in the improvement of data quality

We will measure the success of these outcomes through

- **Regulatory** - Continual improvement of the Fund's attainment to meet regulatory standards on data quality
- **Reputational** - The timely and accurate issuance of benefit information to members within set KPIs
- **Compliance** - Respond within statutory timescales to data protection queries
- **Operational** - Reduce processing times and improve benefit operation KPIs

These outcomes are monitored on a regular basis by the Fund's Senior Management Team, Pensions Committee and Local Pensions Board through the monitoring of Key Performance Indicators and the Fund's compliance monitoring programme reported on a monthly/quarterly basis.

8. Data Strategy Impact Assessment

Poor quality data can have a detrimental impact on the Fund's relationship with stakeholders due to unnecessarily long processing times, constant queries, and an inability to report and manage performance against the Fund's and Regulator's expectations as outlined in the Pension Administration Strategy.

The Data Strategy Impact Assessment is the process by which the impact of data (actual or potential) is assessed and prioritised at an operational level through discussion with all service areas. Identified trends are then taken forward to establish data improvement priority actions, those with the biggest **impact** and **value**.

Those priority actions are transcribed into operational data improvement plans to enable a focussed delivery on improvement with identified action including long term service development.



Appendix A

Monitoring outcomes which may result in improvement action being taken	Monitoring Tool
Inability to load monthly file or loading with significant errors	Dashboard reporting on monthly submissions
Analysis of employer information against scheme records which raises a number of queries (e.g. missing earnings)	Common and conditional data reports from the pension administration system
Falling performance relative to KPIs	Operational Key Performance Indicators
Increased number of operational data improvement plans	Data Improvement projects tracker reported quarterly to Senior Management Team
Delay in responses to queries (from member or employer)	Operational Key Performance Indicators
Charges issued in line with the Pension Administration Strategy	Employer Performance Dashboards
Changes in statutory requirements	Internal Controls Framework
Increased demand from stakeholders which require service development	Statistical analysis of member contact through pensions services

Appendix A

Identifying priorities Through the effective monitoring of the Fund's performance and its service delivery, it is able to identify areas for improvement and service development to ensure it is able to meet the ongoing demands of its customers.

Where a drop in performance, or an improvement to service delivery is identified, the Fund, through its Data Management Sub Committee, will assess the impact of that change. The impact is assessed twofold, first its impact on the Fund's ability to meet its statutory duty and second in its impact to the Fund's customers, their ability to plan their future income in retirement and the effect any change in service may have on their access to and understanding of their pension benefits.

Through effective impact analysis, the Fund can determine the priority actions for the improvement of service delivery led by the focussed improvement on the Fund's data.

Delivery against those priority actions is reported to and monitored by the Pension Committee and Local Pensions Board.

9. GDPR

Underpinning the work that the Fund is doing to improve its data quality is the need to adhere to the Data Protection Act 2018 (to be read alongside the General Data Protection Regulation as directed by the European Union). The changes to data protection legislation provide more robust rights to the data subject (the member) in the way in which organisations collect, process and share their personal information.

The Fund recognises that certain changes are required to ensure that the principles of data protection and the individual rights of the member are not breached, especially considering the significant reputational and financial consequences should a serious data breach occur.

The Fund has acted to amend the required processes, such as the sharing of personal information to third-parties to maintain confidence in the Fund's ability to manage our members' data appropriately and in line with statutory guidance.

Further information on the work of the Fund to adhere to Data Protection Law can be found on our website www.wmpfonline.com/dataprotection.

Appendix A

The following aspects are worth highlighting in the relationship between improving data quality and adhering to GDPR

- The introduction of Monthly Data Submissions and the work that is being undertaken to cleanse historical data discrepancies ensures that the Fund meets the requirement that individuals' personal information should be kept accurate and up-to-date. The frequency of the monthly files received from employers and subsequently the feedback provided on outstanding current and historical data queries enables the Fund to continue to build confidence in its data quality.
- By ensuring high levels of data quality the Fund is prepared to react to requests for information from its members (Subject Access Requests). It is able to provide back to the member information that is relevant, accurate and complete
- The Fund is required to publish a privacy notice to outline how the Fund manages its members' data, including who it shares personal information with and for what purposes it may be used. This transparency places a responsibility on the Fund to ensure that its data is of high quality while giving assurance to the members that the third parties we engage with maintain the same standard of care of our members' data

10. Ongoing Improvement

This strategy and associated plans are intended to provide a continuous cycle of data analysis ensuring the Fund remains committed to ensuring complete data accuracy in the information it holds about its members.

The Current Data Management activity will be reviewed and updated at each meeting of the Data Management Sub-Committee to ensure they achieve the desired outcomes of this strategy and deliver a high-quality service to our members.




Approved by





Pension Committee (Version 1)	March 2018
Local Pensions Board (Version 2)	July 2018
Pension Committee (Version 3)	June 2019

Freq	Description	Target	Lead Officer	2019 (Score and RAG)	2018 (Score and RAG)	Improvement/Deterioration
REFUNDS						
M	Notify member of Refund within 10 days	90%	AR	<div></div> 77.8%	<div></div> 89.6%	<div></div> -11.8%
	Refund payments processed within 5 days	90%		<div></div> 97.8%	<div></div> 99.3%	<div></div> -1.5%
ACTIVE RETIREMENTS						
M	Retirement options to members within 15 days	90%	AR	<div></div> 63.7%	<div></div> 55.0%	<div></div> 8.8%
	Notification of the actual retirement benefits will be issued to the scheme member within 5 days following receipt of the required information.	90%		<div></div> 99.1%	<div></div> 99.3%	<div></div> -0.2%
	New retirement benefits processed for payment following receipt of election within 5 days	90%		<div></div> 91.7%	<div></div> 97.8%	<div></div> -6.1%
DEFERRED RETIREMENTS						
M	Retirement options to members within 30 days	90%	AR	<div></div> 55.6%	<div></div> 90.5%	<div></div> -34.9%
	Notification of the actual retirement benefits will be issued to the scheme member within 5 days following receipt of the required information.	90%		<div></div> 97.0%	<div></div> 96.4%	<div></div> 0.6%
	New retirement benefits processed for payment following receipt of election within 5 days	90%		<div></div> 94.4%	<div></div> 94.6%	<div></div> -0.2%
TRANSFERS IN						
M	Transfer in quotations processed within 10 days of receiving all the required information	90%	AR	<div></div> 97.0%	<div></div> 82.6%	<div></div> 14.4%
	Transfer notification of transferred in membership to be notified to the scheme member within 10 days of receiving payment	90%		<div></div> 96.5%	<div></div> 93.1%	<div></div> 3.4%
TRANSFERS OUT						
M	Transfer out quotations processed within 20 days	90%	AR	<div></div> 94.6%	<div></div> 89.2%	<div></div> 5.4%
	Transfer out payments processed within 10 days	90%		<div></div> 90.0%	<div></div> 85.9%	<div></div> 4.1%
DEATHS						
M	Acknowledgement of a death within 5 days of receiving the notification.	90%	AR	<div></div> 97.1%	<div></div> 96.1%	<div></div> 1.0%
	Notification of benefits payable to dependents will be issued within 5 days of receiving the required information	90%		<div></div> 93.2%	<div></div> 91.6%	<div></div> 1.6%
	Payment of death lump sum will be made within 10 days of receipt of all the required information.	90%		<div></div> 100.0%	<div></div> 99.8%	<div></div> 0.2%
EMPLOYER AND MEMBER SERVICE - CALLS						
M	85% of calls received to the customer helpline to be answered.	85%	ST	<div></div> 81.7%	<div></div> 88.6%	<div></div> -6.9%
M	85% of calls received to the employer helpline to be answered.	85%	ST	<div></div> 93.3%	<div></div> 94.6%	<div></div> -1.3%
CUSTOMER SATISFACTION/SURVEY						
M	Overall member satisfaction score for members to be 90%.	90%	ST	<div></div> 100.0%	<div></div> 100.0%	<div></div> 0.0%
M	Overall employer satisfaction score for employers to be 90%.	90%	ST	<div></div> 99.0%	<div></div> 100.0%	<div></div> -1.0%
6 M	Satisfaction rate from feedback of trustee training/pension board events to be 90%.	90%	RH	<div></div> 100.0%	<div></div> 100.0%	<div></div> 0.0%
Q	Web Portal Registrations	Target 65000	ST	<div></div> 78570		
INVESTMENT RETURNS/OVERALL FUND PERFORMANCE						
M	Main Fund - Returns to be 0.5% above the benchmark (3 Yr. Rolling)	+/- 0.5%	JD	BENCHMARK 9.50%	BENCHMARK 13.10%	<div></div> 0.20%
				ACTUAL 9.20%	ACTUAL 12.60%	
M	ITA Fund - Returns to match the benchmark (3 Yr. Rolling)	+ 0	JD	BENCHMARK 7.90%	BENCHMARK 10.00%	<div></div> -0.50%
				ACTUAL 7.50%	ACTUAL 10.10%	
BENEFIT STATEMENTS						
A	ABS produced for 100% of active member records	100%	RH	<div></div> 85.0%	<div></div> 79.0%	<div></div> 6.0%
	DBS produced for 100% of deferred member records	100%		<div></div> 99.7%	<div></div> 98.6%	<div></div> 1.1%
CONTRIBUTIONS RECEIVED						
M	Main Fund - Employers to pay contributions	100%	JD	<div></div> 98.2%	<div></div> 98.4%	<div></div> -0.2%
	ITA Fund - Employers to pay contributions	100%		<div></div> 100.0%	<div></div> 94.2%	<div></div> 5.8%

Freq	Description	Target	Lead Officer	2019 (Score and RAG)	2018 (Score and RAG)	Improvement/Deterioration
EXTERNAL ACCREDITATION						
6 M	The Fund to be shortlisted for 75% of the awards in which it is entered	75%	RH	Applications	Applications	<div>↑</div> 23.0%
				8	13	
				No. Pending	No. Pending	
				2	0	
				0	3	
				1	10	
				Percentage Shortlisted	Percentage Shortlisted	
<div>●</div> 100%	<div>●</div> 77%					
SICKNESS ABSENCE						
M	Average number of days lost to sickness per FTE member of staff. Sickness absence to be under 6 days per annum per member of staff - cumulative.	6 days	RH	<div>●</div> 6.4	<div>●</div> 8.2	<div>↓</div> -1.8
COST PER MEMBER						
Q	Administration and governance cost per member to be reduced from budgeted figure of £26.51	£ 26.51	DS	<div>●</div> £23.11	<div>●</div> £20.37	<div>●</div> -£2.74
TRAINING HOURS						
Q	Average CPD per Fund employee to be 22 hours or more.	22 Hours	RH	<div>●</div> 33.8	<div>●</div> 40.2	<div>↓</div> -6.4
DATA QUALITY						
M	Common data Main Fund	99%>	RH	<div>●</div> 96.5%	<div>●</div> 99.4%	<div>↓</div> -2.1%
	Common data ITA	99%>		<div>●</div> 98.0%		
	Conditional data Main Fund	95%>			<div>●</div> 98.6%	
	Conditional data ITA	95%>				
TRUSTEE TRAINING AND PENSIONS BOARD						
M	Amount of training completed to trustees/board members during the year. (average per member)	22 hours	RH	<div>●</div> 40.9		
STAFF TURNOVER						
M	Staff turnover to be between 5-10% in a financial year	5% - 10%	All	<div>●</div> 14.0%	<div>●</div> 14.4%	<div>↓</div> -0.4%
AVAILABILITY OF ONLINE SERVICES						
M	Website and web portal to be available 95% of the time (based on working hours as monitored)	95%	AR	<div>●</div> 99.0%	<div>●</div> 99.6%	<div>↓</div> -0.6%
M	Number of occurrences web portal is unavailable	10 per month		<div>●</div> 3.4		<div>↓</div> 3.4
IDRP						
A	All IDRP cases completed within 60 days	60 days	AR	<div>●</div> 52.9 days	<div>●</div> 61.7 days	<div>↓</div> -8.8
COMPLAINTS MONITORING						
M	All complaints to be completed within 15 working days of receipt	100%	ST	<div>●</div> 97.7%	<div>●</div> 99.6%	<div>↓</div> -1.9%

FREQUENCY KEY	
T	Triennial
A	Annual
Q	Quarterly
6 M	6 Monthly

<p>The below commentary provides further detail on those Key Performance Indicators achieving, on average, below target at year end, noting continual improvement throughout the year.</p>		
KPI	Year end performance	Commentary
REFUNDS		
78% vs target of 90%		<p>The Fund has seen an increase in workloads across all service areas over the last 12 months as it continues to grow in membership and employer numbers. Resource has been focussed across the Fund to manage peaks and demands. The Fund continues to recruit to all service areas.</p> <p>By the end of the year, the processing of refunds achieved KPI at 95.7% with 100% of refunds being paid within 5 days.</p>
ACTIVE RETIREMENTS		
63% vs target of 90%		<p>The fund's membership profile is ageing and over the coming years will see more members move into the category of pensioner than active or deferred member.</p> <p>The Fund has seen an increase in workloads across all service areas over the last 12 months as it continues to grow in membership and employer numbers. Resource has been focussed across the Fund to manage peaks and demands. The Fund continues to recruit to all service areas.</p> <p>By the end of the year the fund had improved its performance for producing retirement options to members and achieved 86.6% against the 90% target</p>
DEFERRED RETIREMENTS		
56% vs target 90%		<p>The amendment to the scheme regulations allowing deferred members to access their benefits at the age of 55 resulted in the Fund seeing a significant increase of requests for deferred retirement quotes and saw an impact on the Fund's customer call centre also. Work has been undertaken on the team to manage these requests with the continual improvement of the KPI since the regulatory change in July. for April 2019, the KPI has increased to 92.44%</p>

MEMBER SERVICES - CALLS		
82% vs target 85%		In addition to the increase in demand on the Fund's call centre resulting from the changes to access to benefits for deferred members from the age of 55, the recent government initiatives encouraging individuals to be more pension aware in planning for retirement has seen calls to the Fund's contact centre increase by 22%. During July, when the changes to regulation were announced, the Fund saw an increase in calls of circa 2000 for that month alone.
BENEFIT STATEMENTS		
85% vs 100% target		This year the Fund delivered a rolling programme of benefit statement production for active members with the aim of maximising production following a data cleanse exercise with employers. As a result of the data cleanse, the Fund was informed of circa 12,000 known leavers from employers, for who the Fund were yet to receive leaver paperwork but were informed by employers that they had left the Fund. Therefore the Fund produced 85% of ABS out of a possible 88%.
DATA QUALITY - COMMON		
		Since 2017/18 the Fund have reviewed and amended its system reports for assessing data quality - common data. The new reports provide a more accurate analysis of the Fund's position on data quality.
STAFF TURNOVER		
		Last year's turnover can be attributable to the transfer of staff to LGPS Central on 31 March 2018.



PENSION ADMINISTRATION STRATEGY APRIL 2019



West Midlands Pension Fund

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1 INTRODUCTION AND REGULATORY CONTEXT

This is the Pension Administration Strategy (PAS) of West Midlands Pension Fund (the Fund) in relation to the Local Government Pension Scheme (LGPS), which is administered by the City of Wolverhampton Council (the administering authority).

The Pension Administration Strategy is kept under review and revised to reflect changes to LGPS regulations and Fund policies and working practices. This document sets out a framework outlining the policies and performance standards to be achieved by the Fund and employers and is developed through a consultation process, to enable provision of a cost-effective and high quality pension administration service.

The LGPS is a statutory scheme and governed by regulations. The current regulations appertaining to administration are the LGPS Regulations 2013 (As Amended). In discharging their roles and responsibilities under these regulations, the Fund and employers are also required to comply with any pertinent overriding legislation and take appropriate recognition of any regulatory guidance or Code of Practice issued by The Pension Regulator.

In addition to the management and administration of pensions on behalf of the local authority employers within the West Midlands, the Fund also undertakes this role on behalf of the West Midlands Integrated Transport Authority (WMITA) by delegation under S101 of the Local Government Act 1972.

The roles, responsibilities and performance standards/measurements set out in this strategy apply equally to the WMITA employers and to the Fund's management of the WMITA fund.

An efficient and effective scheme administration service requires the following:

- Clear point of contact, roles and responsibility
- Timely exchange of information and payment of contributions
- Complete and accurate notifications and communications
- Early notification of material changes
- Clear and timely responses to requests and queries

This strategy outlines the performance expected and the monitoring in place to support service delivery

2 AIMS

In line with the Fund's objectives, the aim of the PAS is to partner with our employers to provide a high quality service to our members delivered through efficient working practices.

We do that through detailing the expected performance of the Fund and its employers in meeting both the legal and regulatory duty of scheme administration as set out in the Pension Regulator's Code of Practice.

The efficient delivery of the benefits of the scheme is reliant upon effective administrative procedures being in place between the Fund and scheme employers, most notably the timely exchange of accurate information in relation to scheme members.

The primary method of exchange is via the employer web portal providing a secure link which can be tracked for audit purposes.

This Pension Administration Strategy sets out the expected levels of performance of the Fund and the scheme employers. The strategy provides details about the monitoring of performance levels and the action(s) that could be taken where standards are not met by employers and/or when persistent non-compliance occurs.

The Pension Administration Strategy, of which this iteration is effective from April 2019, was introduced in April 2015, with revisions since that date captured in this document. The Fund will continue to keep the strategy and policy document under review and update as required to reflect changes in scheme regulations and Fund working practices.

3 ROLES AND RESPONSIBILITIES

Overriding legislation dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various parties associated with the LGPS. In addition, regulatory guidance sets out a number of requirements for the Fund and scheme employers to provide information to each other, scheme members and prospective scheme members, dependants, other pension arrangements or other regulatory bodies.

3.1 Scheme Employer

3.1.1 Duties and Responsibilities

Function/Task		Expectation
1	General information	
1.1	Confirm nominated representative(s) to receive information from the Fund via the submission of a completed contact form via employer web portal	By 30 April each year (to be submitted via employer web portal) or within 30 days of becoming a scheme employer
1.2	Appoint a person (the adjudicator) to consider disputes under stage 1 of the pension internal dispute process (IDRP) and provide full up-to-date contact details to the Fund	Notify Employer Services at the Fund within 30 days of becoming a scheme employer or following the resignation of the current adjudicator
1.3	Formulate, publish and keep under review policies in relation to all areas where the employer may exercise a discretion within the LGPS ¹	A copy of the policy document is to be submitted to the Employer Services team at the Fund within one month of the change in policy
1.4	Distribute any information provided by the Fund to scheme members/potential scheme members (eg, scheme benefits or benefit statement production)	In a timely manner, as required
1.5	Notify the Fund in advance of any employer initiatives, (eg, employer mergers) policy decisions or practices which could have an impact on LGPS member benefits to include, but not limited to, bulk transfer changes	As soon as possible once the decision has been made or initiative/practice has been finalised as a minimum Where possible, earlier contact is preferable to enable the Fund to discuss and understand the implications

¹ For further information on which regulations require a policy, please see Regulation 60 in The Local Government Regulations 2013 (www.lgpsregs.org)

Function/Task		Expectation
2	Contributions	
2.1	Remit employer and employee contributions to the Fund due each month	By 19th of the following month
2.2	Implement changes to employer contribution rates as instructed by the Fund at the date specified by the Fund's actuary	In line with the Rates Adjustment Certificate issued by the actuary following each triennial valuation or following review in line with the LGPS regulations or on commencement as a scheme employer within the Fund as notified in writing
2.3	Provide a breakdown of monthly employer and AVC contributions for reconciliation against payment ²	By 19th of the following month
2.4	Ensure and arrange for the correct deduction of employee contributions from a member's pensionable pay and throughout their membership in the scheme (including any periods of leave)	As required, typically monthly
2.5	Manage the deduction of all additional contributions or amend such deductions, as appropriate	As required
2.6	Arrange for the deduction of AVCs and payment over of contributions to the AVC provider(s) and inform the Fund as required	As required, typically monthly
2.7	Make additional Fund payments in relation to early payment of benefits from flexible retirement, redundancy or business efficiency retirement or where a member retires early with employer's consent and a funding strain cost arises	Within 30 days of receipt of invoice from the Fund

² Breakdown needs to be provided on an individual employer basis where payments are made in respect of more than one participating employer, eg, where responsible for client payroll

Function/Task		Expectation
3	Contracting out of service	
3.1	Notify the Fund of the contracting out of services which will involve a TUPE transfer of staff to another organisation so that information can be provided to assist in the decision	Where possible, three months prior but at latest the point of deciding to tender
3.2	Work with the Fund to arrange for an admission agreement or such other admission arrangement and documentation as required, to be put in place when contracting out a service, and assist in ensuring it is complied with	Three months in advance of the date of contract
3.3	Notify the Fund if the employer ceases to admit new scheme members or is considering membership of the Fund	As soon as the decision is made (early discussion with the terminating Fund is encouraged)

Function/Task		Expectation
4	General administration and change notifications in relation to active members	
4.1	<p>Provide the Fund with the following member information on one monthly file (via employer web portal):</p> <ul style="list-style-type: none"> • New joiners • Changes in employees' circumstances which may impact Fund benefits (eg. movement in and out of the 50/50 scheme, marital or civil partnership status, maternity, paternity, career break, etc.) • Employee and employer contributions and earnings <p>Employer must ask the member for a statement in writing listing all the persons previous periods of employment</p>	<p>On a monthly basis, by the 19th of the following month, as part of the monthly submission upload via the employer web portal</p> <p>Members must be issued with a form A1 within three months from the date the person becomes a member</p>

Function/Task		Expectation
4	General administration and change notifications in relation to active members	
4.2	Notify the Fund (via employer web portal) when a member is due to retire including an accurate assessment of final pay details and authorisation of the reason for retirement	<ul style="list-style-type: none"> • Notify the Fund when a member is due to retire: <ul style="list-style-type: none"> - up to one month following the date of retirement if the date of retirement is before normal pension age (NPA) or; - ASAP once final earnings are known, typically three weeks before and no later than one week after the date of leaving, if the member's benefits are payable on or after their normal pension age (NPA)¹ <p>S4 retirement/death in service form (S4RB) to be submitted via employer web portal²</p>
4.3	Notify the Fund (via employer web portal) when a member leaves employment including an accurate assessment of final pay details	<p>Within 30 days of month end of date of leaving</p> <p>S4 early leaver form (S4EL/OPT) to be submitted via employer web portal²</p>
4.4	Notify the Fund (via employer web portal) of the death of a scheme member	<p>As soon as practicable, but within a maximum of ten days of the employer being notified</p> <p>S4 retirement/death in service form (S4RB) to be submitted via employer web portal²</p>
4.5	Review payment of Tier 3 ill-health benefits	<p>After benefits have been in payment for 18 months</p>

¹ Notification should not be given prior to the final earnings being known to avoid recalculation of member benefits

² On receipt of the appropriate S4 notification, where data is incomplete or inaccurate this may lead to delays in processing by the Fund should queries need to be raised

3.1.2 Performance Measurements

The table below sets out the areas that employer performance will be routinely measured. The Fund will periodically review other employer responsibilities to ensure performance is in line with the expectations detailed in this strategy.

Performance area		Measurement (working days where applicable)
1	Contributions	
1.1	Remit employer and employee contributions to the Fund in full by the 19th of the following month	Payment of monthly employee and employer contributions Under the Pensions Act 2004 and the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014, The Pensions Regulator may be notified if the above requirement is not met
1.2	Provision of breakdown of employee, employer and AVC contributions for reconciliation against payment	Receipt of breakdown by 19th of the following month

Performance area		Measurement (working days where applicable)
2	General administration and change notifications in relation to active members	
2.1	Submission of a monthly data file and web remittance advice via employer web portal which includes the following in month data: <ul style="list-style-type: none"> • New joiners • Changes in employees' circumstances which may impact Fund benefits (eg, movement in and out of the 50/50 scheme, marital or civil partnership status, maternity, paternity, career break, etc.) • Employee and employer contributions and earnings paid within that period 	By the 19th of the following month
2.2	To ensure optimum accuracy of monthly data files received.	Less than 5% of the active member count as at 1 April to error on import into the pension administration system
2.3	The rectification of an accurate monthly data file where it has been necessary to return the file due to data inaccuracies	Within 20 days of receipt of file

Performance area		Measurement (working days where applicable)
2	General administration and change notifications in relation to active members	
2.4	Notify the Fund when a member is due to retire including an accurate assessment of final pay details and authorisation of the reason for retirement	<ul style="list-style-type: none"> • Notify the Fund when a member is due to retire: <ul style="list-style-type: none"> - up to one month following the date of retirement if the date of retirement is before normal pension age (NPA) or; - ASAP once final earnings are known, typically three weeks before and no later than one week after the date of leaving, if the member's benefits are payable on or after their normal pension age (NPA) <p>S4 form to be submitted via employer web portal</p>
2.5	Notify the Fund when a member leaves membership including an accurate assessment of final pay details using the method stipulated by the Fund	<p>Within 30 days of month end of date of leaving</p> <p>S4 form to be submitted via employer web portal</p>
2.6	Respond to enquiries from the Fund in regards to member notifications and submitted forms (ie, S15, N15 etc)	Within ten days from receipt of enquiry

In line with The Pension Regulator's Code of Practice, the Fund in conjunction with its employers has implemented a two-stage process for dealing with pension disputes when a member is unhappy with the first instance decision.

The table below details the expected timeframe for managing this internal dispute resolution process. Further details can be found in the Fund's Internal Dispute Resolution Procedure.

Performance area		Measurement (working days where applicable)
3	IDRP	
3.1	Notify the Fund's compliance team of the receipt of a complaint under the IDRP process	Within two days of receiving the complaint
3.2	Notify the Fund's compliance team that the first-stage decision has been issued	Within five days of issuing the decision
3.3	Timeframe for resolution of IDRP	Two months
	Notifying if timeframe is not going to be met	Immediately when known not going to meet original timeframe
3.4	Responding to Fund enquiries when Fund dealing with Stage 2	Within five days

3.2 West Midlands Pension Fund

3.2.1 Duties and Responsibilities

In setting the expectation of employers, the Fund recognises that the relationship and delivery of services, is also reliant on the Fund's performance and duties to its employers.

The table below outlines the key responsibilities of the Fund, what actions it will take and the timescales of its own performance in delivering the service to members and employers. It is focused on the key activities which scheme employers and scheme members are involved in and should not be viewed as an exhaustive list.

Function/Task		Expectation
1	General information	
1.1	Regularly review the Fund's pensions administration strategy and consult with all scheme employers	In advance of the policy being adopted and following consultation taking place during the year of the revision
1.2	Regularly review the Fund's funding strategy statement as required, not least with each triennial valuation, following consultation with scheme employers and the Fund's actuary	Publish by 31 March following the valuation date or as required
1.3	Regularly review the Fund's Communication Policy Statement	Annual review and publish within 30 days of the policy being agreed by the Pensions Committee

Function/Task		Expectation
1	General information	
1.4	Regularly review the Fund's termination policy statement and publish as appended to the Funding Strategy Statement	Within 30 days of any changes being made to the policy
1.5	Review and communicate the Fund's publications listed below: <ul style="list-style-type: none"> • Annual report • Annual statement of accounts • Governance and compliance statement 	By 31 October following the year-end

Function/Task		Expectation
2	Contribution requirements	
2.1	Consult with employers on the outcomes of the triennial valuation	At least three months in advance of the signing of the final rates and adjustment certificate
2.2	Notify employers of contribution requirements for three years effective from the April following the actuarial valuation date	At least six weeks before the actuary signs off the rates and adjustment certificate
2.3	Notify new scheme employers of their contribution requirements	The latter of within six weeks of receipt of the notification of admission application or commencement as a scheme employer

Function/Task		Expectation
3	Support for employers	
3.1	Provide support for employers through: <ul style="list-style-type: none"> • A dedicated helpline • Employer coaching • Employer Peer Group • Employer newsletters • Online support guides • Feedback on data quality • Face-to-face meetings (one-to-one where appropriate) • Employer web portal query support • Email support before each session for relevance and benefit • Member Services presentations and roadshows 	<ul style="list-style-type: none"> • Dedicated helpline Monday - Thursday 8.30am - 5.00pm, Friday 8.30am - 4.30pm • Employer Forums to be held twice per annum (usually May/June and November/December) • Written communication as per the Fund's communication policy • Newsletters to be issued quarterly • Online support to be reviewed and updated regularly • Employer coaching and peer group content to be reviewed. Sessions to be held quarterly for each

Function/Task		Expectation
3	Support for employers	
3.2	Organise and provide coaching sessions on the roles and responsibilities of an employer in the Fund	Quarterly and upon request or as required for scheme employers
3.3	Notify scheme employers and scheme members of changes to the scheme rules	As per disclosure requirements with inclusion of an overview in the Employer Brief
3.4	Provide a facility (via employer web portal) for employers to calculate estimates and early retirement costs for active members	On an ongoing basis
3.5	Production and maintenance of an IDRP employer guide	On an ongoing basis

Function/Task		Expectation
4	General administration and member communications	
4.1	Produce annual benefit statements for active members as at 31 March and deferred members as at pensions increase date in April	By 31 August following the year-end
4.2	Produce and issue pension savings statements each year to members who have exceeded their annual allowance	By 6 October (provided receipt of all relevant information from scheme employer) following the year-end
4.3	Publish and keep up to date all forms required for completion by scheme members or employers	Within 30 days from any revision
4.4	Provide feedback on errors contained in monthly data submission files	Within 20 working days of the later of the 19th of each month or the date the file is received by the Fund

3.2.2 Performance Measurements

The Fund routinely reviews performance across all areas including the Pension Administration Strategy, which is monitored and reviewed by the Pensions Committee and Local Pensions Board. Regular reporting is undertaken, and performance is also reported annually in the Fund's annual report and accounts. The table below sets out the Fund's key performance indicators in relation to processing scheme member records and benefits.

Function/Task		Expectation
1	New joiners	
1.1	Set up a new starter and provide statutory notification to the member	Within 20 days of receipt of correct data file from a scheme employer
2	Transfers	
2.1	Transfer in quotations processed	Within ten days of receipt of all the required information
2.2	Transfer notification of transferred in membership to be notified to the scheme member	Within ten days of receipt of payment
2.3	Transfer out quotations processed	Within 20 days
2.4	Transfer out payments processed	Within ten days
3	Additional contributions	
3.1	Notify the scheme employer of any scheme member's election to pay additional pension contributions (APCs), including required information to enable deductions to commence	Within ten days of receipt of election from a scheme all member
3.2	Process scheme member requests to pay/ amend/cease additional voluntary contributions (AVCs)	Within five days of receipt of request from scheme member
4	Leavers	
4.1	Deferred benefits calculated and confirmed to member	Within 15 days of receipt of all necessary information
	Refund details calculated and issued	Within ten days of receipt of all necessary information
4.2	Refund payments	Within five days of receipt of all necessary information from member
5	Deferred into payment	
5.1	Provision of deferred retirement options to member	Within 30 days of the member's eligible payment date or receipt of request from a member
5.2	Deferred retirement benefits processed for payment following receipt of election	Lump sum payment within five days of receipt of all necessary documentation
		<i>(First pension payment on next available payroll run)</i>

Function/Task		Expectation
6	Retirements	
6.1	Provision of retirement options to members	Within 15 days of receipt of all necessary information
6.2	New retirement benefits processed for payment following receipt of election	Lump-sum payment within five days of receipt of all necessary documentation First pension payment on next available payroll run
7	Deaths	
7.1	Acknowledgement of a death	Within five days of receiving the notification.
7.2	Notification of benefits payable to dependents	Within five days of receiving the required information
7.3	Payment of death lump-sum will be made information	Within ten days of receipt of all the required information
8	Customer service	
8.1	>85% of calls received to the customer helpline to be answered	>85%
8.2	>85% of calls received to the employer helpline to be answered	>85%
8.3	Provide an answer or acknowledgement to an enquiry from a scheme members/ scheme employers/personal representatives/dependents and other authorised persons	Within ten days from receipt of enquiry
8.4	Acknowledge member complaints on initial receipt	Within five days of receipt
8.5	Issue full response to member complaints	Within 20 days of receipt
8.6	Monitor IDRP cases and target completion of stage 1 and stage 2 reviews	Within two months. For further information, please see the Fund's IDRP policy

4 MONITORING PERFORMANCE

4.1 Working with our Employers

The Fund recognises that engagement is key to helping us understand our employers' individual circumstances, their challenges and their outcomes. Engaging with employers helps to build positive working relationships and ensures processes create efficiencies and better outcomes for the Fund, our members, and employers. The consistent application of standards across all employers enables fair and value for money service.

The Fund will seek to work closely with employers when identifying areas of poor performance. At the earliest opportunity, the Fund will provide training and development to aid improvement of service levels in the future. Where performance issues are identified, in the first instance, the Fund will work to resolve the issues informally. However, where this is not possible and persistent sub-standards occur (with no measurable improvement demonstrated by the employer), additional steps may be taken by the Fund in line with its powers under the LGPS Regulations 2013.

The Fund aims to meet the training and development needs of its employers using (but not limited to) employer coaching, quarterly bulletins, website guidance and through day-to-day contact via email and telephone. There is also an open invite to visit the Fund's office to meet with a member of the Employer Services team, subject to notice, to discuss any aspect of co-operation, expectations and responsibilities.

4.2 Approach to Managing Performance

Ensuring compliance with the LGPS regulations and this administration strategy is the responsibility of the Fund and scheme employers. This section describes the ways in which performance and compliance will be monitored.

The Fund and scheme employers are to ensure that all functions and tasks are carried out to the agreed quality standards. On a regular basis, the Fund will monitor, measure and report on both the Fund's and scheme employers' compliance with the agreed service standards outlined in this document.

The Fund will undertake a formal review of performance against the pension administration strategy on an annual basis and liaise with employers in relation to any concerns on performance. The Fund monitors its own performance against key performance indicators. Monitoring occurs on a monthly basis and is reported to the Fund's Pensions Committee on a quarterly basis. The performance of scheme employers against the standards set out in this document are incorporated into the reporting to the Committee, as appropriate, to include data quality. The Fund will also report back to employers about their individual performance, identifying any areas for improvement including outstanding data items.

Where persistent and ongoing failure occurs in relation to administration requirements and no improvement is demonstrated by an employer, and/or willingness is shown by the employer to resolve the identified issue(s), the following sets out the steps that will be taken in dealing with this situation:

- Write to the scheme employer, setting out area(s) of non-compliance with performance standards and offer support and, where applicable, request attendance at a training/coaching session.

- Where no improvement has been demonstrated by the employer, or where there has been a failure to take agreed action by the scheme employer, or no response is received to the initial letter, the scheme employer will be asked to attend a conference call/meeting with representatives of the Fund to discuss area(s) of non-compliance with performance standards and to agree an action plan to address them. Where appropriate, the originating employer will be informed and expected to work with the Fund to resolve the issues.
- If no improvement is seen within one month or a scheme employer is unwilling to attend a meeting to resolve the issue, the Fund will issue a formal written notice, setting out:
 - the area(s) of non-compliance with performance standards that have been identified;
 - the steps taken to resolve those area(s); and
 - provide notice that the additional costs will now be reclaimed.
- An invoice will be issued detailing the additional cost incurred, taking account of time and resources in resolving the specific area(s) of poor performance and in accordance with the charging scale set out in this document. A report will be presented annually to the Pensions Committee detailing charges levied against scheme employers and outstanding payments.
- If poor performance continues and impacts the Fund's ability to perform statutory functions and/or measures are not being taken by the employer to address this, the Fund may need to report the employer to The Pensions Regulator.

4.3 Policy on Charging Employers for Poor Performance

The LGPS regulations provide pension funds with the ability to recover from a scheme employer any additional costs associated with the administration of the scheme incurred as a result of the poor level of performance of that scheme employer. Where any such additional costs are to be recovered by the Fund, written notice will be provided stating:

- the reasons that the scheme employer's poor performance contributed to the additional cost;
- the amount of the additional cost incurred;
- the basis for calculation of the additional cost; and
- the provisions of the administration strategy relevant to the decision to give notice.

It is the policy of the Fund to recover additional costs incurred in the administration of the scheme as a direct result of the poor performance of any scheme employer (including the administering authority). With the objective of ensuring fairness across employers in avoiding other employers paying more to cover the higher administration costs incurred by others.

Please note that where an employer fails to pay any amount due to the Fund (other than monthly contributions) within 30 days, interest for late payment will be charged accordingly. This includes charges and recharges levied under this policy.

4.4 Penalties for Sub-Standard Performance

4.4.1 Provision of Information

Item	Input/Penalties
Failure to make payment of monthly contributions and/or provision of breakdown of contributions for reconciliation against payment	The Fund will be unable to prepare cashflow information to facilitate the provision of annual accounting standards (FRS102, IAS19) by the Fund actuary or any other actuarial firm.

4.4.2 Charging Scales for Administration

The table below sets out the charges which the Fund will levy on a scheme employer who fails to meet the standards required. Each item is referred to in the 'Scheme Employer Performance Measurement' section of this document.

Function/Task	Expectation
1 Payment of future service contributions Failure to make payment of monthly employee and employer contributions ¹ in full by the 19th of the following month (but by the 22nd of the month where payment is made electronically)	£100 per occasion plus interest ²
2 Monthly data collection Failure to comply with the following requirements: <ul style="list-style-type: none"> • Submission of the member data file by 22nd of the following month • Submission of the web remittance advice by 22nd of the following month 	£50 for each month the data file and/or web remittance advice is received after 22nd (ie, both items must be received so as to incur no penalty). There after for each monthly data file the charge will increase as follows: <ul style="list-style-type: none"> • 5p per member³ per working day late for the first month following the deadline • 10p per member³ per working day late for the second month following the deadline • 15p per member³ per working day late for the third month following the deadline and every month thereafter A minimum daily rate will be set at: <ul style="list-style-type: none"> • £5 per day for the first 30 days following the deadline • £10 per day for the second 30 days following the deadline • £15 per day for the third 30 days and thereafter following the deadline Assessment of the overall charge will be made in aggregate at year-end of 31 March (final monthly file to be received by 19 April) to include any charges in (3) below. Invoices will subsequently be issued where a charge is applicable

Function/Task	Expectation
3 Monthly data quality review⁴ Quality of the information provided to be below the acceptable tolerance level set at 5% of the employer active member count ³ (tolerance level will be assessed in aggregate until year-end date of the monitoring period)	The Fund will recover costs for the work involved to resolve these errors. Costs will be based on officer hourly rates, but will be determined based on the resources required to address errors above the tolerance in aggregate over a 12-month period and will be levied to include any charges incurred as a result of (2) above
4 Quality and timeliness of the provision of data To provide the Fund with accurate data (as detailed in the regulations) in a timely manner as specified in this strategy	The Fund will recover costs for the additional work involved to resolve these issues, in the context of persistent poor performance. Costs will be based on officer hourly rates and will be determined based on the resources required
5 Bulk member record amendments Correction or amendments of member records en masse as a result of employer initiatives, policy decisions or prior incorrect notifications	The Fund will recover the cost for the work involved. Costs will be based on officer hourly rates

4.5 Feedback From Employers

Employers who wish to provide feedback on the performance of the Fund against the standards in this administration strategy should email comments (noting PAS feedback in the email subject) to wmpfemployerliaison2@wolverhampton.gov.uk

¹ Future service contributions including additional contributions, eg, APP and APCs

² Interest will be charged in accordance with Regulation 44 of the LGPS administration regulations, which states interest should be charged at Bank of England base rate plus one per cent

³ For the purposes of monitoring and the application of charges the active member count will be set as at 1 April of the monitoring period (ie, based on the monthly data file for the 1 April in the monitoring period)

⁴ A file will be rejected for one or more of the following reasons:

- Incorrect file layout
- Data formatting issues, eg, mandatory fields not populated, inclusion of incorrect characters, ie, speech marks, etc.
- The key financials in the data file do not balance with the final statement

West Midlands Pension Fund
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Wolverhampton
WV1 1XP

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Engagement Roadmap

West Midlands Pension Fund and Employers



Employer coaching sessions

Coaching sessions are available for all employers to assist the development of knowledge and understanding of the Fund, the web portal facility, Fund administration requirements and a Fund employer's role and responsibilities. These sessions are free of charge and take place in our offices in Mander House, Wolverhampton.

Monthly data collection (MDC)

Data requirements: Personal data/Financial data/Member employment details/Joiner data

How to upload your file:

- Use the file checker before starting process
- Via Web Portal Process
- No later than 19th of following month

Please see "[Monthly Data Submissions](#)" for more information on this process.

Actuarial valuation

Actuarial valuation reviews the funding level (the Fund assets relative to the Fund liabilities – the estimated cost of the benefits members has built up to date) and funding strategy to make sure the Fund has enough money to pay benefits as they fall due.

Contribution setting – the Fund actuary carries out the triennial valuation to certify the contributions required by each employer over the next three years.

Assessing solvency – the actuary is required to set contributions at a level which is expected to ensure the solvency and long-term cost efficiency of the Fund.

For more information, please click "[Valuation of the West Midlands Pension Fund](#)" for more information.

Financial data collection

- Response to accounting standards bulk arrangements,
- Completion of covenant questionnaire
- Reconciliation statements

Termination

Please see "[Policy on Termination Funding for Admission Bodies 2013](#)" for more information on this process.

Application

- **Admission Body**
Please click "[Admission Body](#)" for more information
- **Academies**
Please click "[Academies](#)" for more information

Discretionary policy statement

Under the LGPS scheme regulations employers are required to formulate, publish and keep under review a statement of policy on how they will exercise certain discretions under the new scheme. Five discretions an employer MUST have a policy in relation to:

- 1) Whether to permit flexible retirement
- 2) Whether to waive, upon the voluntary early payment of benefits, any actuarial reduction on compassionate grounds or otherwise.
- 3) Whether to 'switch on' the 85-year rule upon the voluntary early payment of deferred benefits
- 4) Whether to grant extra annual pension
- 5) whether to share the cost of purchasing additional pension

Please click "[Guides and sample documents](#)" for more information
<http://lgpsregs.org/resources/guidesetc.php>

Pension Administration Strategy

Sets out roles and responsibilities of employers to the Fund,
Please click Pension Administration Strategy for more information <http://lgpsregs.org/resources/guidesetc.php>

Employer support

The Fund provides excellent customer service to employers throughout every stage of your journey with the Fund, such as employer briefing, Employer Peer Group, Mid-Year Review and Annual General Meeting, etc.

Survey

We always welcome feedback on our services. If you would like to make any further suggestions for improvement, please email: wmpfemployerliaison2@wolverhampton.gov.uk

Website

Further information on the LGPS can be found on the Fund's website at wmpfonline.com

The website can also be used to provide information to members or as signposting for them to access information about the scheme and Web Portal.

Please contact us if you couldn't find what you need:
Dedicated helpline: 0300 111 6516

Email the team: wmpfemployerliaison2@wolverhampton.gov.uk

Employer Engagement Roadmap

This guide covers:

- Background and Fund structure
- Purpose of the Engagement Roadmap
- Responsibilities of the Fund
- Expectations of the employer by the Fund
- Implications of low levels of engagement on successful partnerships
- The types of engagement the Fund will undertake
- How the Fund will monitor and communicate areas of improvement with employers
- Further information
- Contacts for discussion
- Appendices: Escalation Procedures
 - Benefit administration queries
 - Late and non-submission of monthly data
 - Payment of contributions
 - Data queries

BACKGROUND AND FUND STRUCTURE

The West Midlands Pension Fund is one of the largest pension funds in the United Kingdom with over 650 contributing employers. To maintain a high level of customer service, it is essential that the Fund develops strong partnerships with its stakeholders.

The City of Wolverhampton Council is the administering authority for the West Midlands Pension Fund under the Local Government Pension Scheme (LGPS). The LGPS is established by statute and its purpose is to provide death and retirement benefits for all eligible employees. The Fund is not a legal body in its own right, and all contracts and assets are held in the name of the City of Wolverhampton Council who became the administering authority under the Local Government Act 1985.

The Fund's participating employers include the seven districts in the West Midlands together with numerous other public sector employers. A full list of the employers within the Fund is contained within the Fund's annual report, available on request.

The City of Wolverhampton Council delegates responsibility for the administration and management of the Fund to the Pensions Committee which comprises 20 trustees (ten City of Wolverhampton Council members, one elected member from each of the six district councils and four (non-voting) trade union representatives), together with 12 Pensions Board members and 135 full-time equivalent staff.

The Managing Director of the City of Wolverhampton Council, who is also the Head of Paid Service, delegates certain responsibilities to the Director of Pensions who, in turn, delegates to officers.

In addition, the Fund has the statutory Local Pensions Board whose role is to assist in the good governance of the scheme by ensuring compliance with statutory and regulatory duty; they have no decision-making powers. The Local Pensions Board consists of an equal number of employer (6) and member (6) representatives.

One of the Fund's key objectives is to provide a customer-focused, quality service delivered cost-effectively, with the aim of securing the future of its members pensions:

P **PARTNERING FOR SUCCESS**

R **RESPONSIBLE ASSET OWNER, EMPLOYER AND LOCAL COMMUNITY PARTNER**

I **INVESTING TO INCREASE CAPACITY**

D **DRIVE EFFICIENCIES AND COST SAVINGS**

E **ENGAGE TO IMPROVE OUTCOMES FOR CUSTOMERS**

This document has been created to define the methods by which the Fund will support employers in attaining the expected standards and to formalise the ways in which it will support performance and monitor compliance. Furthermore, the Employer Engagement Roadmap has been designed to compliment both the *Pension Administration Strategy* and the *Customer Engagement Strategy* to improve outcomes for all stakeholders of the Fund.

PURPOSE OF THE ENGAGEMENT ROADMAP

The Fund needs to ensure that employers are providing accurate, relevant and timely information to ensure compliance with the Local Government Pension Scheme Regulations 2013, the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 and other statutory requirements. The purpose of the Engagement Roadmap is to outline the framework the Fund has implemented to enhance the performance of both the Fund and its employers through partnering and support.

The Fund is dedicated to evolving, developing and communicating effectively with its members and employers to drive efficiencies and deliver value-for-money services.

The intentions of the Engagement Roadmap are:

- to ensure the Fund is able provide a high-quality pension service to members and employers in line with the agreed standards outlined in the Pension Administration Strategy (PAS);
- to develop a collaborative partnership with the Fund and scheme employers to improve efficiency, quality and service to Fund members;
- to ensure the performance standards expected from employers are reasonable, monitored and delivered ensuring both the Fund and its employers are able to meet statutory responsibilities whilst ensuring the delivery of good customer service to Fund members;
- to ensure the Fund has an efficient and effective monitoring procedure for ensuring employer performance in line with the PAS;
- to provide feedback and support to help aid improvement and where appropriate levy charges where the Fund identifies a failure to meet the required standards as required by the PAS; and
- to provide transparency and clarity to employers outlining the actions that may be taken where performance standards are not met and/or when persistent non-compliance occurs.

RESPONSIBILITIES OF THE FUND

- The Fund will endeavor to maintain accurate and up-to-date employer contact information through the regular feedback and contact it has with its employers, noting the reliance on employers to inform the Fund of any changes.
- The Fund will provide ongoing support tools for employers to include but not limited to:
 - employer coaching
 - employer peer group
 - Employer Brief (quarterly newsletter)
 - web portal access including online support guides
 - employer surveys
 - telephone and email support
 - technical pensions support/regulatory updates
 - bulk data import functionality via the web portal

EXPECTATIONS OF THE EMPLOYER BY THE FUND

The Fund requests that employers recognise the importance of ensuring the following:

- The Fund is to be kept informed of any personnel/ resource changes to facilitate engagement. Changes to contact details are to be communicated to the Fund in a timely manner to avoid delays in the transfer and exchange of information.
- Engage with the Fund at an early stage where issues are identified that may impact on performance and/or data quality. Changes to the organisational structure which may impact on the Employers ability to perform its statutory functions are to be communicated at the earliest opportunity.
- Embrace the Fund's provision of support. By actively participating with the Fund, employers can help shape the future service provision and become partners for success. Through effective partnership working the identification of new working practices and solutions will help meet member expectations.
- Keep the Fund updated on significant movement of membership profile. Notification should be given to the Fund in advance where possible of any employer initiatives, policy decisions or practices which impact on member benefits.

IMPLICATIONS OF POOR PERFORMANCE AND LOW LEVELS OF ENGAGEMENT

Where performance issues exist or levels of engagement are deemed to be low, the Fund will work with employers. However, if improvement is not seen there could be the following implications:

- Members may not receive accurate benefit information and/or benefits may not be paid on time.
- Increased complaints from members where information and/or benefits are unable to be provided in a timely manner or are incorrect.
- Payments being made to members in recognition of distress and inconvenience (as and when directed by the Pension Ombudsman) where poor performance impacts on the ability to provide correct information and/or benefits.
- Reputational and potential financial consequences for the Fund and/or its employers where under performance results in a breach report being made to The Pensions Regulator.
- Reduced capacity for the Fund and/or employer to be able to carry out statutory functions
- Increased administration costs for the Fund, which may be passed to the relevant employer.

WHAT TYPES OF ENGAGEMENT ACTIVITIES WILL THE FUND UNDERTAKE?

The Fund will provide support and training to employers to aid improvement and increase performance levels using the following channels:

- Employer dashboards
- Employer coaching
- Bespoke training sessions and workshops
- One-to-one meeting attendance at the Fund's office or employer premises.
- Employer Peer Group
- Online Videos
- Employer consultation groups
- Online guidance and assistance
- Webinars

HOW WILL THE FUND MONITOR AND COMMUNICATE AREAS OF IMPROVEMENT WITH EMPLOYERS?

Data Improvement Plan

The Fund's Data Improvement Plan sets down its responsibilities in relation to record keeping and data quality, providing assurance to members that their data is managed in compliance with the statutory obligations placed upon the Fund.

The plan identifies areas for improvement in the Fund's record keeping based on complex analysis of the information the Fund holds and receives from its employers about its members.

Trustees and Scheme Managers should review their data at least once a year and if there are any issues, put an improvement plan in place to address them. The improvement plan clearly sets out the steps to be taken to improve the data held.

Failure to maintain accurate records can put the Fund and its officers at risk of failing to meet their legal obligations which could result in the Regulator taking enforcement action to remedy and rectify inaccurate data. There is therefore both a legal and reputational risk to holding inaccurate data.

Employer Brief

The Fund's quarterly newsletter will be used to communicate on areas of interest and benefit to its entire employer base – to include but not limited to:

- Technical, regulatory and legislative updates
- Provide details on upcoming member and employer events
- Feedback on employer events
- Top tips to drive efficiencies and increase capacity
- Information regarding the Fund's current focus and workloads
- Information deemed useful to aid employer administration

Next Steps

Where the Fund identifies a need for intervention, it will monitor performance and the rate of improvement with regards to data quality and timeliness of employer requirements via the use of employer dashboards initially. The Fund will request to meet with the employer to discuss a way forward.

Where all options have been exhausted with respect to support or where the offer of assistance from the Fund is declined or ignored by the employer, the Fund may use its powers under the LGPS Regulations 2013 which can extend to consideration of a report to The Pension Regulator.

The following circumstances may result in the Fund taking more formal action against an employer:

- Performance continues to fall below that expected, and no improvement can be measured.
- All reasonable steps have been taken and exhausted by the Fund to improve employer performance.
- The Fund's ability to perform statutory functions and/or measures has been impacted.
- Additional costs are being incurred by the Fund due to employer underperformance.

The Appendices to this document provide clarification of the escalation procedures the Fund intends to follow where the performance of an employer falls below the required level, and where one or more of the above situations has or is liable to occur.

FURTHER INFORMATION

This document should be reviewed in conjunction with the following documents which can be found at www.theFundonline.com/corporateinfo

- Pension Administration Strategy (PAS)
- Customer Engagement Strategy
- Customer Engagement Plan
- Communications Policy Statement
- Service Plan

The Pension Regulator Code of Practice 14 (Governance and administration of public service pension schemes is referred to in this report. A full copy of this can be found at www.thepensionsregulator.gov.uk/codes/code-governance-administration-occupational-dc-trust-based-schemes.aspx

For more information on the rules governing the pension scheme, please visit <https://www.lgpsmember.org>

For more information on LGPS Regulations and Guidance, please visit <http://lgpsregs.org/schemeregs/lgpsregs2013/timeline.php>

CONTACTS FOR FURTHER DISCUSSION



For further information, please see contact details set out below:

WMPFemployerliaison2@wolverhampton.gov.uk

0300 111 6516

APPENDIX 1

ESCALATION PROCEDURES

a) Benefit administration queries escalation procedure

This procedure will be reviewed when Employer Worktrays become operational.

Refunds timeline	Action	Responsible team/officer at the Fund	Employer contact level
Day 0	<ul style="list-style-type: none"> Query to be raised over the phone with employer. If inconvenient with employer – arrange suitable time to call More complex query – S15 sent to employer 	Transactions and Exits – Pensions Assistant/ Pensions Administrator	HR/Payroll contact
Day 5	<ul style="list-style-type: none"> Chaser phone call made to employer 2nd S15 sent if required 	Transactions and Exits – Pensions Assistant/ Pensions Administrator	HR/Payroll contact
Day 10	<ul style="list-style-type: none"> Assumption to be made where possible or process actioned with original information supplied by employer If outstanding query could be a serious detriment to Fund/member. Employer Services to contact employer to confirm date for a response on outstanding queries and/or agree a date for a formal meeting 	Transactions and Exits – Pensions Assistant/ Pensions Administrator Employer Services	HR/Payroll/Pensions manager

Deferments timeline	Action	Responsible team/officer at the Fund	Employer contact level
Day 0	<ul style="list-style-type: none"> Query to be raised over the phone with employer. If inconvenient with employer – arrange suitable time to call More complex query – S15 sent to employer 	Transactions and Exits – Pensions Assistant/ Pensions Administrator	HR/Payroll contact
Day 10	<ul style="list-style-type: none"> Chaser phone call made to employer 2nd S15 sent if required 	Transactions and Exits – Pensions Assistant/ Pensions Administrator	HR/Payroll contact
Day 20	<p>If the Fund does not receive a reply, assumption to be made where possible or process actioned with original information supplied by employer. The Fund will inform the member to contact the employer should they wish to query the pay information. Should revised information be received after 30 days there may be a charge for re-calculation of benefits</p> <ul style="list-style-type: none"> If outstanding query could be a serious detriment to Fund/member. Employer Services to contact employer to confirm date for a response on outstanding queries and/or agree a date for a formal meeting 	Transactions and Exits – Pensions Assistant/ Employer Services	HR/Payroll/Pensions manager

b) Late and non-submission of monthly data escalation procedure

Timeline	Action	Responsible team/ officer at the Fund	Employer contact level
Day 5+	Overdue monthly submission email issued; or telephone call to be made to employer payroll contact ¹	Employer Services	Employer main payroll contact
Day 10+	Further emails and telephone calls to principal employer contacts ²	Employer Services	HR/Payroll/Pension Manager
Day 40+	Email or telephone call to the employer to discuss the outstanding queries and agree a date for responses or a formal meeting ³	Relationship Management Officer	HR/Payroll/Pension Manager
Day 90+	Formal letter detailing poor performance to be issued requesting specific actions be taken ⁴	Head of Pensions/ Director	Head of Service/Director/Chief Executive

¹ An email will be sent alerting the employers that their monthly submission data file is now overdue and will state that delays may impact of the calculation of any member benefits. The email provide links to online support tools and set out the implications of non-compliance. Alternatively, a telephone call will be made to the employer or payroll representative will be contacted by the Employer Services team to discuss any and when we can expect submission to commence. A follow-up email to be sent to the employer by the Fund to confirm any agreed actions.

² Email or telephone contact to be made to a senior contact at the employer. The employer will be reminded at this stage of the Fund's statutory duty to issue annual benefit statements to active members by the 31 August and, that failure to do so, could result in the Fund reporting both the Fund and the employer to The Pensions Regulator. Also a charge could be issued in line with the PAS.

³ If continued and repeat non-submission or late submission is recorded, contact to be made by the Relationship Management Officer or Head of Pensions to arrange a formal meeting to discuss the implications of poor employer performance, both in terms of member benefits and possible breach reports being made to The Pensions Regulator.

⁴ Continued non-compliance will result in the issuing of a formal letter by the Fund highlighting the issues experienced in obtaining statutory information from the employer. Details of engagement attempted, support given and issues arising as a result of the employer's poor performance to be included. The requirements of the Fund will be set out clearly within the letter together with the impact on the employer, the members and the Fund if significant efforts are not taken to improve the situation. A request for a face-to-face meeting will be made and notice given that additional costs may be reclaimed from the employer.

c) Payment of contributions escalation procedure

Contributions due by 22nd of the following month

Timeline	Action	Responsible team/ officer at the Fund	Employer contact level
Up to Day 5	Overdue monthly contributions	Finance	Employer main payroll contact
Up to Day 10	Telephone call to be made to employer payroll contact	Finance	Employer main payroll contact
Up to Day 20	Further emails and telephone calls to principal employer contacts ¹	Employer Services	HR/Payroll/Pension Manager
Day 40	Email or telephone call to the employer to discuss the outstanding contributions and agree a date for payment or a formal ²	Relationship Management Officer	Head of Service/Director/Chief Executive
Day 90	Formal letter to arrange meeting to discuss implications of non-payment	Head of Pensions/ Director	Head of Service/Director/Chief Executive

¹ If non-payment of contributions has occurred the employer or payroll representative will be contacted by the Employer Services team to find out what the issues are and when we can expect payment. A follow-up email to be sent to the employer by the Fund to confirm the agreed actions.

² If continued non-payment occurs, contact to be made by the Relationship Management Officer to arrange a formal meeting to discuss the implications of non-payment and consideration of a report being made to The Pensions Regulator. The employer will be reminded at this stage of its legal duty to make payment of contributions and the Fund's statutory duty to issue annual benefit statements to active members by the 31 August and, that failure to do so, could result in the Fund reporting both the Fund and the employer to The Pensions Regulator. Also a charge could be issued in line with the PAS

d) Data queries escalation procedure (in respect of monthly data collection)

Timeline	Action	Responsible team/ officer at the Fund	Employer contact level
Day 0	Monthly data submission received by the Fund ¹	N/A (Employer)	
By Day 20	Monthly return feedback send/ submitted to the employer ²	Business Performance and Data Team	Employer main payroll contact
Day 40+	No employer response received by the Fund in relation to outstanding data on monthly return feedback ³	Business Performance and Data Team/ Employer Services	Employer main payroll contact Employer main payroll contact
By Day 50	Email or telephone call to the employer to discuss any outstanding queries and to agree a date for responses or a formal meeting ⁴	Data Manager/ Relationship Management Officer	Employer main payroll contact
Day 70+	Email or telephone call to the employer to invite to a formal meeting to discuss outstanding queries and agree an action plan ⁵	Head of Pensions	Head of Service/Director/Chief Executive
Day 90	Formal letter detailing poor performance to be issued requesting specific actions be taken ⁶	Head of Pensions	Head of Service/Director/Chief Executive

¹ To be received by 19th of each month together with the web remittance advice detailing financials.

² Data queries to be issued by the Fund within 20 working days. For larger employers and districts it is anticipated this may take up to 20 working days to collate however for smaller employers this may be less. A request to be made for query responses to be returned within 14 working days of the original queries being returned (to be extended to no more than 20 working days for larger employers dependent on volume and nature of queries, in which case the timeline would be extended by this amount).

³ Date of first reminder email issued to be dependent on size of employer. First reminder to be issued between 14 and 20 working days from date of original request by the Fund. Size of Employer is defined by the active member count being greater or less than 1,000.

⁴ Data Manager and/or Relationship Management Officer to make contact with the employer to discuss the outstanding requirements, offer additional support and discuss the implications of non-submission of data. Agreed actions to be confirmed by email from the Fund to the employer – email to state that non-compliance will result in the case being referred internally to the Head of Pensions to make contact with the employer's Director/ Chief Executive.

⁵ The Head of Pensions to make contact with the Employer to discuss the outstanding requirements, and discuss the possibility that non-submission of data may result in the Fund levying a charge or in extreme cases submitting a breach report to The Pensions Regulator. The employer should be reminded at this stage of the Fund's statutory duty to issue annual benefit statements to active members by the 31 August and that failure to do so could result in the Fund reporting both the Fund and the employer to The Pensions Regulator.

⁶ Continued non-compliance will result in the issuing of a formal letter by the Fund, highlighting the issues experienced by the Fund in obtaining statutory information from the employer. Details of engagement attempted, support given and issues arising as a result of the employer's poor performance to be included. The requirements of the Fund will be set out clearly within the letter together with the impact on the employer, the members and the Fund if significant efforts are not taken to improve the situation. A request for a face-to-face meeting will be made and notice given that additional costs may be reclaimed from the employer.

CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 2 July 2019
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Report Title	Pensions Administration Report from 1 April 2018 to 31 March 2019	
Originating service	Pension Services	
Accountable employee(s)	Amy Regler Tel Email	Head of Operations 01902 555976 Amy.Regler@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 551715 Rachel.Brothwood@wolverhampton.gov.uk

Recommendation for noting:

The Board is asked to note:

1. The pensions administration activity for both the West Midlands Pension Fund (the Main Fund) and the West Midlands Integrated Transport Authority Fund (the WMITA Fund).

1.0 Purpose

- 1.1 To inform the Local Pensions Board of the work undertaken by the pensions administration service during the period 1 April to the end of March 2019 for both the Main Fund and the WMITA Fund.

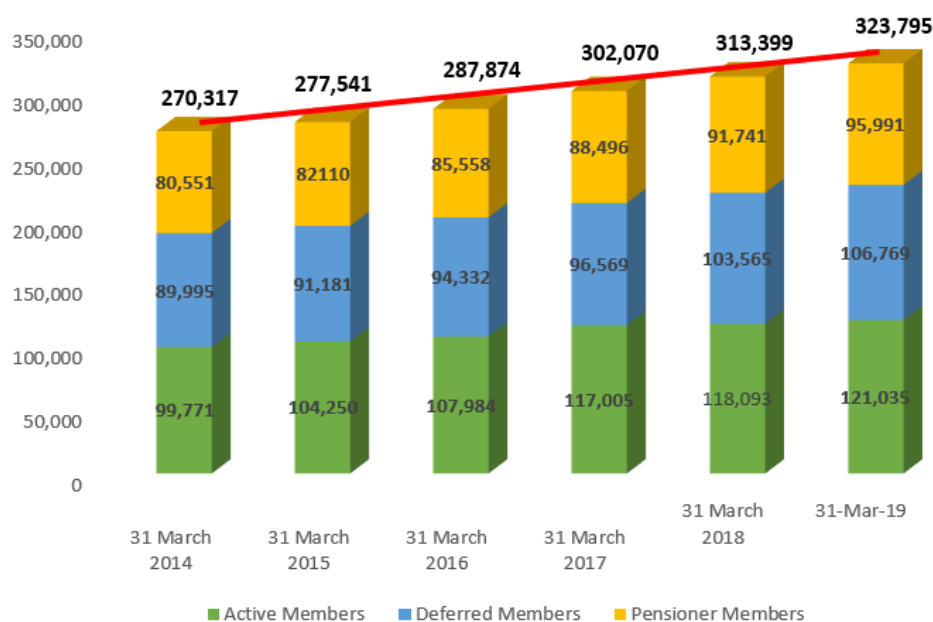
2.0 Background

- 2.1 The Fund provides a pension administration service to its stakeholders, which covers employer, customer and member services, benefit operations, payroll and systems/technical support. This report is designed to focus on the Pensions Administration service area and provide a summary of the work volumes and the performance of the Fund against key performance indicators.
- 2.2 The report is designed to provide a summary of the 2018/19 year and position as at 31 March 2019.

3.0 Scheme Activity

3.1 Membership movement – Main Fund

- 3.1.1 The total number of scheme member records in the Fund at 31 March 2019 stands at 323,795, with an overall increase since December 2018 of 5,294, totalling an increase in members for 2018/19 of 3%. Over the last five years there has been an average annual growth rate in membership of 4%, which is stable year on year. The long-term trend over a 12 year period in membership illustrates a move towards a more mature profile whereby, in general, active, pensioners and deferred membership continues to rise.



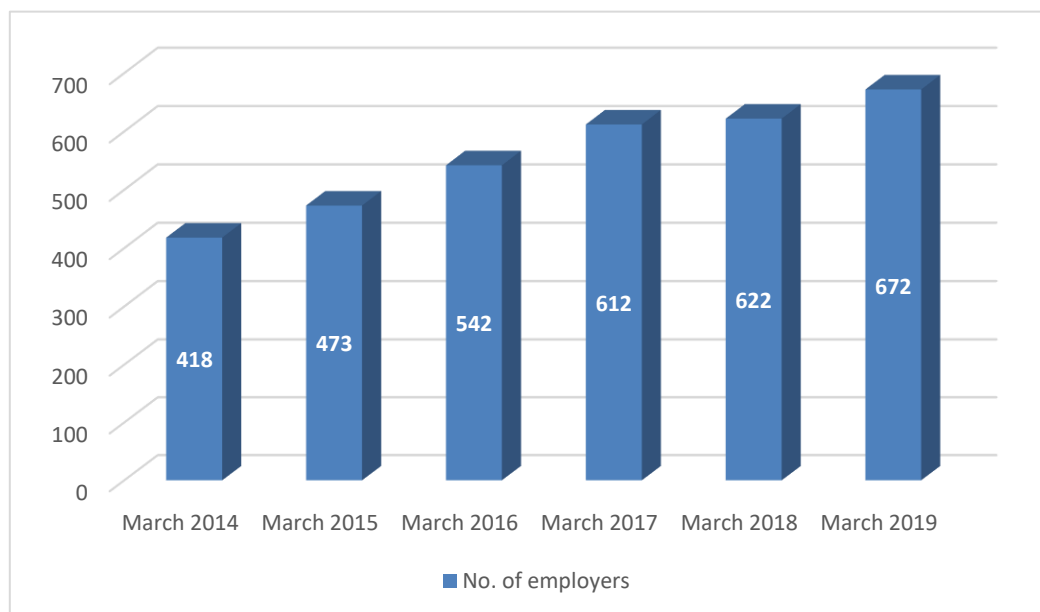
3.2 Membership movement – WMITA Fund

3.2.1 The number of scheme member records in the WMITA Fund in all three categories stood at 4,942 on 31 March 2019, 6% are active members, 13% are deferred and the largest group are pensioner members at 81% of the total membership. The Fund is closed to new joiners but active members continue to accrue benefits. Detailed below are the current membership numbers showing movements between 1 April 2018 and 31 March 2019.

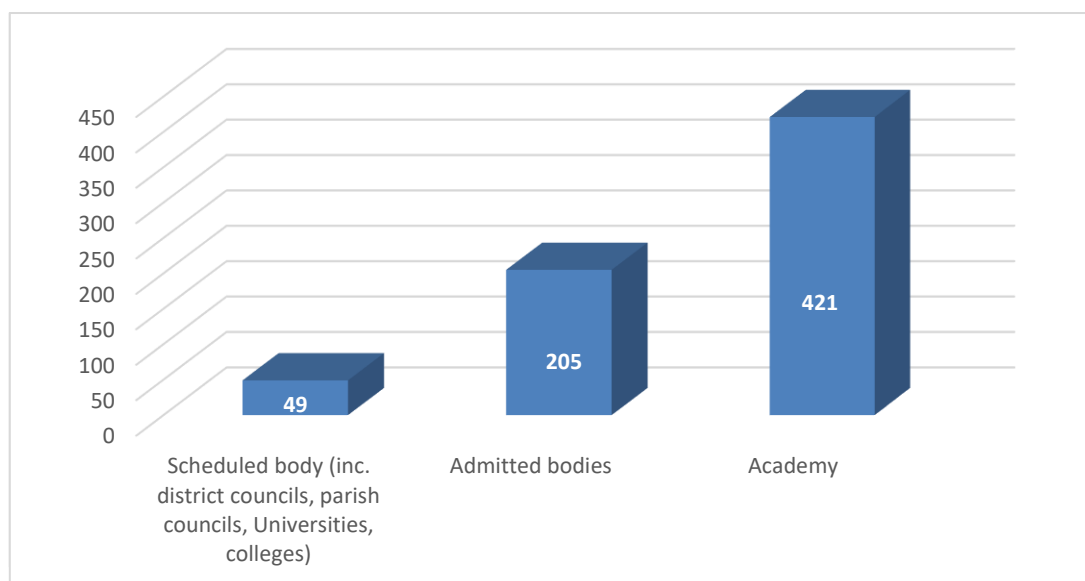
	Membership as at 31 March 2018			Net Movements during the period			Membership as at 31 March 2019		
	National Express	Preston Bus Ltd	Total	National Express	Preston Bus Ltd	Total	National Express	Preston Bus Ltd	Total
Active Members	352	0	352	-36	0	-36	316	0	316
Deferred Members	709	13	722	-60	-2	-62	649	11	660
Pensioner Members	3,808	115	3,923	51	1	52	3859	116	3975
Total Members	4,869	128	4,997	-45	-1	-46	4824	127	4951

3.3 Employers

3.3.1 The Main Fund continues to see an overall upward trend in employer numbers, with an increase of 14 employers over the previous quarter, due mainly to the establishment of academies and outsourced local government contracts, a total of 50 new organisations being admitted during the period 1 January 2019 to 31 March 2019 (and a number of backdated agreements becoming finalised). The number of employers registered with the Fund as at 31 March 2019 is 675, a 55% increase since March 2014 as shown in the graph below.



3.3.2 The graph overleaf shows the breakdown of the total number of employers as at 31 March 2019 by employer type.



3.3.3 The level of on-going employer transition work being processed at the end of the period is as follows: -

- 100 admission agreements
- 28 academies
- 53 employer terminations

3.4 Workflow statistics

3.4.1 The administration casework is managed through the UPM Pension Administration System, which records all processing activity on a members record.

3.4.2 During the period covered by this report, the Fund has seen a 21% increase in processes commenced compared to 2017/18 and a 15% increase in the number of processes completed compared to 2017/18 (excluding monthly submissions processing).

3.4.3 On 31 March 2019 there were 43,194 items of work outstanding. This represents an increase of 9,514 items outstanding compared to 31 March 2018. Of the 43,194 items of work outstanding, 5,663 items were pending as a result of information awaited from a third-party e.g. scheme members, employers or transferring authorities. Within pensions administration, 37,531 processes are now either proceeding to the next stage of the process or through to final completion.

3.4.4 The number of active processes remains high. From 1 April 2018 to 31 March 2019, the Fund continues to see an increase in the processes commenced, a 21% increase compared to the previous reporting period. The total number of processes outstanding remains high and the key areas of significant volume include early leavers (deferments and refunds) and member movement within the Fund. This increase represents a combination of;

- Changes in regulations resulting in member led work, i.e. following disclosure mailings and change in regulations and the requirement for the Fund to temporarily hold casework until further details are received and systems updated i.e. changes to actuarial factors.

- The targeting of certain processes to update member records, which is expected to support in the reduction of outstanding work in the longer term.
- The work with employers to target historical data quality issues, which is likely to continue for a period but will support the long term position for the Fund.

3.4.5 The Fund has been reviewing the volumes of incoming work and putting in place plans to address key high volume areas. System development is being investigated as part of the Digital Transformation Programme, in a number of areas to provide longer term, cost-effective support for increasing volumes of benefit processing work.

3.4.6 A detailed analysis of the key processes across all operational functions e.g. calculating benefits for retirements, pensioner member data changes as well as the maintenance of updating membership details is shown in Appendix A.

4.0 Digital Transformation and System Exploitation

4.1 Work continues to develop the Digital Transformation Programme at the Fund, with a number of areas progressing in 2018/19. The aim of the programme is to support the Fund to transform its business areas through the use of information and technology to drive business efficiencies and cost savings whilst improving the service we provide to our members. The associated development work is included in the Funds budget for 2019/20.

4.2 In relation to areas of key priority identified following consultation with Fund employers:

4.2.1 Employer Hub

- The Fund has been working in partnership with our software supplier, Civica, to develop a new portal for employers. The existing employer portal, is the key method for exchanging data with our employers and is key to ensuring efficient and secure exchange. The new portal is being designed to improve the reporting functionality, improve the user experience through design, improve availability of performance monitoring information, enabling earlier issue resolution. Throughout the development of this functionality, we continue to engage with the Employer Peer Group to keep them updated on the project and get their views on the development underway to ensure the functionality meets requirements of day-to-day users. The Fund is now developing a more in-depth testing plan, which will be undertaken during the summer, with the aim of implementing the new portal before the end of 2019/20.

4.2.2 Employer Web Trays

- Following the initial pilot of this functionality in 2018, further enhancements were identified and raised with our software supplier. We expect the pilot to resume in the near future. This functionality will enable queries with data to be raised with employers via the web portal and the process will be sent to the employers' web-tray for action. This development will support flow of information and assist in monitoring of queries and resolution, providing insight to the development of employer communications and coaching material.

4.2.3 Deferred Retirement Quotes Online

- As previously reported to Board, following the amendment to the regulations to allow deferred members to access their pension from age 55, the Fund has seen a

significant increase in the number of requests for members. To support the management of this work, the Fund is developing a self-service facility for members. An initial design requirements meeting was held in March, and a more detailed plan for implementation is now being developed.

3.5 Key Performance Indicators (KPIs)

- 3.5.1 The Fund uses a number of KPIs to measure performance when processing items such as Transfers In and Out, Retirements and Deferred Retirements.
- 3.5.2 There are a number of KPIs which have cumulatively achieved throughout the year to date, including the management of death cases, payment of retirements (active and deferred), payment of refunds and transfers.
- 3.5.3 The increase in volumes of work have impacted on the Fund's ability to meet three of our key performance indicators.
- Notification of estimated retirement benefits – the performance relative to this indicator has overall continued to increase during the reporting period. Further analysis of the cases which missed the targeted timescales of 15 days were due to the requirement to query information with employers. Further engagement is underway with employers to ensure delay to members is minimised, and a review of the key trigger points for the KPI to improve future reporting on Fund performance, which will be reflected in the next quarterly report.
 - Deferred Retirement Quotes - the amendment to the scheme regulations, allowing deferred members to access their benefits at the age of 55, resulted in the Fund initially receiving approximately 1100 requests for quotes. Fund staff worked additional hours to support in managing these cases. These cases have now all been processed and the KPI is now being achieved from April 2019. Since this change in regulation the Fund now receives on average, an additional 150 requests each month.
- 3.5.4 In addition, the Fund is continuing to explore ways in which efficiencies can be identified to manage and improve service and the customer experience. A 'post retirement' survey was piloted during the first quarter of 2019 which gave us valuable insight into the retirement journey. As a result, we will be rolling out this survey on a monthly basis to gather a continual feedback stream and to collate a representative amount of data to base business improvements on. We are also looking to extend pilot surveys to other processes, with a pilot 'post deferred retirement' survey scheduled in early 2019/20.
- 3.5.5 For more information on KPIs by process by month over 2018/19, please see Appendix B.

4.0 Pensions in payment

4.1 Pensions in payment – Main Fund

The gross annual value of pensions in payment for the Main Fund to March 2019 was £497.6m, £16.3m of which (£8.1m for pensions increase and £8.2m for added year's compensation) was recovered from employing authorities and other bodies as the expenditure was incurred.

4.2 Pensions in payment – WMITA Fund

The gross annual value of pensions in payment for the WMITA Fund to March 2019 was £26.3m, of which no further recharges for added year's compensation will be made to employing authorities and other bodies as the member and beneficiary are deceased.

5.0 Financial implications

5.1 The report contains financial information which should be noted.

5.2 Employees of organisations who become members of the Local Government Pension Scheme will contribute the percentage of their pensionable pay as specified in the Regulations.

6.0 Legal implications

6.1 The Fund on behalf of the Council will enter into a legally binding contract with organisations applying to join the Local Government Pension Scheme under an admission agreement.

7.0 Equalities implications

7.1 This report has implications for the Council's equal opportunities policies, since it deals with the pension rights of employees.

8.0 Environmental implications

8.1 The report contains no direct environmental implications.

9.0 Human resources implications

9.1 This report has implications for the Council's human resources policies since it deals with the pension rights of employees.

10.0 Corporate landlord implications

10.1 The report contains no direct corporate landlord implications.

11.0 Schedule of background papers

11.1 None.

12.0 Schedule of appendices

12.1 Appendix A: Detailed process analysis

12.2 Appendix B: Key performance indicators (KPIs)

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Pension Committee Statistical Report
Detailed Process Analysis

Appendix A

2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
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Active & Deferred members

Process type									
Joiners and Rejoiners (Bulk)	8,763	6,403	11,138	13,558	9,816	16,688	20,227	17755	25509
Changes in circumstances eg change in hours	18,759	15,303	12,385	11,273	6,391	8,752	6,370	5386	5725
Deferments	5,939	7,818	5,741	6,728	5,664	8,340	8,178	8629	15934
Active Retirements (Employer retirements)	3,317	3,950	2,475	2,279	2,351	2,775	2,593	2676	2280
Deferred Retirements	3,332	2,970	2,971	2,726	2,301	3,421	3,552	4429	4814
Deaths of members	295	262	287	285	230	379	399	470	429

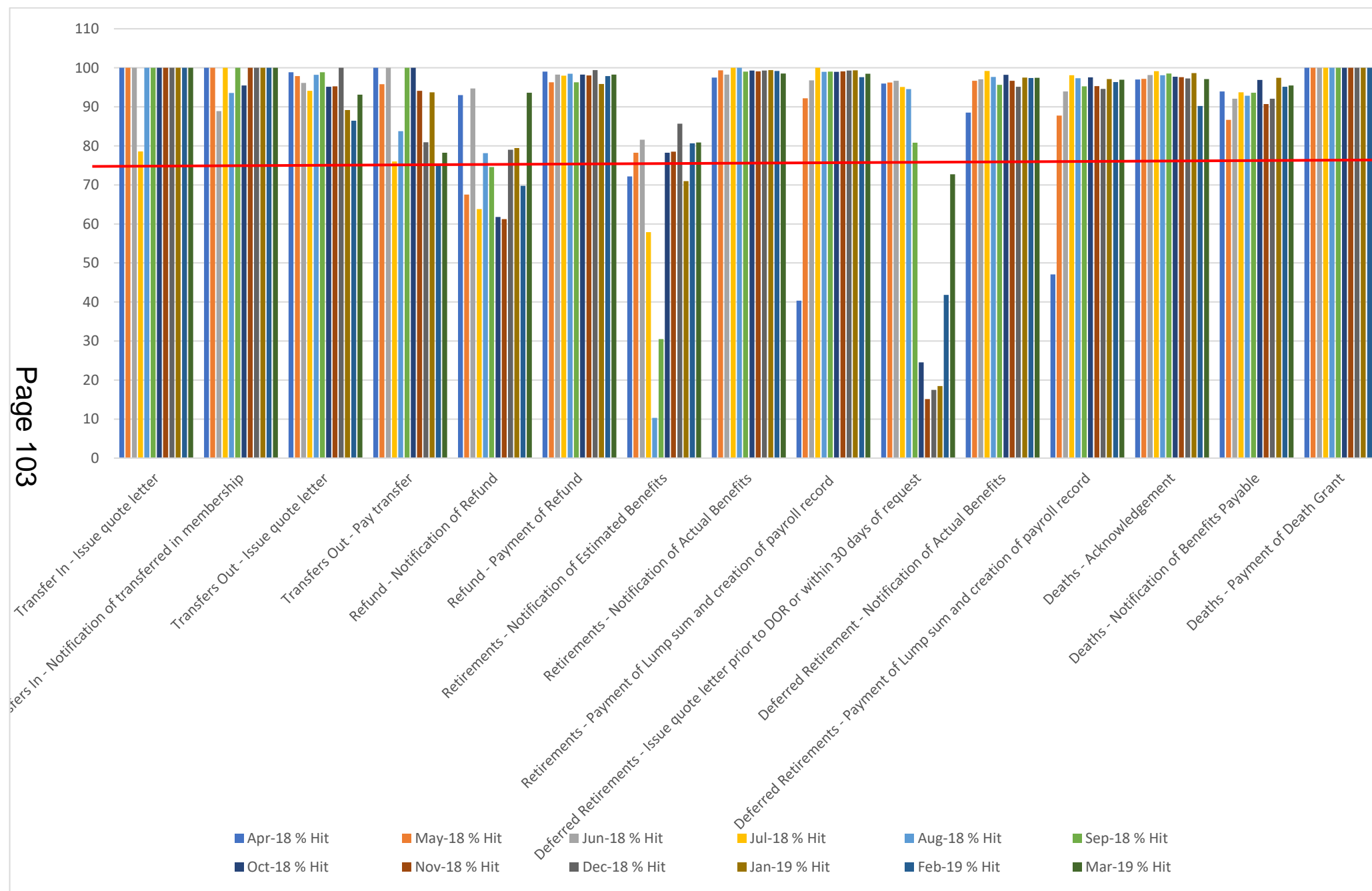
Pensioner members

Process type									
Changes in circumstances:-									
Data eg Passwords, NI Numbers	1,310	1,804	1,865	2,017	2,604	4,548	2,427	3105	2694
Changes of Address	2,420	2,681	2,131	1,732	1,733	2,237	2,589	3004	2628
Changes of Bank	2,927	2,531	2,783	3,420	3,281	1,573	2,272	2214	1957
Deaths of pensioners	2,085	2,145	2,101	2,546	2,454	1,702	2,813	2919	2793

Payroll							Total	Total	Total
Actual number paid	792,724	837,189	870,804	895,018	913,864	888,954	915,275	945,196	979,819

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Appendix B Administration KPI's



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CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 2 July 2019
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Report Title	Customer Engagement Update	
Originating service	Pension Services	
Accountable employee(s)	Simon Taylor	Head of Pensions
	Tel	01902 554276
	Email	Simon.taylor2@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	Rachel.brothwood@wolverhampton.gov.uk

Recommendations for noting:

Board is asked to note:

1. The engagement activity and informed service development.
2. The Communications Policy Statement included at Appendix C.

1.0 Purpose

- 1.1 To provide the Local Pensions Board with an update of the Fund's customer engagement activity from 1st January 2019 to 31st March 2019, in line with its Customer Engagement Strategy.

2.0 Background

- 2.1 One of the Fund's key objectives is to engage to improve outcomes for our customers. In line with this objective, the Fund has published, and keeps under review, a Customer Engagement Strategy, to review satisfaction and help inform improvements to its pension services.
- 2.2 This report summarises engagement activity and the service development this is driving.

3.0 Engagement within this reporting period

- 3.1 The Fund has undertaken a wide range of proactive engagement with our customers and other stakeholders during the period 1st January 2019 to 31st March 2019.
- 3.2 In total, the Member Services team has assisted **1,780** members with pension related information. This engagement includes presentations delivered to **658** attendees held at a variety of different employers, including the district councils, universities, school and other admitted bodies.
- 3.3 The feedback from these presentations was **50%** of the members rated them as excellent, **40%** as very good, **9%** as good and **1%** as satisfactory. Further detail on the feedback can be found in appendix A with a summary of the scope of these events covered in appendix B.
- 3.4 During this reporting period the team provided **8** satellite support events to hard to reach members who may not normally be able to access our services due to the nature of their work. These events were delivered across **6** locations in Birmingham, Dudley, Halesowen, Solihull, West Bromwich and Wolverhampton to **89** scheme members. These have included leisure services staff, learning and physical disability support staff, PCSO's and Police support staff, special school staff and Social Workers within Children's Services. Please see appendix B.
- 3.5 Further support has also been provided to **700** members on an individual basis either through drop in sessions or scheduled one-to-one support sessions.
- 3.6 Scheduled one to one support consists of a "Health Check" of member record/s, providing a snap shot of the value of their benefits to date and a projection at normal retirement age. We discuss any other concerns members may have and early retirement options they may wish to explore.

- 3.7 The Fund works in partnership with local HR teams at our larger employers upon request to educate new starters of the benefits of the LGPS and provide support to members who are thinking about retirement. During this quarter we have delivered **6** LGPS induction sessions which were delivered to **79** attendees, and **3** pre-retirement events which were attended by **27** members
- 3.8 During this reporting period the Member Services Team piloted the new “Pre-Retirement Planning Workshop”. These workshops not only provide an overview of the LGPS, but also touch on state pension benefits, tax, signposting and provide members an opportunity to calculate and understand their own pension benefits. In January, the Pre-Retirement Planning Workshop pilot was offered to members at the City of Wolverhampton Council. Due to the success of the event this will now be rolled out across the region (this is covered in 11.2 of this report)

4.0 “My Pensions” portal promotion

- 4.1 To contribute towards the drive to promote the new member pensions portal, in the last quarter, the team provided a bespoke pensions portal presentation and drop-in sessions at one of the Fund’s largest educational establishments - Calthorpe Academy, which assisted **72** members register and navigate for pensions portal and take control of their benefits online.
- 4.2 There are now over **75,000** members registered and accessing information about their benefits using the pension-portal facility. During this period this increased by **722** portal registrations.

5.0 Employer Coaching

- 5.1 One of the Fund’s objectives is to partner for success, of which a key element are our customers. The Fund’s Pensions Administration Strategy (PAS) sets out the roles and responsibilities for both the Fund and our participating employers. In order to provide employers with the required support and guidance to help them meet these responsibilities, the Fund provides employer coaching sessions, with a planned schedule of events set out for each calendar year.
- 5.2 Two sessions were held during the reporting period, on 16th January 2019 (11 attendees) and 6th March 2019 (11 attendees) with the later session being bespoke to academies. Feedback was positive with all attendees rating the session as good or excellent.
- 5.3 Feedback gained from the sessions is helping to structure future bespoke and ‘short-bite’ sessions planned either in the format of face-to-face sessions or as part of the supporting webinar programme.
- 5.4 The inaugural webinar demonstration took place during February 2019 with volunteers from the Fund’s Employer Peer Group. The introduction of the webinars is designed to supplement the Funds coaching programme and an additional demonstration was covered at our May 2019 Employer Peer Group session compromising of several new

attendees for the 2019/20 cycle. Feedback was positive in general with some helpful comments in terms of potential topics for future webinars.

6.0 Employer Peer group

- 6.1 Aligned to the Fund's objective to partner for success, the Fund holds an Employer Peer Group every three months.
- 6.2 The Employer Peer Group provides the Fund with valuable feedback and allows the Fund an opportunity to trial new initiatives, procedures and ideas, before implementation, to assist both member processing efficiencies and employer performance.
- 6.3 At the Employer Peer Group meetings held on 6th February and 15th May 2019 respectively, issues covered included:
- Update on the Fund's Employer Hub development programme
 - Current ongoing consultations discussed, including:
 - Fair Deal
 - The Funds Customer Engagement Strategy
 - Provisional quote guidance document drafted by Member services following employer feedback
 - Monthly Submission process review
 - Webinar Demonstration
 - 2019 Actuarial Valuation
- 6.4 A number of suggestions were put forward and feedback given by the group with respect to the above which will be considered by the Fund in future developments of these items.
- 6.5 This was the final meeting of the 2018/19 Peer Group and subsequently invites were extended to the whole employer base in advance of the new cycle commencing from May 2019. A number of participating employers expressed an interest in being part of the group and supporting the diverse mix of employer representation on the group. The 2019/20 group is made up as follows:

District Council	4
Academy (MAT)	2
CAB	1
University	2
TAB	1
College	1
Designated Body	1
Other Scheduled Body	1

7.0 Liaison with employers ahead of 2019 Annual Benefits Statements

- 7.1 Employer Services is working to ensure all final 2018/19 data files are received from employers in order that preparation for the 2019 ABS may commence.

- 7.2 In addition, end of year Financial Statements have been requested from all employers as an annual certification of the contributions paid to the Fund and in line with the requirements set out in the Pensions Administration Strategy.

8.0 Overall Customer Satisfaction

8.1 Employer Survey January 2019

- 8.1.1 Results from the 2019 bi-annual Employer Survey show that, 79% of employers responding are satisfied/above satisfied with the overall service provided to them by the Fund. Responses were received from 71 employers.
- 8.1.2 The key theme of the survey was around the engagement methods employed by the Fund, with particular focus on informing preparation for the 2019 Actuarial Valuation. A number of suggestions were made by respondents with respect to the assistance they would like to receive in relation to the valuation process. These suggestions will be used to structure the content of the Funds initial valuation consultation meetings and the format and frequency of future engagement sessions over the rest of the coming year and included the following (in summary):
- More upfront and explicit signposting where employer action is required
 - Timely assistance with any questions arising from valuation
 - Regular briefings and updates in order to understand progress and key milestones
 - Use of webinars to provide updates to employers with respect to the process and expectations.
- 8.1.3 When asked which support mechanisms employers would prefer to see further developments made, the highest-ranking item was the Employer Web Portal, followed by the creation of more guidance documents/videos and an improved ability to self-serve through the Fund's website. These are all items which are on the Fund's service development plan and will be rolled out over the next 12-18 months. The suggestions and comments received through the survey will be used to assist with the prioritisation of development activity when setting future priorities and objectives.

8.2 Customer Satisfaction Surveys

- 8.2.1 The rolling online customer survey available through the Fund's website continues to provide ongoing feedback and early notice of any common issues or concerns.
- 8.2.2 Alongside this, the Fund encourages feedback using a range of different channels, such as through surveys issued following member, customer and trustee events. Within all of our external surveys, two 'core' questions are included which measure overall customer satisfaction. The overall satisfaction over this period has been noted as 99%.

- 8.2.3 A pilot 'post retirement' survey was issued during this quarter which gave us some valuable insight into our customer's experience. To enable us to collate more data and have a continuous stream of feedback, we will be launching the survey as a monthly feature. We are also going to pilot a 'deferred retirement' survey within the next quarter.
- 8.2.4 Where customer feedback highlights an improvement area, these improvements, which have related to a range of system and process change, together with points for further employee training, are being investigated and monitored. We are continuing to expand and promote the surveys available and all improvement ideas are stored within our Customer Feedback Log for analysis and exploration.
- 8.2.5 As a result of the feedback received so far, we have been able to improve several outgoing letters and create/modify Fund web pages to help members self-serve. For example, in this quarter, we have been able to create a new 'bereavement' page to help support our member's personal representatives. We have also added a link to this page in our initial acknowledgement letter, so that they have access to further information on the process from the outset.
- 8.2.6 Some improvements require software development and will be explored through the Fund's Digital Transformation Programme. These improvements include:
- A review of the Pensions Portal re-set credential procedures
 - A review of the Secure Messaging process and how these messages are displayed to members.
 - Automated Email Import

9.0 Communications and Publications

- 9.1 During the reporting period, the Fund has compiled and provided a number of new and revised publications. The communications have been produced in line with the Fund's objective of engaging to improve outcomes for our customers through provision of key guidance, messaging and support. The Fund endeavours to ensure it is at the forefront of integrating the latest industry practice and guidance into its communications, whilst also tailoring the information it provides based on feedback from its customers, and, where possible, introduces new publications based on their requirements
- 9.2 Members continue to view the Funds video shorts which are available through the website. The videos assist members with registration for pensions portal, provide an overview of the LGPS, promote the 50:50 section and explain the annual benefit statements. Since the videos were published, **3,015** members have accessed and viewed the videos. This is a **27%** increase since the March customer engagement update.
- 9.3 Following feedback from the employer meeting held in September 2018 a supporting document has been drafted to help with the explaining of retirement statements by employers to members. Guidance notes have now been produced for a variety of circumstances under which a member may leave. These are now available on the Fund's

website, hyperlinked on the member pensions portal and can also be included as part of the employers' toolkit.

- 9.4 In March 2019 the Fund issued its annual Pension Smart newsletter to all our pensioner members of the scheme, this was issued via post along with P60s in March and April to **c90,000** members.
- 9.5 The 2019 Spring edition of the Employer brief was circulated to all employers during March and contained articles and important information on the following topical issues and Industry updates:
- Internal Dispute Resolution Procedure
 - 2019 Actuarial valuation
 - Cost management following the SAB review
 - New fair deal Consultation
 - Detailed instructions regarding notifying the Fund of a scheme leaver
 - Upcoming employer events

The Spring brief included the usual features around process reminders, warnings and the promotion of Fund support and guidance available to employers. A copy can be found on the Fund's website.

10.0 Pension Roadshows

- 10.1 As part of the Fund's communication plan, the Fund provides face-to-face support on the pension roadshow vehicle. This enables the Fund to actively engage with its membership across the West Midlands, increasing awareness of the LGPS and its benefits and promoting the Fund's member pensions portal expanding the scope for self-service. The Fund also receives valuable feedback from these events to help shape future service delivery.
- 10.2 During this reporting period the team delivered the annual Roadshows at Depot locations across the West Midlands region. The team delivered **9** roadshow events which saw **422** members come on board the bus and seek support with their pension benefits. This is a 16% increase in attendance when compared to last year.

11.0 Support and communication on the horizon over the next quarter

- 11.1 The Fund has or will be providing various support and communication to its customers and stakeholders in the near future, which will be covered in future Board reports. This range of activity extends from working with LGA and other funds, the development of new methods of communication to engage with our membership and upcoming support which is due to be delivered to members.
- 11.2 Following on from 3.9 in this report the Member Service Team is rolling out the new pre-retirement planning workshop across the region have already secured booking with Dudley MBC, South & City College and a quarterly commitment for the workshop from

Walsall MBC. We are also currently working with **9** other employers to roll this support out.

- 11.3 The Annual Benefits Statement for Deferred members has been designed for 2019 and also contains important updates regarding new regulations which came into effect from January 2019. The statement is due to go live on the Fund member pensions portal on the 3 June. Last year the Fund notified members that their statement was on-line through a bulk email, due to the success of this in 2018, we will be emailing **c36,000** members again between 3 June and 6 June 2019.
- 11.4 The LGA has secured a budget to create member videos which explains the LGPS for all LGPS Fund's to use. The idea is the videos will promote various parts of the LGPS and increase member engagement with their benefit. The West Midlands Pension Fund is one of three LGPS Funds which is working with the LGA to procure a supplier to make the videos and work with them to design and commission them.
- 11.5 The programme of employer performance feedback will continue with particular focus on the remaining largest employers not yet seen during this calendar year. Invites have been extended to a further 3 employers for suggested discussion to take place prior to the end of quarter two. In addition, regular follow up calls have been requested with those employers seen during this reporting period
- 11.6 The Member Services Team is currently organising the annual FE College and Universities Pension Roadshow events across the region. These are due to be delivered between the 4th & 12th July 2019.
- 11.7 As part of the Funds 2019 Actuarial Valuation preparations, all employers are due to be issued with an electronic 'health check' document asking employers to check or confirm the following details:
- Accuracy of active member lists as at 31st March 2019 held by the Fund
 - Details of any casual employees (for help with reconciliation of monthly data)
 - Details of the contacts held for the organisation (and payroll provider if appropriate).
 - List of approved users currently registered as having access to an organisation via the Employer Web portal
- 11.8 The first session of the 2019/20 peer group will take place with a refreshed list of attendees which includes some previous group members together with some brand-new members. The first session will include a further demonstration of the planned webinar coaching programme for feedback and comments together with a number of other topical issues for the group to discuss
- 11.9 The Fund's commitment to participate in different channels of engagement to communicate with its employers and members continues. The roll out of webinars to both members and employers is now increasing in momentum and the target for full roll out during early summer is on track.

11.10 Planning for the 2019 actuarial valuation, the Fund will be running a series of multi-employer briefing sessions across the West Midlands area to discuss the actuarial valuation and to ensure employers are fully equipped and informed in terms of what might be expected. The briefing sessions will allow employers to learn more about the funding strategy review, the process and how this review may impact on contribution requirements from April 2020. These sessions will cover the following areas:

- An overview of the 2019 valuation and how funding has developed since 2016.
- An update on how the Fund might reflect differing employer circumstances.
- How the Fund might assist employers to manage and mitigate the liability risks.
- Discuss the information the Fund will require to assess the employer's ability to support future contribution proposals.

12.0 Customer Engagement Strategy

12.1 Following approval of the Customer Engagement Strategy by Pensions Committee, the document has now been made live via the Fund's website together with the Customer Engagement plan.

12.2 Events that have taken place, will be tracked quarterly against the planned events detailed in the Customer Engagement Plan and submitted for review.

13.0 Communications Policy

13.1 Aligned to the revised Customer Engagement Strategy, in line with the statutory obligations set out in the LGPS Regulations, the Fund has reviewed the Communications Policy. The policy was approved by Pensions Committee at their June 2019 meeting. This policy will remain subject to a process of continued review against the Fund's objectives and deliverables set out in the Customer Engagement Strategy.

14.0 Mid-Year Review 2019

14.1 Invites were issued to all participating employers, Union representatives, Pensions Committee and Local Pensions Board members regarding the Funds Mid-Year Review to be held at the Hayward Suite at Molineux Stadium on 3rd July 2019.

15.0 Financial implications

15.1 The report contains no direct financial implications

16.0 Legal implications

16.1 The report contains no direct legal implications.

17.0 Equalities implications

17.1 The report contains no direct equalities implications.

18.0 Environmental implications

18.1 The report contains no direct environmental implications.

19.0 Human resources implications

19.1 This report contains no direct human resources implications.

20.0 Corporate landlord implications

20.1 The report contains no direct corporate landlord implications.

21.0 Schedule of background papers

21.1 None.

22.0 Schedule of Appendices

22.1 Appendix A: Member Services feedback

22.2 Appendix B: Member Services events covered 1 January 2019 – 31 March 2019.

22.3 Appendix C: Communications Policy Statement 2019

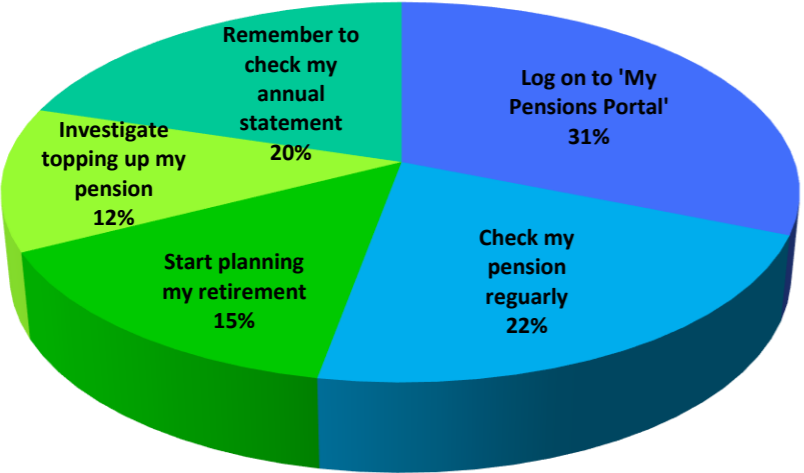
Appendix A- Member Services Team – Presentation Feedback January - March 2019



Members feedback on the following areas

404 – Members surveyed January - March 2019

What are you going to do following this presentation?



■ Log on to 'My Pensions Portal'

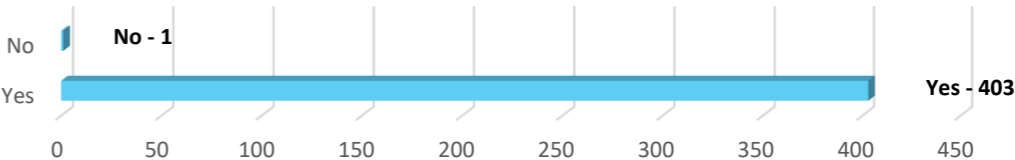
■ Check my pension regularly

■ Start planning my retirement

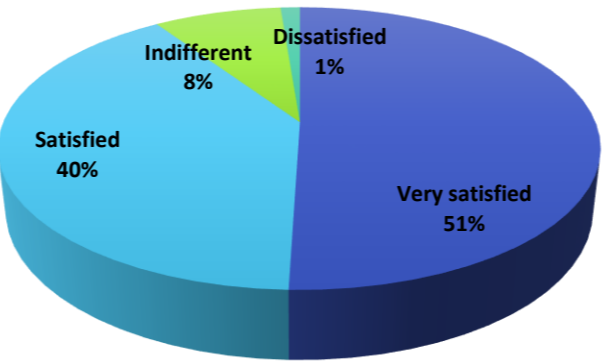
■ Investigate topping up my pension

■ Remember to check my annual statement

Would you recommend a colleague to attend this type of event?

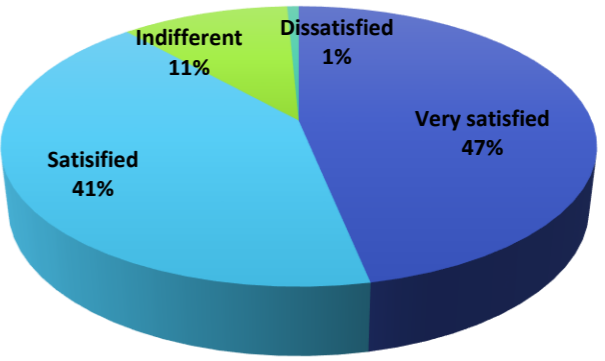


How satisfied are you with your most recent interaction with WMPF?



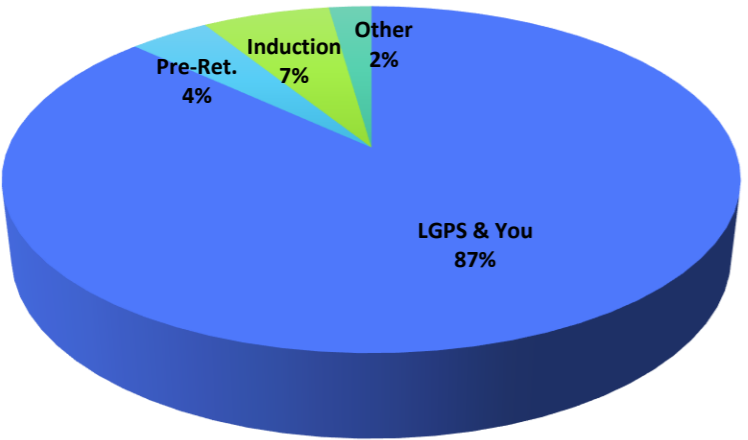
■ Very satisfied ■ Satisfied ■ Indifferent ■ Dissatisfied ■ Very dissatisfied

How satisfied are you with the overall service that you have received from WMPF?



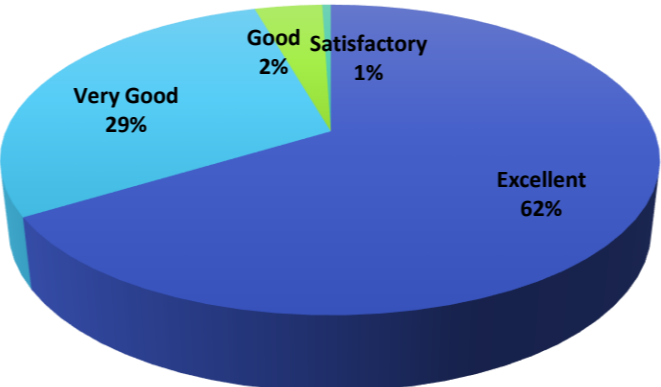
■ Very satisfied ■ Satisfied ■ Indifferent ■ Dissatisfied ■ Very dissatisfied

Which presentation did you attend?



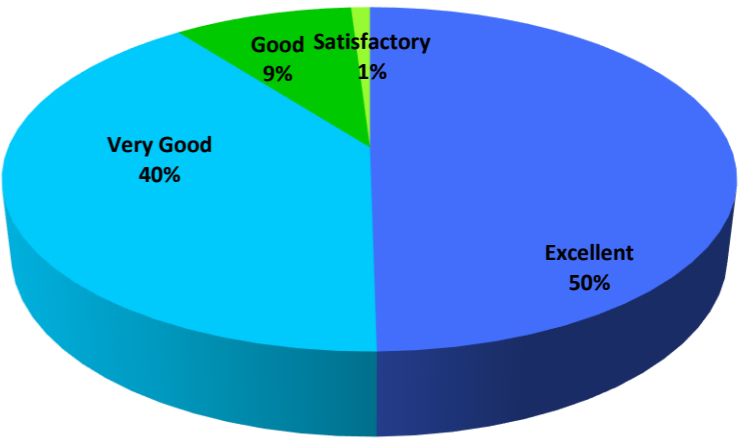
■ LGPS & You ■ Pre-Ret. ■ Induction ■ Other

Presenters knowledge and presentation skills?



■ Excellent ■ Very Good ■ Good ■ Satisfactory ■ Poor

Presentation rating



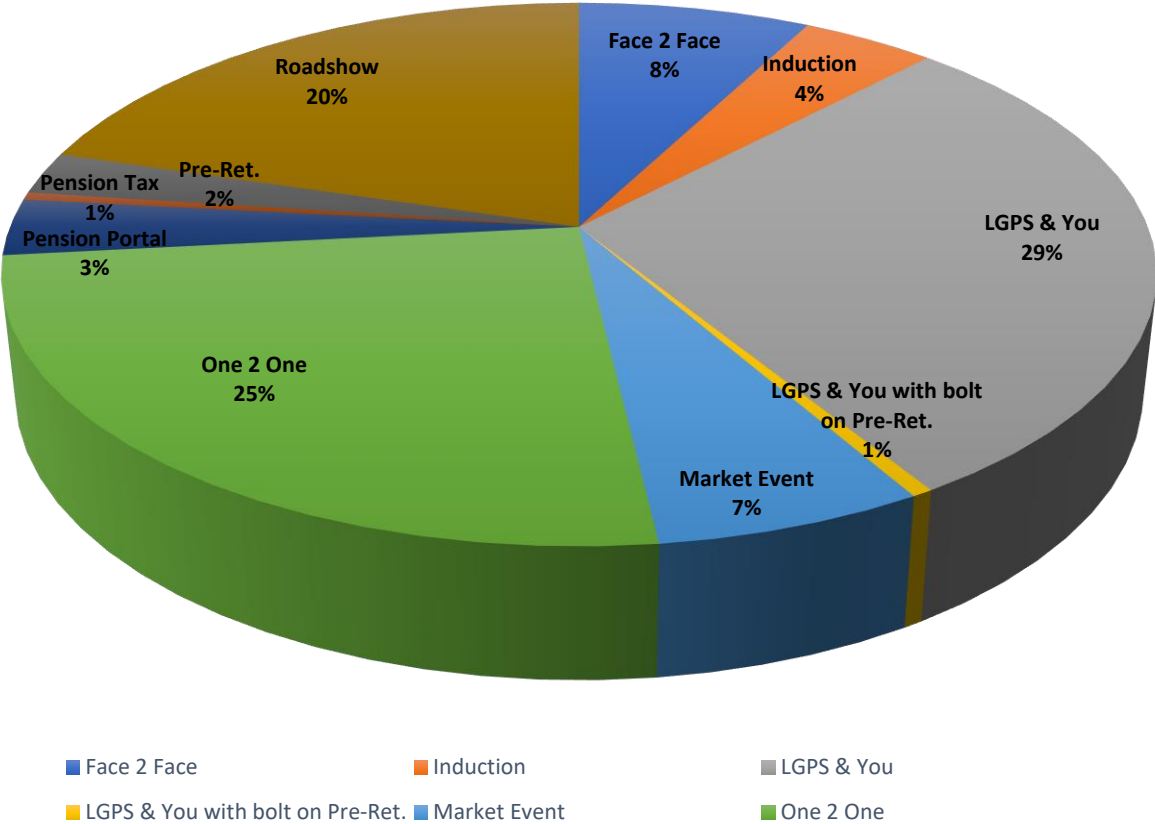
■ Excellent ■ Very Good ■ Good ■ Satisfactory ■ Poor

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Appendix B- Member Services Team Stats - Events attended 1st January 2019 to 31st March 2019



Page 117



Event Type	Attendance
Face 2 Face	137
Induction	79
LGPS & You	517
LGPS & You with bolt on Pre-Ret.	9
Market Event	115
One 2 One	448
Pension Portal	60
Pension Tax	8
Pre-Ret.	45
Roadshow	362
Total	1780

Member Services Team Stats - Events attended

1st January 2019 to 31st March 2019

Jan-19

Date	Venue	Event Type	Attendance
04/01/2019	Birmingham Children's Trust	LGPS & You	12
04/01/2019	Birmingham Children's Trust	One 2 One	9
07/01/2019	Fairfax School	LGPS & You	43
07/01/2019	Fairfax School	One 2 One	12
07/01/2019	Sandwell College	Market Event	43
08/01/2019	Kingswood Academy Trust	One 2 One	5
10/01/2019	Dudley MBC - Queens Cross Network	One 2 One	13
15/01/2019	West Midlands Pension Fund	Pre-Ret.	15
16/01/2019	Coventry University	LGPS & You X3	46
16/01/2019	Coventry University	Face 2 Face	10
16/01/2019	City of Wolverhampton Council	Induction	17
16/01/2019	City of Wolverhampton Council	Face 2 Face	4
17/01/2019	Halesbury Special School	One 2 One	4
21/01/2019	Sandwell Leisure Trust - Haden Hill Leisure Centre	One 2 One	6
22/01/2019	Waverley School	LGPS & You	29
22/01/2019	Waverley School	Face 2 Face	7
22/01/2019	Woodfield School (Hawthorne Lane Campus)	One 2 One	14
22/01/2019	Solihull Police Station	One 2 One	8
23/01/2019	Sandwell Leisure Trust (Hadley Stadium)	One 2 One	5
23/01/2019	Walsall MBC	Induction	5
24/01/2019	Dudley College	LGPS & You	37
24/01/2019	Dudley College	One 2 One	10
25/01/2019	Templars School	One 2 One	10
25/01/2019	Foxford School	LGPS & You	47
25/01/2019	Foxford School	Face 2 Face	8
28/01/2019	The Corley Centre	LGPS & You	21
28/01/2019	The Corley Centre	One 2 One	6
28/01/2019	St. Paul's C of E Academy	LGPS & You	47
28/01/2019	St. Paul's C of E Academy	Face 2 Face	8
29/01/2019	Woodfield School (Stoneleigh Road Campus)	One 2 One	6
29/01/2019	University College Birmingham	One 2 One	9
30/01/2019	Langley Swimming Baths	One 2 One	7
30/01/2019	Portway Leisure Centre	One 2 One	5
30/01/2019	Halesowen College	One 2 One	8
31/01/2019	Birmingham Children's Trust	LGPS & You	64
31/01/2019	Birmingham Children's Trust	Face 2 Face	21
31/01/2019	Tipton Leisure Centre	One 2 One	4
Total			625

Member Services Team Stats - Events attended

1st January 2019 to 31st March 2019

Feb-19

Date	Venue	Event Type	Attendance
04/02/2019	Walsall College	Pension Tax	8
04/02/2019	Walsall College	Face 2 Face	4
04/02/2019	Mander House - (Appt at reception)	One 2 One	1
05/02/2019	Woodfield School - Coventry LEA	One 2 One	12
05/02/2019	Whitmore Rean's Childrens Centre	One 2 One	16
06/02/2019	South & City College (Bordesley Green Campus)	One 2 One	17
06/02/2019	University College Birmingham	One 2 One	8
07/02/2019	St Martin De Porress Primary School	LGPS & You with bolt on Pre-Ret.	9
07/02/2019	St Martin De Porress Primary School	Face 2 Face	2
07/02/2019	Christ the King Catholic School	One 2 One	14
07/02/2019	Solihull Police Station	One 2 One	7
08/02/2019	South & City College (Hall Green Campus)	One 2 One	10
08/02/2019	Bloxwich Academy	One 2 One	6
11/02/2019	Whitefriars	One 2 One	9
12/02/2019	South & City College (Bournville Campus)	One 2 One	14
12/02/2019	Bushbury Lane Academy	LGPS & You	12
12/02/2019	Bushbury Lane Academy	Face 2 Face	4
13/02/2019	City of Wolverhampton Council	Induction	20
13/02/2019	SIPS Education	One 2 One	13
13/02/2019	Whitefriars	One 2 One	9
14/02/2019	South & City College (Digbeth Campus)	One 2 One	14
14/02/2019	LGPS Central	LGPS & You	5
14/02/2019	LGPS Central	Face 2 Face	3
15/02/2019	Whitefriars	One 2 One	9
18/02/2019	Mander House - (Appt at reception)	One 2 One	1
19/02/2019	Bloomsbury LMO	One 2 One	12
20/02/2019	SIPS Education	One 2 One	7
20/02/2019	Halesowen Leisure Centre	One 2 One	12
22/02/2019	Mander House - (Appt at reception)	One 2 One	1
25/02/2019	Earlsdon Primary School	One 2 One	8
26/02/2019	St Johns C of E Primary	LGPS & You	10
26/02/2019	St Johns C of E Primary	Face 2 Face	3
26/02/2019	Queen's Cross Network - Dudley MBC	One 2 One	14
27/02/2019	Walsall MBC	Induction	11
27/02/2019	Walsall MBC	Face 2 Face	6
27/02/2019	Bartley Green School	LGPS & You	11
28/02/2019	Calthorpe Academy	Pension Portal	60
28/02/2019	Calthorpe Academy	Face 2 Face	11
Total			393

Member Services Team Stats - Events attended

1st January 2019 to 31st March 2019

Mar-19

Date	Venue	Event Type	Attendance
01/03/2019	Coventry University	LGPS & You X3	46
01/03/2019	Coventry University	Face 2 Face	15
04/03/2019	Alderbrook School	One 2 One	12
04/03/2019	Mander House (Appt at reception)	One 2 One	1
05/03/2019	The Oval School	One 2 One	12
06/03/2019	Abbey Primary School	LGPS & You	14
07/03/2019	Mander House	Pre-Ret.	6
08/03/2019	Pearl Hyde Community Primary School	One 2 One	8
08/03/2019	Coventry City Council	Pre-Ret.	12
08/03/2019	Coventry City Council	Face 2 Face	4
11/03/2019	Black Country Consortium	LGPS & You	12
11/03/2019	Black Country Consortium	One 2 One	9
11/03/2019	Greenwood Academy	LGPS & You	18
11/03/2019	Greenwood Academy	Face 2 Face	7
12/03/2019	South & City College (Handsworth Campus)	One 2 One	11
12/03/2019	James Brindley School	LGPS & You	19
12/03/2019	James Brindley School	Face 2 Face	7
12/03/2019	West Bromwich Police Station	One 2 One	14
13/03/2019	Blakesley Hall Primary School	One 2 One	12
15/03/2019	South & City College (Bournville Campus)	One 2 One	14
15/03/2019	Ormiston Shelfield Academy	LGPS & You	24
15/03/2019	Ormiston Shelfield Academy	Pre-Ret.	12
15/03/2019	Ormiston Shelfield Academy	Face 2 Face	8
18/03/2019	Birmingham Metropolitan College (Matthew Boulton)	Market Event	16
18/03/2019	Birmingham Metropolitan College (Stourbridge)	Market Event	20
19/03/2019	Redfern Road Depot	Roadshow	42
20/03/2019	Walsall Depot	Roadshow	45
21/03/2019	The Leys Depot	Roadshow	60
22/03/2019	Blowers Green Depot	Roadshow	13
25/03/2019	Montague Street Depot	Roadshow	35
26/03/2019	Lifford Lane	Roadshow	36
27/03/2019	Birmingham Metropolitan College (James Watt)	Market Event	13
27/03/2019	Birmingham Metropolitan College (Sutton Coldfield)	Market Event	23
27/03/2019	Walsall MBC	Induction	13
27/03/2019	Walsall MBC	Face 2 Face	5
28/03/2019	Perry Barr Depot	Roadshow	77
28/03/2019	City of Wolverhampton Council	Induction	13
29/03/2019	Lister Road Depot	Roadshow	54
Total			762



COMMUNICATIONS POLICY STATEMENT MAY 2019



West Midlands Pension Fund

BACKGROUND

The West Midlands Pension Fund ("The Fund") is one of the UK's largest pension funds managing and administering the pension interests of over 320,000 members and more than 650 scheme employers as at 31 March 2019. It is administered by the City of Wolverhampton Council on behalf of all West Midlands local authority bodies.

Our core mission is to ensure that our members receive their pension benefits when they fall due, contributing together for our members' future. Through increasing dialogue with our customers on the Local Government Pension Scheme (LGPS), its membership and benefits, the West Midlands Pension Fund carries out its role as administering authority in partnership with employers playing a key role in enabling employers to meet their statutory obligations assisting members' planning their retirement.

This Communications Policy Statement outlines how the Fund will communicate with its members and employers ensuring information is provided in a clear and concise way, readily available to our customers when they need it.

In April 2006, the Local Government Pension Scheme regulations were amended to state that each pension fund administering authority is required to prepare, publish and review regularly its communications policy statement, the regulations outline what funds are required to publish.

This document outlines the Fund's communications policy in line with that requirement and covers the following categories in our regular communication activity:

- 1 Communicating with scheme members;
- 2 Member self-service (the Pensions Portal);
- 3 Communicating with members' representatives;
- 4 Communicating with prospective members;
- 5 Communicating with employing authorities;
- 6 Customer engagement strategy.

1 COMMUNICATING WITH SCHEME MEMBERS

The Fund has adopted a Customer Engagement Strategy setting out the opportunities for communication with members and employers, as well as outlining opportunities for individuals to engage directly with the Fund at various stages of the pension lifecycle.

While the Fund can choose its engagement opportunities, there are a number of statutory communications which the Fund is required to provide and publish to its members. This strategy sets out how the Fund responds to that statutory requirement of communicating with members.

Annual Benefit Statement

An annual benefit statement is made available online for all active and deferred members who are contributing to the Fund or have not received payment of their deferred benefits at the previous financial year. These statements are made available through the Fund's pensions portal self-service facility. Benefit statements can be issued in paper form on written request.

If there is an instance where a benefit statement cannot be made available, we will notify members and their employers by letter, setting out the reason for the inability to produce a statement.

wmpfonline.com

The Fund maintains an extensive online resource at wmpfonline.com containing information about the scheme and the details about the current activities of the Fund. There are also links to other relevant partner organisations.

Scheme Literature

An extensive range of scheme literature is produced and updated by the Fund for all categories of member. Copies of scheme literature are made available at the Fund's website, wmpfonline.com with direct links to the national LGPS member site www.lgpsmember.org

Telephone Helpline: 0300 111 1665

A dedicated low-call rate telephone customer service telephone line is provided for scheme members and is publicised in all outgoing communications.

Pension Roadshows

Throughout the year there may be changes to scheme benefits or the regulations which determine scheme benefits which are legally required to be communicated to members. This is known as 'disclosure'.

The Fund complies with its statutory duty to provide details and information to members that affects the calculation and/or their entitlement to access their pension benefits through publication of documents, information leaflets and where necessary, direct mailings to members affected by the changes.

Pensioner Pay Advice Slip and Annual Newsletter

All Fund members in receipt of a pension receive a combined pay advice slip and P60 in April of each year. In the months of May through to March, we will only send a pay advice slip when there is a variance of £10 in their gross or net payment. For scheme pensioners that are paid quarterly and annually, the Fund will issue a pay advice every time a payment is made (June, September, December and March).

Scheme pensioners can also register to use the Fund's pensions portal where pay advice information can be viewed electronically and printed at any time following the payment date.

Mailed with the April combined pay advice slip/P60 is an annual newsletter providing updates on the Fund and its performance.

Members are still able to receive monthly and hard copy payslips by writing into the Fund to request copies.

2 MEMBER SELF-SERVICE (THE PENSIONS PORTAL)

An online portal gives members secure access to their LGPS records.

The facility provides members with the opportunity to update their personal details, ask questions about their benefits, view annual benefit statements and run pension estimate calculations as well as change nominations. Members in receipt of a pension are also able to view and change UK bank details via the portal.

3 COMMUNICATING WITH MEMBERS' REPRESENTATIVES

Materials available to members are also available on request to their representatives or through wmpfonline.com

In compliance with the data protection laws, the Fund is unable to communicate with family members unless authority has been received from the member. The Fund is also unable to communicate with third parties such as financial advisors or solicitors with express consent. For more information on third party access to information and how the Fund manages data in line with data protection, please visit www.wmpfonline.com/dataprotection

4 COMMUNICATING WITH PROSPECTIVE MEMBERS

Scheme Booklet and Website

Upon appointment with their employer, all prospective scheme members will be provided with a link to the Fund's website where they can access scheme booklets. The website also provides information to help members make an informed decision about contributing to the LGPS, the 50:50 scheme and how to opt out of the scheme.

Corporate Induction Courses

Fund officers will attend employer induction events to present to prospective scheme members the benefits of being a member of the LGPS.

Trade Unions

We work with the trade unions to ensure the scheme is understood by all interested parties. Training days for branch officers can be provided upon request, and the Fund ensures that all pension-related issues are communicated effectively with the trade unions through their representative on the Pensions Committee and Local Pensions Board.

5 COMMUNICATING WITH SCHEME EMPLOYERS E-NEWSLETTER

e-Newsletter

An electronic newsletter, entitled Employer's Briefing Note is issued on a bi-monthly basis to all employers. This is used to communicate the activities of the Fund and inform of any regulatory changes which may impact on the employer's function or their members' pension benefits.

wmpfonline.com and Employer Hub

The Fund maintains a dedicated area of its website for scheme employers containing news, learning materials and other electronic resources.

Each employer can request to join the Fund's employer hub. This allows them secure access to the membership details of their current employees. The hub provides employers with the ability to make changes to member records including working hours and personal details. The portal also provides the facility to calculate early retirement estimates and any associated early retirement costs.

Dedicated Telephone Helpline: 0300 111 6516

A dedicated low-call rate employer customer service line is provided for scheme employers. This allows the Fund to respond to employer generated telephone calls at peak times.

Annual General Meeting and Mid-Year Review for Employers

The Fund invites each employer to our annual general meeting each winter. This event is used to communicate strategic issues, performance, legislation changes and triennial valuation matters. In addition to this, the Fund also holds a mid-year employer event each summer where employers are kept up to date with important issues through presentations and roundtable discussions.

Employer Peer Group

A group consisting of a cross-section of Fund employers meet quarterly to provide feedback on the communication initiatives planned by the Fund for fellow employers.

6 PROSPECTIVE EMPLOYERS

The Fund's Employer Services team works with new and prospective employers to help their understanding of their obligations under the LGPS Regulations. The team liaise with new employers to produce the necessary admission agreements providing confirmation of their duties as a new scheme employer through coaching sessions and 1-2-1 engagement via the employer helpline.

7 CUSTOMER ENGAGEMENT STRATEGY

In line with the Fund's objectives, the Customer Engagement Strategy plays a key role in ensuring the Fund drives continuous improvement and develops working practices, systems and process which are informed and prioritised according to the needs of our customer base.

We actively engage with our customers to keep them informed about the scheme, the performance of the Fund in the delivery of its services, ensuring these meet both the legal and regulatory duty of scheme administration as set out in The Pension Regulator's Code of Practice, and the Fund's own objectives for service development.

Our success is dependent on building and maintaining good working relationships with our employers and scheme members and this strategy aims to ensure customer focus is embedded in Fund operations and exhibited in our behaviours.

Our strategy outlines:

- a) Our aims and objectives
- b) our values and behaviours
- c) Our customers and stakeholders
- d) How our customers can engage with the Fund

Our Customer Engagement Strategy is updated annually and is available from wmpfonline.com/corporateinfo

8 CUSTOMER FEEDBACK POLICY

Customer Feedback

When seeking feedback, the Fund encourages contact through every available medium and will address any comments, compliments or complaints received in any form.

Contact may be made through our customer helpline, verbally on the phone, by letter, email or through feedback forms from one of our events or roadshows.

We also host a feedback form on our website: wmpfonline.com

Exceptions

While the Fund will always try to address any contact received from customers, there may be occasions where we will not be able to deal with the query under this process, either because it is covered by a different policy or because we are unable for reasons of business/commercial sensitivity.

The types of areas that we won't deal with through this process include the following:

- Staff/ex-staff complaints about employment matters including grievances or disciplinary hearings.
- Cases where legal action has started.
- Questions or comments that might lead to the release of commercially sensitive information (where this applies the customer will be informed this is the reason).
- Complaints about trustees or Pensions Board members.
- Where the matter is already being dealt with another way.

The Fund will offer support and assistance to anyone wanting to provide feedback on our services and where it is not deemed appropriate to deal with the feedback under this policy; we will try to assist by directing them to a more appropriate channel or procedure.

Process: Complaints

When dealing with complaints the Fund will always try to resolve a customer's comments in the first instance. However, we understand that sometimes customers may feel that the response they receive does not address their concerns.

Where we have made a mistake, we will always try to put it right and the way we might do this includes:

- making an apology;
- providing a full explanation of the circumstances that lead to the mistake;
- reviewing our procedures to ensure they are as effective as possible, achieving what they are designed to achieve;
- identifying training needs among staff.

What Will Happen to Your Complaint?

To ensure a fair and balanced approach, the Fund has created a three-stage complaints process, each of which progressing in escalation.

Under each process, the investigating officer is required to highlight any potential training needs or staff development opportunities feeding this back to the manager for the service area involved.

Informal Process

Where possible, the Fund will always deal with complaints at the first point of contact. Often customers contact the Fund via our helpline and it is the responsibility of our call handlers to ensure customers calling to complain are given every opportunity to explain their concerns. Call handlers will try and resolve the matter at this point reducing the need for further action.

There will be times when our call handlers are unable to resolve a query raised or the customer requires a further explanation. Where this occurs, the formal complaints process will begin and the matter will be formally logged as a complaint and passed to the Fund's Regulatory Compliance Team.

Stage One

Where a complaint cannot be resolved in the first instance or is received via email/letter/written correspondence, this will start the Stage One process which requires the person receiving the complaint to notify the Fund's Customer Services Manager. The complaint will be logged on the central system.

The complainant will receive an acknowledgment that their correspondence has been received and is being reviewed by the Fund's Customer Services Manager.

When investigating the complaint, the Fund officer will speak to staff members involved and, where necessary, review members' records.

A response will be issued within 15 days of receiving the complaint. Should this deadline need to be extended in order to provide the opportunity for further investigation, the complainant will be notified before the 15-day deadline.

Stage Two

Where a complaint cannot be resolved under Stage One or the complainant believes their concerns have not been adequately addressed, the matter will progress to Stage Two.

When a complaint progresses to Stage Two, it will be investigated by a senior manager at the Fund, usually the Head of Governance, who will review the complaint, review the response provided under Stage One and consider whether the issue has been addressed.

As with Stage One, an acknowledgment will be sent to the complainant confirming their complaint is being considered under the Stage Two process and a full response issued within 15 days.

Stage Three

Should a complaint not be resolved under Stage One or Stage Two, and a member or employer wants to progress further with their complaint, the matter will then progress to Stage Three where the complainant has a right to ask the Director of Pensions to review their complaint and the responses received.

There may be occasions where a complaint details an event or a circumstance that suggests something has happened that is so serious, it will progress automatically to the Stage Three process.

Under Stage Three, the Director will review all correspondence relating to the complaint and will conduct an investigation as to whether all appropriate action has been taken.

A response will be issued within 21 days.

Local Government Ombudsman

Stage Three is the final stage of the Fund's complaints process. Should a complainant remain unhappy with the response received, they do have a right of appeal to The Local Government Ombudsman.

The Local Government Ombudsman does not usually investigate or respond to complaints unless the in-house process has been exhausted. Complainants will therefore need to progress through all three stages of the Fund's complaints process before the Ombudsman will become involved.

The Ombudsman may be contacted at the address below:

Local Government Ombudsman

PO Box 4771

Coventry

CV4 0EH

Tel: 0300 061 0614

Website: www.lgo.org.uk

The Pension Regulator

The Public Service Pensions Act 2013 gave additional powers to The Pensions Regulator for the oversight of local government pension funds.

They may be contacted via their website at www.thepensionsregulator.gov.uk

Internal Dispute Resolution Process (IDRP)

The Fund is required to have in place an internal dispute resolution process for responding to complaints from members which relate to:

- a) their entitlement to join the scheme;
- b) benefit entitlement on leaving the scheme; and
- c) an employer deciding not to exercise a discretion to waive a reduction for deferred members over 55.

This is a different process to the Fund's feedback process, which is designed to deal with complaints concerning the Fund's failure to comply with its own adopted service standards.

IDRP is a complaint regarding a member's statutory right to pension benefits and more information can be found on the Fund's website wmpfonline.com

Officer Contacts**Customer Services Manager**

pensionfundenquiries@wolverhampton.gov.uk

Employer Services

wmpfemployerliaison@wolverhampton.gov.uk

West Midlands Pension Fund
PO Box 3948
Wolverhampton
WV1 1XP

pensionfundenquiries@wolverhampton.gov.uk

CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 2 July 2019
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Report Title	Funding Management Update	
Originating service	Pension Services	
Accountable employee(s)	Simon Taylor	Head of Pensions
	Tel	01902 554276
	Email	Simon.taylor2@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	Rachel.brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Board is asked to note:

1. Progress on the revised Funding Strategy Statement effective 1 April 2019.
2. The report and the associated update on progress with the 2019 actuarial valuation of both the West Midlands Pension Fund (the Main Fund) and the West Midlands Integrated Transport Authority Fund (the WMITA Fund).

1.0 Purpose

- 1.1 To provide the Local Pensions Board with an update on funding management, to include the proposed changes to the Funding Strategy Statement following the introduction of Exit Credit legislation, and the 2019 actuarial valuation.

2.0 Background

- 2.1 In the April 2019 Funding Management Update report provided to the Board, the Fund outlined the proposed changes, consultation process and arrangements for finalising the revised FSS and associated Termination Policy, noting that it was to be effective from 1 April 2019. This report provides a further update on this matter.
- 2.2 This report is also to update the Board on the progress of the 2019 valuation, the consultation process and the potential outcomes/issues.

3.0 Revised Funding Strategy Statement (FSS)

- 3.1 Following consultation with all participating employers, the Fund received five separate responses from individual employers.
- 3.2 The Fund was encouraged by the comprehensive nature of the responses received and the level of commentary supplied around what is essentially a highly complex and technical matter.
- 3.3 Having considered the responses received, the Fund has issued follow-up correspondence to each of the employers concerned, addressing the points raised and confirming where changes will be made.
- 3.4 As a result of the consultation process, subject to any further feedback from the original respondents, no changes are proposed which alter the key principles or themes of the proposed revisions to the FSS, other than to introduce the option of an admitted body route alongside the proposed amendment to make pass-through arrangements the default. This change has been made to align to the proposals outlined in the recent New Fair Deal consultation, with a view to providing employers (awarding bodies and contractors) the flexibility to maintain the admission body route, if required. The Fund envisages the admission body route is likely to be most applicable when considering large scale and/or long contracts.
- 3.5 In addition, some changes will be made to wording and structure of the document to provide further clarification and enhance the flow.
- 3.6 Following the consultation, and in consideration of the feedback received, the FSS and Termination Policy will be finalised by the Director of Pensions in consultation with the Chair of Pensions Committee, this process having been approved by Pensions Committee at the 27 March 2019 meeting.

4.0 2019 actuarial valuation data collation

- 4.1 In preparation for the 2019 actuarial valuation, the Fund has provided 2016/17 and 2017/18 member data and cashflows to the Fund actuary for initial testing and feedback. The initial data interrogation work undertaken by the Fund actuary and the corresponding feedback received by the Fund, will help to streamline the process ahead of sending 2018/19 data.
- 4.2 As at the date of compiling this report, the Fund has received 97% of the expected monthly data files from participating employers. This data will be validated for the appropriate level of accuracy before forwarding to the Fund actuary for use in the calculation of the individual results. The Fund is pursuing those employers for whom there is currently outstanding data.
- 4.3 Any data issues/queries encountered, will be resolved by the Fund in conjunction with the Fund actuary or returned to the employer in question to be corrected prior to re-submission.
- 4.4 In addition to the 2016/17 and 2017/18 cashflow information, the Fund will also supply the Fund actuary with accurate cash-flow information for 2018/19 and details of the investment returns along with the associated medium to long term investment strategy.

5.0 Main Fund 2016 actuarial valuation initial analysis

- 5.1 The Fund actuary has taken the results of the 2016 actuarial valuation and begun to consider the position on a like for like basis for the 2019 actuarial valuation, to include potential outcomes.
- 5.2 It is likely that there will be an increase in the primary rate (future service) contributions required from most employers as a result of higher inflation outlook and lower expectations of investment returns going forward.
- 5.3 In contrast, the Fund's funding level will have improved since the 2016 valuation following a period of strong investment performance which is expected to put downward pressure on secondary rate (deficit) contributions. Individual employer results may vary significantly, according to make-up of liability profile and review of member experience, changing employer covenant and risk. Contributions requirements will also be reviewed in the context of the investment strategy review which will run alongside a review of the funding strategy.

6.0 WMITA Fund 2019 actuarial valuation initial analysis

- 6.1 As with the Main Fund, the Fund actuary has taken the results of the 2016 actuarial valuation and begun to consider the current funding position on a like for like basis for the 2019 actuarial valuation, with the employers in this Fund.

- 6.2 The change in funding position for the two employers is expected to vary, noting the variance between the two employers West Midlands Travel Limited and Preston Bus Limited in terms of liability profile and investment strategy.

7.0 Potential regulatory change

- 7.1 At this stage, there are a number of potential regulatory changes which could have an impact upon the outcomes of the 2019 valuation and the Fund's wider funding strategy.

7.2 McCloud and Sargeant cases/Cost cap

- 7.2.1 As noted in the 27 March 2019 Regulatory Update Committee report, on 30 January 2019 the Government announced a pause in the HM Treasury cost cap process due to uncertainty high court appeals surrounding the McCloud vs Judges Pension Scheme and Sargeant vs Firefighters Pension Scheme cases.

- 7.2.2 At the time of pausing, as a result of the cost cap floor being breached, a package of benefit improvements had been recommended which would result in an additional employer contribution of broadly 1% of payroll at Scheme level. Depending on the profile of the membership of individual LGPS employers the impact on contributions could have varied widely and guidance was sought from the Scheme Advisory Board on how Funds should account for this change as part of the 2019 valuation. The potential impact on all public service pension schemes would be significant should the 2018 Court of Appeal's be upheld. If, however, the finding is not upheld then the cost cap process will restart.

- 7.2.3 Guidance from the LGPS Scheme Advisory Board has stated that if no outcome from McCloud is known by 31 August 2019, funds and their actuaries should consider liabilities under the current regulations and scheme benefits, noting the expectation that the Scheme cost may rise in future. The Fund is therefore working closely with the Fund actuary to consider potential outcomes as it moves forward with the 2019 Actuarial Valuation.

7.3 Timing of future actuarial valuations

- 7.3.1 LGPS valuations currently take place on a triennial basis which results in employer contributions being reviewed every three years. In September 2018 it was announced by HM Treasury that the national Scheme valuation would take place on a quadrennial basis along with the other public sector pension schemes.

- 7.3.2 Although this has no immediate effect on the local fund triennial valuation process, as the 2019 valuation is going ahead as planned, there is an ongoing MHCLG consultation regarding the proposal to move local valuations to a 4-year cycle and the steps required to transition to this. Until the outcome of this is known, it is unclear how many years of contributions will need to be certified as part of the 2019 valuation with the potential for the next valuation could be delayed until 2024. As part of the consultation, there is a proposal enabling interim valuations which would allow funds to reassess funding positions and contribution rates prior to 2024. The Fund will be responding to this consultation.

7.4 Allowance for GMP equalisation

- 7.4.1 On 26 October 2018 a judgement was published for the Lloyd's Banking Group Pensions Trustees Ltd vs Lloyds Bank Plc on how their Guaranteed Minimum Pensions (GMPs) should be equalised between men and women. This ruling has ramifications for the wider Pensions Industry, potentially costing in the region of £8-10bn nationally.
- 7.4.2 However, HM Treasury have confirmed that the GMP judgement "does not impact on the current method used to achieve equalisation and indexation in public service pension schemes"
- 7.4.3 On 22 January 2018, the Government confirmed the requirement for payment of full indexation on GMPs within public service pension schemes would effectively be extended indefinitely. As a result, the Fund actuary is not anticipating any change in approach to valuing GMP in the 2019 valuation unless there is further guidance released for public service schemes.

8.0 Next steps

- 8.1 The Fund will work with the Fund actuary to cover a range of experience analysis, looking at the assumptions cast for the 2016 valuation versus the experience in the years to date, for instance:
- Short-term salary growth experience analysis
 - 50:50 scheme uptake analysis
 - Mortality analysis
- 8.2 In line with the approach taken in 2016, the Fund will continue to develop its integrated risk approach to funding, with contributions outcomes cognisant and consistent with outcome of the Employer Risk Management Framework and Investment Strategy.

9.0 Employer covenant review

- 9.1 The Fund has appointed PricewaterhouseCoopers LLP (PwC) as independent covenant advisers to supplement the activity conducted in-house.
- 9.2 The Fund is in the process of collating and finalising the data upon which to base the 2019 covenant review, which will be supported by the trend analysis developed from previous years' analysis. This baseline analysis across the employer base involves accessing publicly available information and obtaining specific data from selected employers via a tailored questionnaire.
- 9.3 The information obtained will be analysed in accordance with the Fund's Employer Risk Management Framework, utilising automated in-house tools to derive a 'risk rating' for each employer.

- 9.4 The Fund is also in the process of obtaining an independent credit rating from Dun and Bradstreet for each employer, which will support the internal assessment.
- 9.5 The covenant review will be aligned to the 2019 actuarial valuation and this will form a key part of the engagement with employers prior to provisional results being released.
- 9.6 PwC is supporting the Fund's overall covenant assessment by providing sectoral analysis on selected employer groups within the Main Fund and for both employers within the WMITA Pension Fund.

9.7 Climate risk

- 9.7.1 As part of the covenant advisory contract, the Fund has requested PwC undertake a high-level review of the impact of climate-related risks on employer covenant for participating employers of the Main Fund and the WMITA Pension Fund. This is with a view to developing the Fund's longer-term strategy on climate risk exposure from an employer covenant perspective and enhancing the awareness and understanding of our employer base initially.

10.0 Consultation process

- 10.1 The Fund has already begun consultation with employers across the region, with the first group consultation meeting held on 17 June in Wolverhampton.
- 10.3 Further briefing sessions are scheduled for July across the West Midlands region, as follows:

4 July 2019 - Walsall (the Hub, Walsall College)
8 July 2019 - Birmingham (Eversheds Offices, Colmore Row)
11 July 2019 - Coventry (Coventry University)

These sessions were also advertised in the most recent Employer Briefing note (Spring 2019 edition) and via the Fund's website. The primary purpose of these briefing sessions is to provide employers with a "what to expect" perspective on the 2019 actuarial valuation and afford employers the opportunity to raise any queries or issues they might have.

- 10.4 In addition to these sessions, the Fund is engaging with groups of employers on a sector-basis, on request, where it is helpful for similar employers to consider funding issues on a collaborative basis.
- 10.5 Between May and July 2019, the Fund, supported by its covenant and actuarial advisers, will engage with certain employers over carrying out a covenant review and affordability assessment to inform the valuation process.
- 10.6 During quarter four of 2019, the initial Fund-level valuation results will be reported to the Pensions Committee.
- 10.7 Again during quarter four of 2019, individual provisional results will be disseminated to employers.

- 10.8 Between November 2019 and January 2020 the Fund will offer a series of group consultation meetings to discuss provisional results and also formally consult on the revised Funding Strategy Statement (FSS). During the same period, individual employer meetings will be facilitated by the Fund on a request basis.

11.0 Financial implications

- 11.1 This report has financial implications for employers and guarantors in that the outcomes will drive contribution requirements as part of the 2019 actuarial valuation, effective from 1 April 2020.

12.0 Legal implications

- 12.1 The report contains no direct legal implications

13.0 Equalities implications

- 13.1 The report contains no direct equalities implications.

14.0 Environmental implications

- 14.1 The report contains no direct environmental implications.

15.0 Human resources implications

- 15.1 The report contains no direct human resources implications.

16.0 Corporate landlord implications

- 16.1 The report contains no direct corporate landlord implications.

17.0 Schedule of Background Papers

- 17.1 None

18.0 Schedule of Appendices

- 18.1 None

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 2 July 2019
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Report title	Annual Report and Accounts 2018/19	
Originating service	Pension Services	
Accountable employee(s)	Jill Davys Tel Email	Assistant Director, Investments and Finance 01902 550555 jill.davys@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 551715 rachel.brothwood@wolverhampton.gov.uk

Recommendation for noting:

The Board is asked to note:

1. The draft accounts have been prepared and certified by the Section 151 Officers as required by regulations.
2. The draft accounts for West Midlands Pension Fund were approved by Pensions Committee on 19 June 2019 and are now subject to audit by the Fund's external auditors, Grant Thornton, with the final version, including their audit opinion to be reported to the Committee in September.
3. The audit of the accounts for the West Midlands Integrated Transport Authority Pension Fund (WMITAPF) is nearing completion and the auditors anticipate issuing an unqualified opinion.

1.0 Purpose

- 1.1 The purpose of this report is to update the Local Pensions Board on the preparation, approval and audit of the Statement of Accounts and the Annual Report for the year ending 31 March 2019 and the latter's publication on the Fund's website.

2.0 Background

- 2.1 Local Government Pension Scheme (LGPS) funds are required by law to produce a Statement of Accounts and an Annual Report. These must be subject to external audit and published no later than 31 July (accounts) and 1 December (annual report) respectively.
- 2.2 In preparing their Annual Report and accounts, Funds must have regard to proper practice and to any guidance which has the effective standing of 'statutory guidance'. These are:
- for the Statement of Accounts, 'The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19' (CIPFA) ('the Code');
 - for the Annual Report, 'Preparing the Annual Report: Guidance for Local Government Pension Scheme Funds' (CIPFA).
- 2.3 As well as being published in the Fund's own Annual Report, its accounts must be included in the Statement of Accounts of the Administering Authority (in this case, the City of Wolverhampton Council or West Midlands Combined Authority). It is important to note that the transactions and balances of the Funds are completely separate and not combined with those of the Administering Authority.
- 2.4 The draft accounts are required to be certified by the Section 151 Officer on or before 31 May following the year-end. This certification was given by the City of Wolverhampton Council's Director of Finance on 31 May 2019 for the WMPF main accounts and by the Combined Authority's Interim Finance Director on 20 May 2019 for the WMITAPF
- 2.5 The Pensions Committee will receive a further report in September which will present the final version of the Statement of Accounts for publication along with the Annual Report and the findings of the external auditor's work including their audit opinion. Under the City of Wolverhampton Council's constitution, formal approval of the audited Statement of Accounts rests with its Audit Committee; this does not apply to the other parts of the Annual Report which will be presented to Pensions Committee for approval.

3.0 Accounts Closure and Preparation of the Annual Report

- 3.1 Despite challenging deadlines and a number of conflicting pressures, the Fund has succeeded in preparing its draft Statement of Accounts within the statutory deadline. This is due to careful planning, resource management and close monitoring.
- 3.2 A combined Annual Report is being prepared which contains the report and accounts for both WMPF and the WMITAPF in the same document. This will be available for the September meeting of the Pensions Committee.

4.0 Draft Annual Report 2018/19

4.1 The finalised Annual Report will be made available on the Fund's website in September, <http://www.wmpfonline.com/annualreports>. The Fund will prepare a single Annual Report that includes both the WMPF and the WMITAPF. The contents of the Annual Report will be as follows:

- Introduction
- Management and Financial Performance
- Investment Policy and Performance
- Scheme Administration Report
- Actuarial Report
- Governance Arrangements
- Statement of Accounts
- Pensions Administration Strategy
- Funding Strategy Statement
- Investment Strategy Statement
- Communications Policy Statement
- Further Information

5.0 Draft Statement of Accounts 2018/19

5.1 The purpose of the Statement of Accounts is to report the Fund's financial performance for the year and its balances and reserves as at the year end. There are two primary statements; the Fund Account, which is concerned with transactions during the year, and the Net Assets Statement, which reports balances at the year end. These statements are supplemented by a series of notes to the accounts which expand on items in the primary statements or provide further information about the Fund.

5.2 During 2018/19, the main Fund grew in value by £294 million. The reasons for this were:

	Increase/ (Decrease) in Fund £m
Net gains in the value of investment assets	445
Investment income receivable	237
Bulk transfer into the Fund	14
Sub total Net Increases	696
Net contributions receivable/benefits payable	(307)
Management expenses charged to the Fund	(87)
Net transfer of members out of the Fund	(8)
Sub total Net Decreases	(402)
Total Increase in the Fund	294

- 5.3 It is worth noting that the balance of contributions and benefits was negative in 2018/19 – the £307 million shown in the table above – due to a number of employers having pre-paid three years Future Service and Past Service Deficit contributions in the prior financial year 2017/18. The figure for contributions receivable also includes £24.2 million paid by employers to cover early retirement strain costs, reflecting the additional contributions received as a result of employer staffing decisions taken during the year.
- 5.4 Net assets of the main Fund at 31 March 2019 stood at £15.7 billion, up from £15.4 billion at 31 March 2018. This comprised investment assets of £15.6 billion and working balances of £139 million.
- 5.5 The Fund has taken the option under the CIPFA Code to disclose the present value of all fund employer pension liabilities in a note to the accounts. This value, calculated on an IAS 19 basis, stood at £22.4 billion at 31 March 2019. This is a slight increase on the 31 March 2018 figure of £22.1 billion due to adjustments to the actuarial assumptions.
- 5.6 The WMITAPF decreased in value by £0.3 million. The reasons for this were:

	Increase/ (Decrease) in Fund £m
Investment Income	17.2
Sub Total Net Increases	17.2
Net contributions receivable/pensions payable	(16.1)
Management expenses charged to the Fund	(1.0)
Net decrease in the value of investment assets	(0.4)
Sub Total Net Decreases	(17.5)
Total decrease in the Fund	(0.3)

- 5.7 Benefits payable exceeded contributions receivable by a significant margin reflecting the greater maturity of the WMITAPF and the fact that it is a closed fund.
- 5.8 Net assets of the WMITAPF at 31 March 2019 stood at £491.7 million down slightly from £492 million at 31 March 2018. This comprised investment assets of £488 million and working balances of £3.7 million.
- 6.0 Financial implications**
- 6.1 The financial implications are discussed in the body of the report.

7.0 Legal implications

- 7.1 The Statement of Accounts of the Administering Authority (of which the Fund's accounts form part) must be prepared in accordance with the statutory framework established by the Accounts and Audit Regulations 2015. The audit of the financial statements will be undertaken in accordance with the statutory framework established by sections 3 and 20 of the Local Audit and Accountability Act 2014.

8.0 Equalities implications

- 8.1 This report has no equalities implications.

9.0 Environmental implications

- 9.1 This report has no environmental implications.

10.0 Human resources implications

- 10.1 This report has no human resources implications.

11.0 Corporate landlord implications

- 11.1 This report has no corporate landlord implications.

12.0 Schedule of Background Papers

- 12.1 None

13.0 Schedule of Appendices

- 13.1 None

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 2 July 2019
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Report title	LGPS Central Investment Pool Update	
Originating service	Pension Services	
Accountable employee(s)	Jill Davys Tel Email	Assistant Director, Investments & Finance 01902 550555 Jill.davys@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 551715 Rachel.brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Board is asked to note:

1. The update on the LGPS Central investment pool product development, transition and governance arrangements

1.0 Purpose and background

- 1.1 This report provides an update on the ongoing development of LGPS Central Ltd, a jointly owned investment management company established by West Midlands Pension Fund and seven Partner Funds to deliver investment pooling in accordance with the criteria laid down by the Secretary of State.
- 1.2 LGPS Central Ltd (“the Company”) obtained FCA authorisation of the operator and Authorised Contractual Scheme (ACS) in January and February 2018 respectively. These represented key achievements for both the Company and Partner Funds in progressing delivery of a full operating model ahead of the April 2018 deadline and establishing a platform to assist in securing longer term investment cost savings and meet Partner Funds’ strategic investment objectives.
- 1.3 Since the Company formally launched in April 2018, investments products and services to be provided to Partner Funds have been developing, supported and overseen by the governance structures established within the Company and across the wider investment pool. The Shareholder Forum and Joint Committee each met twice during 2018, with the supporting Officer group (the Practitioner Advisory Forum - PAF) meeting at least monthly. The Shareholder meeting held in February approved the 2019/20 budget and business plan. The first Joint Committee meeting of 2019 took place on 21 June with the focus very much on client oversight of investment pooling progress and governance of pooling arrangements.

2.0 Investment Sub-Fund Development and Asset Transition

- 2.1 The first three ACS sub-funds were successfully launched on 3 April 2018 for internal passive equity sub-funds covering UK, Global ex UK and Dividend Growth, with West Midlands Pension Fund (WMPF) assets of around £5.2bn transitioned. Following the launch of the three-internal passive sub-funds, the focus for the pool has been on the product development pipeline to deliver new sub-funds to meet Partner Fund strategic investment requirements. Over the next 2-3 years, a range of internally and externally managed sub-funds are expected to be developed and launched for liquid (e.g. equities and bonds) and alternative more-illiquid asset classes (e.g. private equity, property, infrastructure).
- 2.2 The first transition which took place in April 2018 for the Fund’s internal passive equity assets, has now undergone rigorous internal audit review and has received substantial assurance on the transition of the Fund’s first £5.2bn worth of assets to LGPS Central Ltd. The first active external equity sub-fund was launched as part of the ACS in November 2018 with total assets of £2.1 billion transitioned in February 2019 from five partner funds including around £790m from WMPF. In addition, the Fund made a commitment to LGPS Central Ltd’s first private equity sub-fund of £200m
- 2.3 Other sub-funds currently in the launch process include Emerging Market Equities, Corporate Bonds and Low Carbon Factor Based Index. The Fund’s Investment Advisory Panel, comprising external advisers, the Director of Pensions and Assistant Director (Investment and Finance) continue to review options for investment in these sub-funds, taking into account due diligence in the investment process and the strategic fit for the WMPF.

- 2.4 Fund Officers continue to work closely with Partner Funds and the Company in considering the future product development pipeline for sub-fund launches, recognising changing strategic investment priorities, available resource within LGPS Central Ltd and the potential for cost savings. The Practitioners Advisory Forum working in close co-operation with the company have developed a product development protocol for future sub-fund launches. This has 9 stages of development but offers commencing with high level overview of partner fund requirements with numerous touchpoints for both funds and the company to check that the product development is on track and that the ultimate product will meet partner fund requirements and see the level of investment required. This also provides Partner Funds with the opportunity to undertake due diligence of the process and products as they progress along the development pipeline.
- 2.5 Current products in early stages of development include multi-asset credit, emerging market debt, infrastructure, UK equity, target return and smaller companies. WMPF is unlikely to be participating in all sub-funds and will focus its engagement efforts in those sub-funds where it has a strategic need.
- 2.6 The Pensions Committee are kept updated on product development and will be asked to re-confirm delegations to transition assets as appropriate to these emerging sub-funds, with final decisions and amounts transitioned to be confirmed by the Director of Pensions and Assistant Director, taking into account additional input from the Fund's Investment Advisory Panel.
- 2.7 It is recognised that the development pipeline needs to be flexible and may well differ from the original timetable set out in the business plan.

3.0 Governance

- 3.1 As previously reported to the Board, the governance arrangements for the LGPS Central pool include a Shareholder Forum (as the group of "owner" representatives) and the Joint Committee (focused on investment matters and client-side). The Joint Committee has invited a trade union representative to join the Committee and is waiting for a nomination from the TUC. A representative from the West Midlands' Pension Committee is currently attending on an informal basis. The Practitioners Advisory Forum, PAF (officer group) support both groups and act as a liaison with the Company.
- 3.2 LGPS Central Ltd budget for the 2019/20 financial year along with the business plan was agreed at the Shareholder meeting on 12 February 2019. Regular budget monitoring and updates on progress against the business plan will be kept under review with the company AGM due to take place in November 2019.
- 3.3 The most recent Joint Committee meeting took place on 21 June 2019 where the Committee considered items which focus on the Committee's role as investors and clients. Key items included an update on workstreams from the Practitioners Advisory Forum (including finance, investment, client and governance oversight and responsible investment), along with an investment pool risk register and audit assurance framework. LGPS Central Ltd presented an update on progress along with information on client focused KPIs.

- 3.4 The Board were previously advised of draft guidance issued by MHCLG, noting in particular, the emphasis on the Pool governance structures, and expectation that Administering Authorities undertake oversight and scrutiny of the Pool operating companies. It is understood that a formal consultation is due to be issued, possibly as early as mid-July to ensure formal guidance is in place by the autumn. The PAF Client Oversight and Governance Group is working closely with the company on ensuring that comprehensive client reporting is in place to meet the reporting and oversight requirements for the Joint Committee that will help demonstrate that the governance arrangements are fully in place to meet any new statutory guidance.
- 3.5 LGPS Central Limited's own governance arrangements include an Investment Committee, Executive Committee and oversight from the Non-Executives through the company board and sub committees (Remuneration and Audit and Compliance). The Company also sought and obtained permission from shareholders to recruit for an additional non-executive director and the recruitment for that post is currently underway with the focus being on a representative with a strong understanding of the LGPS and to help meet more of a client input role for the Board.
- 3.6 The Board have been advised that the new CEO, Mike Weston had been appointed and early evidence of his work so far would indicate an enhanced understanding of client requirements and greater partnership working. The company continues to recruit particularly in the investment management area to support ongoing delivery of the products that clients require both for the investment pooled products but also more broadly in terms of advisory and discretionary mandates.

4.0 Financial implications

- 4.1 As previously reported, the final cost of setting up the jointly owned company (over the period July 2016 to launch in April 2018) was just over £4 million; this has been shared equally between the Partner Funds, with West Midlands' share being slightly over £500,000.
- 4.2 The Company's operating budget for 2018/19 was £9.1 million and assumed a progressive build of employees and capability over the year, the final expected outturn for the year was £8.2 million. The operating budget forecast for 2019/20 is £10.6 million, this was approved by Shareholders alongside the Company's strategic business plan for the year at the Company meeting in February.
- 4.3 The ongoing cost of running the FCA-regulated Company operator LGPS Central Ltd and the recharges arising fall under 3 key categories: governance; operator; investment management charges, with governance costs shared on a 1/8th basis and operator and investment management charges shared on an assets under management basis.
- 4.4 New CIPFA guidance on the Pension Fund Annual Reports requires all Pension Funds to fully disclose progress on transition of assets, performance and costs in relation to both the ongoing management of the Pool and transition, thereby providing high levels of transparency on the implementation of investment pooling and the delivery against the business case. The new reporting format is required for the 2018/19 annual report and requires Funds to report in detail on the pool set up costs; ongoing investment management costs both inside and outside the pool and the savings being delivered by pooling.

5.0 Communications

- 5.1 The Investment Team at LGPS Central Ltd are providing Funds with quarterly strategy updates along with broader market and training information. Quarterly stewardship reports covering engagement and voting are also being provided to Partner Funds as well as being accessible on the Company website, the latest quarter can be found at:
<https://www.lgpscentral.co.uk/wp-content/uploads/2019/03/LGPS-Central-Quarterly-Stewardship-Report-Third-quarter.pdf>
- 5.2 Monthly and Quarterly reporting on the LGPSC Ltd sub-funds is being provided and the client oversight and governance group is working closely with the Company to further develop these reports to ensure that they will meet the reporting requirements of Partner Funds as the range of products and assets under management grows.
- 5.3 In conjunction with Partner Funds, LGPS Central Ltd are arranging a Responsible Investor information day to which Pension Committee and Pension Board members have been invited. This is aimed at covering a range of topical issues in connection with Environmental, Social and Governance (ESG).

6.0 Legal implications

- 6.1 The requirement to pool fund investments is a requirement of law, failure to work collaboratively and meet the Government's criteria and timetable for delivery may result in Government intervention.
- 6.2 The key risks are: -
- failure to manage costs and savings in line with the agreed business case
 - failure to meet the requirements of the FCA regulator
 - failure to recruit appropriately skilled and experienced senior personnel to the new company
- 6.3 Comprehensive programme governance arrangements are in place to ensure that the statutory deadline for the implementation of pooling was achieved and that costs and savings are managed in accordance with the agreed business case. The S151 officers of each of the Partner Funds (or their nominated representative) sit on the Practitioners Advisory Forum, the Director of Pensions and Assistant Director, Investments and Finance are the WMPF/WMITA representatives on PAF. Regular meetings are held between the Chairs and/or Vice-Chairs/Nominated representative of the respective Pension Fund Committees through the Joint Committee.
- 6.4 MHCLG issued updated draft statutory guidance relating to investment pooling for informal consultation in January 2019. Both the Fund and LGPSC Ltd have provided responses to the consultation with a formal consultation expected to be issued shortly.

7.0 Equalities implications

- 7.1 There are no direct implications

8.0 Environmental implications

8.1 There are no direct implications

9.0 Human resources implications

9.1 Employees who were previously employed by the Partner Funds to manage their investments or perform other related activities transferred under the Transfer of Undertakings (Protection of Employment) regulations (TUPE) to the new company in April 2018. This followed detailed consideration of current and future roles, TUPE meetings with all relevant staff and formal notification of the transfers.

10.0 Corporate landlord implications

10.1 LGPS Central Ltd is based at 2 locations, Wolverhampton and Matlock, Derbyshire.

10.2 The office in Wolverhampton is based in Mander House, and the office in Matlock is based in Derbyshire County Council Offices.

11.0 Schedule of background papers

11.1 Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

<http://www.legislation.gov.uk/ukxi/2016/946/contents/made>

11.2 Public Contracts Regulations 2015

<http://www.legislation.gov.uk/ukxi/2015/102/contents/made>

12.0 Schedule of Appendices

12.1 None

CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 2 July 2019
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Report title	Responsible Investment	
Originating service	Pension Services	
Accountable employee(s)	Jill Davys	Assistant Director – Investments & Finance
	Tel	01902 550555
	Email	Jill.Davys@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	Rachel.Brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Board is asked to note:

1. The Fund's Responsible Investment Framework, Voting Principles and updated Compliance Statement with the UK Stewardship Code for Institutional Investors

1.0 Purpose

- 1.1 To update the Local Pensions Board on the policies in place and work of the Fund in relation to responsible investment and in managing the risk and opportunities available in relation to Climate Change.

2.0 Background

- 2.1 The Fund has a longstanding policy of supporting good corporate governance in the companies in which it invests. The Fund will also challenge companies who do not meet either the standards set by their peers or reasonable expectations as measured by best practice. The Fund's approach is part of its overall investment management arrangements and its active responsible investment framework. There are three main pillars to the framework: **selection** (of assets), **stewardship** (of assets), and **transparency & disclosure**.
- 2.2 The Responsible Investment Framework and other relevant RI policy documents are reviewed annually and subject to approval from the Pensions Committee.

3.0 Responsible Investment

Engagement through Partnerships

- 3.1 The Fund's strategy continues to be to engage with its investee companies and other key stakeholders through partnerships and on its own. The Fund aims to protect and increase shareholder value by engaging on a range of financially material ESG investment factors. A significant part of the Fund's engagement programme is implemented through partnerships including the Principles for Responsible Investment (PRI), the Local Authority Pension Fund Forum (LAPFF), Hermes EOS (via a contract held by LGPS Central Limited, the pool operator company), Institutional Investors Group on Climate Change (IIGCC) and the UK Pension Fund Roundtable.
- 3.2 The Fund's engagement activity is monitored and reported to the Pensions Committee on a quarterly basis. Engagement activity includes a number of direct company engagements, on a range of themes, voting activity and working in partnership with other institutional investors to consider shareholder resolutions. Activity and progress are included in published reports from LGPS Central Limited and the Local Authority Pension Fund Forum (LAPFF).

Responsible Investment Framework

- 3.3 The Responsible Investment Framework has seen a number of updates since last being approved by Pensions Committee on 17 March 2018. This included aligning the Fund's investment beliefs with the Investment Strategy Statement that was approved by Committee on 27 March 2019 and is attached at Appendix A for information for the Board. Key investment beliefs included within the Framework include:

- Effective management of financially material ESG risks, including climate change risks should support the Fund's requirement to protect returns over the long term.
- Investee companies with robust governance structures should be better positioned to handle the effects of shocks and stresses of future events.
- There are some investment opportunities arising from environmental and social challenges which can be captured so long as they are aligned with the Fund's investment objectives and strategy.
- Responsible investment should be integrated into the investment process.
- The Fund will manage responsible investment factors through engagement rather than exclusion.

In addition, reference to the Fund's Climate Risk Strategy and Framework approved on 27 March 2019 enhanced earlier commentary on the Fund's approach to climate change. The references to LGPS Central Ltd have also been amended to reflect the fact that the company is now operational and that it has already developed a leading approach to Responsible Investment and supporting Partner Funds including WMPF in the implementation of Fund RI policy both through fund management arrangements and under advisory agreements with the Fund.

Themes-based engagement

- 3.4 The Fund's stewardship themes for 2018/19 were climate change, cyber security and diversity. These themes have been selected because they have both financial relevance and resonance with the Fund's stakeholders. The Fund is, primarily through partnerships, engaging with companies, fund managers and other relevant organisations, and using its voting rights to drive change and signal the importance of these issues to institutional investors. Key partnerships include Transition Pathway Initiative, the Climate Action 100+ Initiative, the Institutional Investor Group on Climate Change and the 30% club. The progress of engagement activity is reported to Pensions Committee on a quarterly basis.
- 3.5 Stewardship themes for 2019/20 which will define a focus for the Fund's activity for the year were approved by Pensions Committee at its meeting on 19 June 2019 as part of the broader Responsible Investment Framework. The themes are set out below:
- Climate Change – ongoing consideration of potential risks as the pace of policy and evidence for rapid reaction continues to grow
 - Single-use plastics – how companies are responding to pollution risks and preparing for the policy and customer changes which could significantly impact their business model
 - Technology and disruptive industries risk – considering the potential social, governance and environment costs of new technology, changing consumer behaviour and mis-use, with the potential for global technology stocks (and the wider markets they drive to suffer material set-backs
 - Tax transparency and fair tax payment – increasing transparency, tax practices and the impact of aggressive tax strategies on long-term shareholder value

Voting

- 3.6 The voting principles presented to Pensions Committee for approval had been updated to reflect the inclusion of WMITA PF within the voting principles. The Voting Principles apply to all assets where the West Midlands as asset owner has voting rights and where voting rights are executed by external managers on behalf of the Fund. The principles have been further updated to incorporate the inclusion of LGPS Central Ltd who is now the key external provider of investment management services for WMPF. A copy of the updated voting principles is included at Appendix B for information.
- 3.7 The voting activity across markets and issues is published on the Fund website and reported to Pensions Committee on a quarterly basis.

Statement of Compliance with the UK Stewardship Code

- 3.8 Both WMPF and WMITA PF fully support the UK Stewardship Code as part of best practice in being good stewards of capital and responsible asset owners. The background to the Code and its principles can be found on the Financial Reporting Council (FRC) website: <https://www.frc.org.uk/investors/uk-stewardship-code> .

The main changes to the Fund's Stewardship Code adherence statement reflect the incorporation of LGPS Central Ltd since going live in April 2018, reflecting the fact that a considerable amount of the Fund's assets are now managed directly through LGPS Central Ltd sub-funds. It should be noted that the company has also signed up to the Stewardship Code and fully supports the 7 principles of the Code. Changes in the Fund's officer structure have been incorporated as the Fund no longer has a dedicated RI Officer, instead the implementation of the Code sits with the Head of Investments and is supported by LGPS Central Ltd, with oversight by the Director of Pensions and Assistant Director, Investments and Finance. The FRC have undertaken a consultation exercise to help frame a new Stewardship Code, expected to be published in the summer of 2019. Any changes to the Code itself, will be reviewed and the compliance statement updated as required. The updated statement is included at appendix C for information.

Correspondence

- 3.9 The Fund responds to all correspondence received directly from pension scheme members, campaign groups or via members of Pensions Committee. From time-to-time the Fund will issue statements to confirm its approach and work undertaking in relation to specific issues or concerns raised. As example of this is the statement on Climate Risk management, issued in November 2018.

4.0 Financial implications

- 4.1 The promotion of good corporate governance amongst companies in which the Fund invests is complementary to the Fund's objective of maximising financial returns, as it is widely believed that good corporate governance improves shareholder value in the long term.

5.0 Legal implications

5.1 This report contains no direct legal implications.

6.0 Equalities implications

6.1 This report contains no equal opportunities implications.

7.0 Environmental implications

7.1 Environmental implications are addressed through the Fund's Responsible Investment Framework.

8.0 Human resources implications

8.1 This report contains no direct human resources implications.

9.0 Corporate landlord implications

9.1 This report contains no direct corporate landlord implications.

10.0 Schedule of background papers

10.1 WMPF Climate Risk Strategy and Framework

10.2 Statement on Climate Change – November 2018
<http://www.wmpfonline.com/CHttpHandler.ashx?id=16778&p=0>

10.3 LGPS Central Quarterly Stewardship Report:
<https://www.lgpscentral.co.uk/responsibleinvestment/>

10.4 LAPFF Quarterly Engagement Report:
<http://www.lapfforum.org/publications/qrtly-engagement-reports/>

11.0 Schedule of Appendices

11.1 Appendix A: WMPF Responsible Investment Framework 2019

11.2 Appendix B: WMPF Voting Principles 2019

11.3 Appendix C: WMPF Compliance with the UK Stewardship Code for Institutional Investors 2019

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RESPONSIBLE INVESTMENT FRAMEWORK JUNE 2019



West Midlands Pension Fund

1 PURPOSE

This framework defines the commitment of West Midlands Pension Fund and West Midlands Integrated Transport Authority Pension Fund (together: “the Fund”) to responsible investment (RI). Its purpose is to detail the approach that Fund aims to follow in integrating environmental, social and governance (ESG) considerations in to its investment strategy and implementation. It informs and is supplementary to the Fund’s *Investment Strategy Statement*, aligning with the Fund’s investment beliefs and fiduciary duty.

[INSERT diagram D1 showing ISS / RI / elements connecting]

This framework has been developed in the context of relevant regulations, statutory guidance and the advice of the Law Commission. Under the framework, the Fund applies a three-pillar approach to implementation: Selection, Stewardship and Reporting & Disclosure. Supporting practical application is the *Climate Change Strategy and Framework*, *Statement of Compliance with the UK Stewardship Code* and *Voting Principles*.

The Pensions Committee is at all times responsible for the Fund’s investments, including responsible investment beliefs and guiding principles which inform the development and review of RI policy. Responsibility for oversight and implementation of the Fund’s RI framework sits with the Director of Pensions, supported by the Assistant Director – Investments & Finance. This framework applies to all members of the Pensions Committee and the Fund officers.

The Pensions Committee review the framework at a minimum annually, or at such time as the Fund sees fit to revise its RI policies and procedures.

Definitions of Responsible Investment and Stewardship

The term “responsible investment” refers to the integration of financially material environmental, social and corporate governance (“ESG”) factors into investment processes.

It has relevance both before and after the investment decision and is a core part of fiduciary duty. It is distinct from “ethical investment”, which is an approach in which the moral persuasions of an organisation take primacy over its investment considerations. It is also distinct from “socially responsible” and “social impact” investment which aim to deliver a positive change in addition to financial return.

We define the concept of stewardship in the same way as the Financial Reporting Council (FRC), the organization that oversees the UK Stewardship Code:

“Stewardship aims to promote the long-term success of companies in such a way that the ultimate providers of capital also prosper. For investors, stewardship is more than just voting. Activities may include monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure, and corporate governance, including culture and remuneration. Engagement is purposeful dialogue with companies on these matters as well as on issues that are the immediate subject of votes at general meetings.”

Please refer to the glossary for more definitions of terms.

2 BELIEFS AND GUIDING PRINCIPLES

Investment Beliefs

The Fund has defined and included within its *Investment Strategy Statement*, the following responsible investment beliefs:

- Effective management of financially material ESG risks including climate change risks should support the Fund's requirement to protect returns over the long term.
- Investee companies with robust governance structure should be better positioned to handle the effects of shocks and stresses of future events.
- There are some investment opportunities arising from environmental and social challenges which can be captured so long as they are aligned with the Fund's investment objectives and strategy.
- Responsible investment should be integrated into the investment process.
- The Fund will manage responsible investment factors through engagement rather than exclusions.

The Fund recognises the importance of taking "proper advice" (as defined in the regulations) and of coming to investment decisions after adequate scrutiny of a robust evidence base.

Engagement and Collaboration

The Fund prefers to adopt a policy of risk monitoring and engagement in order to positively influence company behaviour and enhance shareholder value, influence that would be lost through a divestment approach. The Fund extends this principle of "engagement for positive change" to the due diligence, appointment and monitoring of fund managers.

The Fund believes that it will improve its effectiveness by acting collectively with other like-minded investors because it increases the likelihood that it will be heard by the company, fund manager or other relevant stakeholder compared with acting alone. The Fund recognises the need to operate at a market-wide level to promote improvements that will help it to deliver sustainable long-term growth.

Remuneration and Cost Management

Executive remuneration and investment management costs matter, particularly in low-return environments. Fee arrangements with fund managers and the remuneration policies of investee companies should be aligned with the Fund's long-term interests. The Fund recognises that it is part of its fiduciary duty to ensure that there is appropriate alignment, and notes that the now industry-wide cost transparency initiatives the Fund has led on have been pivotal in aiding greater understanding of cost to enable improved alignment and cost management.

Climate Change¹

Financial markets could be materially impacted by climate change and by the response of climate policy-makers and the Fund's has developed evidenced-based beliefs relating to climate change to assist in monitoring and managing this specific area of risk and opportunity. Outlined in more detail within the *Climate Risk Strategy and Framework*, and noting support for the Paris Agreement, the Fund believes climate change could have a material financial impact on the Fund over the long term and that policy makers, consumers, companies and investors have a role to play in increasing awareness and enabling transition through strong governance. Noting that climate-aware decisions will be better with accurate, relevant complete and comparable data, the Fund is engaging to increase disclosure and aid development of policy instruments.

No individual investor or the investment industry is influential enough to achieve the rate of change required. As a responsible investor, the Fund is proactively managing this risk factor through stewardship activities, using partnerships of like-minded investors where feasible.

3 IMPLEMENTATION

Either directly or through Fund management arrangements, the Fund aims to put its responsible investment beliefs into practice through actions taken both before the investment decision (which we refer to as the selection of investments) and after the investment decision (the stewardship of investments). The Fund aims to be transparent to its stakeholders through regular, high quality disclosure. Together these ambitions yield the Fund's three RI pillars: Selection, Stewardship and Transparency and Disclosure.

[INSERT diagram showing D2 showing pillars]

Selection

The Fund aims to be aware of and monitor financially material RI issues in the context of investment and manager selection. Depending on the asset class and nature of the proposed mandate or vehicle, the Fund will monitor:

- RI issues in relation to directly managed investments;
- the extent to which Fund managers incorporate RI issues into their investment processes, with the expectation that managers' processes will improve over time. This is managed at the due diligence and appointment states as further explained below:

Fund Manager Due Diligence

The Fund collects the following information from each manager before they are appointed where applicable to the asset class:

- Copy of their RI or stewardship policies (or equivalent) which articulates how RI factors, whether stemming from research, stewardship activities or other sources, are integrated into their investment process.
- Case studies or examples of where RI issues have influenced an investment decision.

¹By highlighting climate change, rather than other RI risk factors, we are not asserting that climate risk has, for all assets, greater economic significance than other factors. Our motivation for referring specifically to climate change risk derives from our recognition that it is a risk factor of particular importance to a number of stakeholders, and we have communicated our investment beliefs about climate change for reasons of transparency.

- Information on the process for integrating any third-party RI data into their company financial models, investment strategies and portfolio construction.
- Fee transparency and evidence of disclosure, noting commitment to sign-up to the LGPS Code of Transparency as a condition of appointment.
- RI reporting format.
- Whether they are a signatory of the UN-backed Principles for Responsible Investment (PRI) and UK (or other) Stewardship Code, copy of their PRI public report and annual assessment scores if applicable.

Fund Manager Appointments

The Fund assesses the RI capability of a Fund manager as a factor within each of the people, process and performance categories. In its decision to appoint a Fund manager, the Fund takes a balanced consideration of all relevant factors including RI. However, the Fund will pay particular attention to adherence to relevant soft regulatory codes² depending on the market in which it invests.

In practice, this means the Fund is willing to hire a fund manager at an early stage of developing its RI approach so long as there is a demonstrable RI commitment and a willingness to improve in their approach over time.

In alignment with the guiding principle on “Engagement and Collaboration”, the Fund believes that there is added value in working managers to develop their approach.

LGPS Central Limited

From April 2018, Fund assets have started to transition into the LGPS investment pool, LGPS Central Limited. The pool company LGPS Central Limited (“Central”), established by the Fund and seven regional partners to operate collective investment vehicles through which the Fund may invest, has developed a leading approach to RI and supports Partner Funds in the execution of their individual RI policies. RI integration features in the investment process for all major asset classes, a suite of RI policies are in place together with a supporting engagement provider and regular monitoring and reporting.

Central supports the Fund in implementation of RI policy both through fund management arrangements and in an advisory capacity, supplementing and building on the collective action of the Fund and its own partnerships.

Stewardship

The Fund aims to make full use of its stewardship rights, including voting and engagement activities. Since April 2018 this has been executed on the Fund’s behalf by LGPS Central Limited for certain investments.

²For example, UK and Japanese Stewardship Codes

Company Engagement

The Fund's approach includes bottom-up engagement – which targets improvements on specific issues at individual companies – and top-down engagement – which identifies particular themes of long-term economic significance and of relevance for stakeholders. The Fund will, either directly, collaboratively or through specialist service providers or fund management arrangements:

- hold constructive dialogue with investee companies;
- encourage the disclosure by companies of RI issues;
- participate in the development of public policy on RI issues; and
- disclose and maintain a policy for identifying and managing conflicts of interest with the aim of taking all reasonable steps to put the interests of the Fund's beneficiaries first.

Fund Manager Monitoring

Each fund manager is expected to report³ at agreed intervals to the Fund on how their RI activities are contributing to improved long-term risk-adjusted returns. Examples of information that can be provided in aid of this objective include but are not limited to the following:

- The evolution of how the manager integrates the consideration of RI issues into its investment and stewardship activities.
- How investment and stewardship functions are combined to protect and/or enhance value.
- Any outcomes arising from the manager's engagement with companies and their effectiveness.

Industry Engagement

In collaboration with other like-minded investors, the Fund may engage with public policy makers, regulators, trade bodies, indexes and other players in the financial markets to further support the Fund's fiduciary responsibilities.

The Fund considers these initiatives on a case-by-case basis.

Shareholder Litigation

The Fund is eligible to participate in certain individual and class action securities litigation. Securities litigation may be used as an escalation technique within an engagement process. There are a number of litigation options available when a company has violated securities laws that result in losses to the Fund.

For US-based claims, the options would be to:

- remain in the class action and file proof of claim through our claims administrator;
- participate as a lead plaintiff in a class action; or
- opt out and file a private action.

For non-US based claims, the options would be to join an existing group action or file a group action as a lead plaintiff.

³Refers to either formal written reporting and to informal verbal communications, which can be regular and/or ad-hoc in frequency.

⁴<http://www.wmpfonline.com/article/5693/Voting-Globally>

⁵Issues such as power of attorney or share blocking in certain markets may prevent the Fund's ability to do so.

The Fund takes a case-by-case approach in determining whether or not to join a class action but considers factors such as:

- advantages and disadvantages of the Fund becoming actively involved;
- relative size of the Fund's potential losses compared to other organisations;
- likelihood of success; and
- whether the Fund is fully indemnified against costs, expenses, counterclaims and any other losses.

Voting

The Fund uses its voting rights to support the long-term economic interests of its stakeholders and to ensure boards of directors are accountable to shareholders.

The Fund expects UK companies to adhere to the UK Corporate Governance Code on a comply or explain basis. Further, the Fund has a bespoke voting policy (supported and aligned with Central), which aims to deal with issues that are either not covered by the Code, require greater emphasis or are specifically left open for shareholders to resolve with company boards.

The Fund expects companies outside the UK to adhere to international voting principles, recognising local application and development.

Where practical⁵, the Fund aims to vote in every single market in which it invests. In the interests of sending a consistent signal to investee companies, the Fund (through Central) uses a third party provider for analysis of governance issues and executing its proxy voting rights across all markets in which it invests. These arrangements are reviewed on a regular basis.

4 ENGAGEMENT THEMES FOR 2019/20

The Fund has adopted the following top-down themes as areas for increased focus during the year:

- **Climate change** – ongoing consideration of potential risks as the pace of policy and evidence for rapid reaction continues to grow.
- **Single-use plastics** – how companies are responding to pollution risks and preparing for the policy and customer changes which could significantly impact their business model.
- **Technology and disruptive industries risk** – considering the potential social, governance and environment costs of new technology, changing consumer behavior and mis-use, with the potential for global technology stocks (and the wider markets they drive to suffer material set-backs).
- **Tax transparency and fair tax payment** – increasing transparency, tax practices and the impact of aggressive tax strategies on long-term shareholder value.

The themes have been selected based on their potential financial significance and resonance with a broad range of Fund stakeholders.

⁵Issues such as power of attorney or share blocking in certain markets may prevent the Fund's ability to do so.

Climate Change Stewardship⁶

The Fund, either directly, through partnerships or fund management arrangements, aims to:

- encourage improvement in the level of disclosure by companies of material climate change risks through collaborative initiatives, for example, via our affiliations with the Local Authority Pension Fund Forum (LAPFF), The Carbon Disclosure Project (CDP), and the Institutional Investors Group on Climate Change (IIGCC);
- support – and where applicable co-file – reasonable shareholder proposals to disclose/justify a company's approach to climate change risk;
- review its fund managers to understand their approach to incorporating climate change considerations and encourage improvements in identifying and assessing the potential impact of climate change;
- contribute to public policy with regard to climate change as it relates to investment considerations through participation with organisations such as the IIGCC.

In support of this aim, the Fund is a signatory to the 2018 Global Investor Statement on Climate Change⁷;

- increase awareness of climate change as it applies to investment decision making through participation in relevant industry forums and collaborative initiatives;
- keep up to date on the latest research and thinking on the financial materiality and interconnectedness of climate change within and across asset classes;
- use and encourage adoption of the Transition Pathway Initiative's (TPI) toolkit for climate change management and performance; and
- disclose using the framework recommended by the Taskforce on Climate-related Financial Disclosures (TCFD), which is recognised as best practice.

Memberships and Affiliations

Local Authority Pension Fund Forum

The Fund is a founding member of the Local Authority Pension Fund Forum (LAPFF) and the Fund's Director of Pensions is currently LAPFF's Honorary Treasurer. LAPFF is the UK's leading collaborative shareholder engagement group encompassing 82 local authority pension funds and investment pools from across the country with combined assets of around £230 billion. The Fund is an active participant in LAPFF's engagement programs. Membership of LAPFF provides the Fund with:

- independent research and advice on the RI risks of companies to inform further stakeholder engagement;
- advice on the governance practices of companies; and
- a forum to engage with companies to improve governance practices.

⁶Please refer to the previous footnote regarding climate change risk

⁷https://theinvestoragenda.org/wp-content/uploads/2018/06/GISGCC-FINAL-for-G7-with-signatories_-update-4-June.pdf

Other Initiatives

The Fund is currently a signatory to the UN-backed Principles for Responsible Investment and is a member signatory of the Carbon Disclosure Project. The Fund is a member of Institutional Investors Group on Climate Change (IIGCC), the Pensions and Lifetime Savings Association (PLSA), Transition Pathway Initiative (TPI) and the 30% Club Investor Group. Memberships are reviewed on a regular basis.

Transparency and Disclosure

The Fund aims to keep its beneficiaries aware of its RI activities through:

- making its RI policy documents public, eg, voting policies, RI policy;
- providing a summary of the Fund's RI activities, including voting activity⁸, in the annual report ;
- providing a summary of the Fund's RI activities in the quarterly reports to the Fund's Pensions Committee;
- publishing aggregate voting and company engagement statistics on a quarterly basis;
- disclosing the outcomes of its voting decisions on a vote-by-vote basis; and
- disclosing the Fund's approach to managing climate change risk using the TCFD framework.

5 APPENDIX: GLOSSARY OF TERMS

Responsible Investment

The integration of environmental, social and corporate governance (ESG) considerations into investment management processes and stewardship practices in the belief that these factors can have an impact on financial performance. The Fund also supports the PRI's definition of responsible investment which can be found here: <https://www.unpri.org/pri/what-is-responsible-investment>

ESG Factors

Environmental, social and corporate governance factors which could impact company performance and therefore investment returns. Examples include (but are not limited to) climate change, workforce issues, remuneration, independence of the board and auditors, board composition and diversity.

Governance

The process and principles by which a company or organisation undertakes its business. For the Fund, governance includes how it undertakes both its operational and investment responsibilities on behalf of its members.

⁸In line with Regulation 57 of the 2013 Regulations.

Stewardship

Refers to the responsibility of the Fund to participate, where appropriate, in the governance decision-making of companies in which it invests by way of voting and by engagement with company management, either directly or via its fund managers. It also recognises the relevance of engaging with regulatory bodies and other market players to support policies that promote long-term sustainable growth.

Fund

West Midlands Pension Fund and West Midlands Integrated Transport Authority Pension Fund

Pensions Committee

Body established by City of Wolverhampton Council (the administering authority) in charge of the management of the administration of benefits and strategic management of the Fund's assets, which has representation from the seven West Midlands metropolitan district councils and local trade unions.

Pensions Board

The role of the Pensions Board is to assist in the good governance of the scheme through the monitoring of Fund performance and adherence to statutory duties. The Board consists of six employer and six member representatives consisting of five employer (officer) and five member (trade union) representatives together with two City of Wolverhampton councilors (one sitting as an employer representative and one as a member representative).

The Pensions Board is not a decision-making body, nor does it hold a scrutiny function; its role is to assist in the compliance with scheme rules. The Fund's policies, including the ISS and the RI Framework, are reviewed annually by the Pensions Board.

Ethical Investment

An approach seeking a moral or ethical return, potentially ahead of financial return

Socially Responsible/Social Impact Investments

Investments that deliver social impact as well as a financial return are often described as "social investments".

The Fund considers opportunities in social investments alongside other opportunities and will assess their relative merits on fundamental grounds and with reference to suitability of fit for the Fund.

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WEST MIDLANDS PENSION FUND VOTING PRINCIPLES JUNE 2019



West Midlands Pension Fund

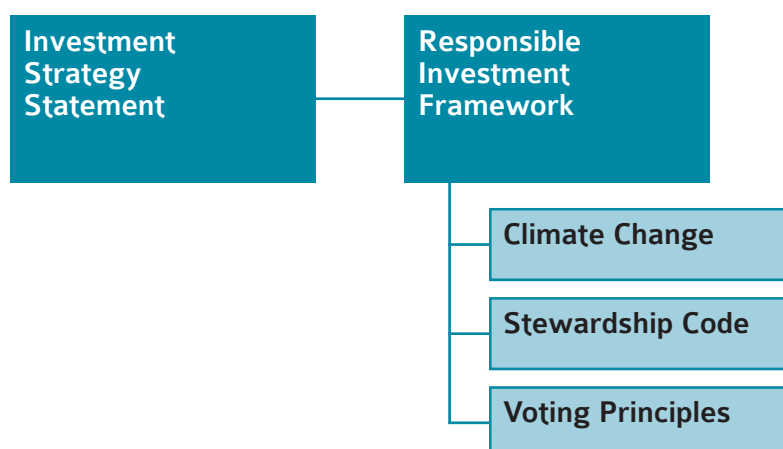
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1 CONTEXT

1.1 Purpose

This document describes West Midlands Pension Fund and the West Midland Integrated Transport Authority Pensions Fund (“the Fund”) approach to exercising its voting rights at the annual general meetings (AGM), general meetings (GM), courts and classes of the UK companies in which the Fund invests. This document supports the Fund’s ambition to be fully transparent to its stakeholders. The principles described in this document apply primarily to companies with a premium listing on the main market of the London Stock Exchange (LSE), but the principles may be extended to other investee companies as appropriate. For voting rights associated with non-UK companies, the Fund currently applies the international voting principles of the proxy research provider appointed by the investment pool company LGPS Central Limited. This document is supplementary to the Fund’s *Investment Strategy Statement*, its *Responsible Investment Framework*, *Climate Change Strategy and Framework* and its statement of compliance with the *UK Stewardship Code*.



The Fund’s *Voting Principles* have been developed in alignment with the relevant statutory guidance. The *Voting Principles* apply to those assets where the Fund holds the voting rights. Where voting rights are executed by external managers on behalf of the Fund (for instance, in pool mandates, including those operated by LGPS Central, or where the Fund has delegated authority) the Fund has reviewed and is satisfied with the voting policies of those managers. This document is owned by the Fund’s Director of Pensions, with oversight from the Pensions Committee. It is reviewed on an annual basis.

1.2 About the West Midlands Pension Funds

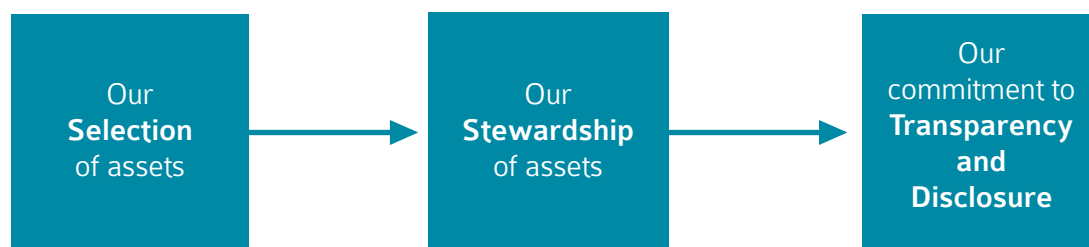
West Midlands Pension Fund (“the Fund”) is a defined benefit pension fund established under the Local Government Pension Scheme. It has over 320,000 members, total assets under management in the region of £16 billion and is administered by the City of Wolverhampton Council. The West Midlands Integrated Transport Authority Pension Fund has 5,000 members and total assets just under £500 million. The West Midlands Pension Fund administers this Fund under delegation from the West Midlands Combined Authority.

The Funds are two of nine partner funds within the LGPS Central pool, a collaboration facilitating pooled investments established under the UK government’s programme of pooling local authority pension funds. LGPS Central Limited is the investment management company established by the pool and authorised and regulated by the Financial Conduct Authority (FCA). Since April 2018, the Fund’s voting rights have been executed by LGPS Central Limited, following its adoption of a leading approach to responsible investment and stewardship aligned to the principles established by the West Midlands and other partner funds.

1.3 Responsible Investment at West Midlands

The Fund's objectives and approach concerning matters of responsible investment (RI) are set out in the Responsible Investment Framework. The Fund considers RI to be supportive of protecting and enhancing long-term returns across all major asset classes. The risks and opportunities pertaining to RI are managed through actions taken both before the investment decision (which we refer to as the Selection of investments), after the investment decision (the Stewardship of investments) together with Transparency and Disclosure.

The Fund's approach to voting is a core component of its approach to RI, and fits within the Stewardship pillar of the RI Framework.



2 CORPORATE GOVERNANCE, STEWARDSHIP AND VOTING IN THE UK

Consistently, with its approach to RI, the Fund's principles regarding corporate governance, stewardship and voting in UK markets are informed by the Fund's fiduciary responsibilities. The Fund uses its voting rights to support the long-term economic interests of its stakeholders and to ensure boards of directors are accountable to shareholders.

2.1 UK Corporate Governance Code

The UK Corporate Governance Code ("the Code") is set by the Financial Reporting Council (FRC) and outlines the standards of good practice for listed companies on board composition and development, remuneration, shareholder relations, accountability and audit.

The Fund supports the Code and believes that strong standards of corporate governance translate ultimately into healthy and stable financial markets. UK companies are expected to adhere to the Code and to provide high quality disclosure on the extent of compliance with the Code in the annual report. The Fund does not view the Code as a corporate governance "straightjacket", and companies are encouraged to use the "explain" feature of the Code where particular circumstances make deviation from the Code appropriate. Such explanations should be sufficiently detailed and transparent. Beyond the Code's provisions, it is important that companies adhere to the spirit of the Code and that boards feel empowered to make appropriate arrangements and disclosures that are suitable to the business in question. Rather than recapitulate the principles and provisions of the Code, this document focuses on areas of corporate governance and voting that require particular clarification.

2.2 Cyclical Stewardship

Voting is inherently linked to engagement, and the votes cast by the Fund at company meetings will typically reflect the outcomes of engagement activities during the year in review. Equally, a voting decision can set the tone for subsequent engagement. A vote is a process, not an event, and the Fund's approach may be described as "cyclical stewardship". The Fund's intention is that its voting decisions do not come as a surprise

to our investee companies, and dialogue with companies facilitates this, and develops a two-way relationship of trust. Where the Fund takes the decision to not support a resolution, either by abstaining or voting against, this should be interpreted by the boards of companies as an expression of strong and conscious dissatisfaction, not as a mechanical or thoughtless matter of routine. In order to send a strong signal, the Fund makes a limited, tactical use of abstain.

2.3 Market Transformation

The Fund recognises its role as a large, long-term asset owner with investment diversified across a range of geography, sector and market instruments. It has an interest in improving the standards of corporate governance within financial markets and aspires to act, therefore, in a leadership role. Where certain standards or targets set the “minimum” (for example in matters relating to the diversity of company boards) the Fund will consider voting beyond the minimum (for example by requiring a faster rate of progress on diversity within company boards).

The Fund’s voting and stewardship activities are supported by its membership of various partnership organisations.

2.4 Voting Procedures

The Fund engages a proxy research provider through LGPS Central Limited to analyse and provide advice relating to the Fund’s voting opportunities, consistently with the Fund’s policies. The provider also executes the Fund’s votes through the relevant intermediaries.

The Fund and LGPS Central have an active securities lending programme. To ensure that the Fund is able to vote all its shares at important meetings, it has worked with service providers to establish procedures to restrict lending for certain stocks and recall shares in advance of shareholder votes. The Fund and LGPS Central (where relevant) monitors the meetings and proportion of the securities on loan, and will restrict and/or recall lent stock in select circumstances, with due consideration to the advantages of voting the shares versus the cost implications of recalling or restricting the loan of the stock.

The Fund’s voting decisions are arrived at through a collegiate approach, incorporating the views of Fund officers as appropriate, LGPS Central, fund managers, research teams and advisers, to form an evidenced-based view on the company in question. The Fund’s votes are executed in compliance with its Conflicts of Interest policy.

2.5 Voting Disclosure

The Fund’s disclosure of its Voting Principles, and its voting outcomes, supports the Fund’s ambition of full transparency. With regards to voting outcomes, disclosures are made in three formats. Firstly, a report summarising the Fund’s voting activities is provided on a quarterly basis to the Fund’s Pensions Committee. Secondly, the Fund’s annual report includes disclosures on voting, as well as other aspects of RI, consistently with the statutory guidance. Thirdly, the Fund discloses its voting decision for every resolution at every eligible company meeting via the Fund website. Each of these disclosures is available to the public.

From time to time, the Fund might choose to “pre-declare” its voting intentions for particular resolutions. This might include declarations made through third party platforms, such as the platform administered by the Principles for Responsible Investment.

3 VOTING PRINCIPLES

The principles below describe the broad parameters the Fund will consider before casting its votes. They are supplementary to the principles and provisions of the Code, which is fully supported by the Fund. It is not possible for one document to cover every eventuality and this document's ambition is to serve as a guide. The Fund will override the guidelines below where this is deemed to be in the long-term economic interests of the Fund's stakeholders. Where issues are insufficiently addressed by the Code or by this document, the Fund will come to a decision using internal research and the advice of the Fund's appointed adviser and research provider.

3.1 A Great Board With a Long-Term View

Principles

Composition and Committees

Good governance starts with a great board. Led by the Chair and/or the chair of the Nominations Committee, we expect our investee companies to appoint an effective board of directors whose combined expertise is a key strategic asset to the company. We believe the most effective boards include a diversity of skills, experiences and perspectives. Through our voting decisions (and otherwise) we support the Davies Review, the Hampton-Alexander Review and the Parker Review.

Board members should be able to devote sufficient time to their directorship, should refrain from becoming "overboarded" and should attend all relevant meetings including committee meetings (audit, nomination, remuneration or other).

Non-attendance should be explained in the annual report. Overboarded directors will not be supported, even if they are from demographics that are currently underrepresented in UK boardrooms. The board should demonstrate collective awareness of material short, medium and long-run risks including, where material, climate change. The Chair should ensure the board is of an appropriate size and, while the Fund is not prescriptive on board size, would consider boards of five or fewer members, or boards of sixteen or more members, as red flags warranting further analysis. In line with the Code we expect the majority of board members, excluding the Chair, to be independent according to the criteria defined in the Code. Independence is not, however, a sufficient condition for the support of a director's election or re-election: each director must offer a valuable contribution to the functioning of the board. With regards to the so-called "nine year rule" of independence: whilst we include "a tenure of fewer than nine years" among our criteria for independence, we fully support directors that make valuable contributions to the boardroom, even if their tenure exceeds this guideline.

Consistently with the Code, boards should include nomination, remuneration, and audit committees. The latter two board committees should be composed solely of independent non-executive directors who have served on the board for at least a year, and participation by executives in these committee meetings should be by exceptional invitation only and explained in the annual report. Both the audit and the remuneration committee should have at least three members. The annual report should include a clear report from each committee Chair explaining the issues the committee has prioritised during the year in review, outlining progress made without recourse to boiler-plate language. Particular attention is paid to the overboarding of audit committee members owing to the requirement to read financial papers in sufficient detail. External advisors on remuneration and audit should be accountable to the committees, and details should be disclosed in the annual report including the nature of services provided and whether the advisor provides additional services. The Fund supports the creation of additional committees that are appropriate to the business model in question, but we do not support

unwarranted layers of governance, or the outsourcing of important issues to less experienced directors. We typically support board oversight of sustainability issues, either through committee structures or through individual responsibility. We support the election of employee representatives where this improves the quality of the board and accountability to stakeholders.

Leadership

The role of the Chair is of special significance, as is the relationship between the Chair and CEO. Accordingly, we pay particular attention to our vote on the re-election of the Chair. We support the Code's principles and provisions in relation to the role of the Chair and the eligibility of candidates. In exceptional circumstances we will support an interim Executive Chair, but expect a cut-off date to be provided, along with the appointment of a Deputy Chair and/or a strong Senior Independent Director ("SID"). Such exceptions should be discussed with shareholders and a clear and convincing rationale must be disclosed. The SID is another role of significance and we would not usually support the re-election of a non-independent SID, where independence is defined as per the Code.

Effectiveness, Evaluation & Election Process

The effectiveness of boards should be reviewed internally (by an independent director, usually by the SID) on an annual basis, and should be reviewed by an external party every three years. Companies should seek shareholder input into the process for determining board effectiveness, and the identity of the triennial external reviewer should be disclosed in the annual report. Boards and their committees should establish a suitable number of meetings per year and the location of the meetings should be appropriate to the business and to the residency of the board members. In order to preserve the board's accountability to shareholders, directors should be re-elected on an annual basis by majority vote (excepting controlled companies, where director re-election ought to follow the Code). Director biographies should be sufficiently detailed in order for voting shareholders to make an informed judgement, and the Nominations Committee reports should describe the contribution the director will make, or has made, to the board during the year.

3.2 A Transparent Audit Function, Supporting True and Fair Reporting

Principles

The audit committee of the Board plays a critical role and votes pertaining to its composition and conduct carry particular importance for shareholders. The committee should be composed of at least three independent non-executive directors with recent financial experience, and each member should have been on the board for at least a year in order to become familiar with the business. Members of the audit committee should achieve 100% committee meeting attendance and the thresholds for overboarding are stricter for audit committee members than for other directors. Attendance by executives at audit committee meetings should be by invitation only and should be explained in the annual report. We expect the audit committee to take responsibility for reviewing internal audit controls.

A company should disclose its auditor tendering policy and details of the tendering process (when it occurs). The Fund supports the EU's audit reforms, primarily that the external auditor should be independent and conflict-free (from the company and from audit committee members), and there should be regular tendering and rotation (at a minimum: tendering at least every 10 years, rotating every 20, with no re-appointment until at least four years following the rotation).

The lead audit partner should be rotated and named in the annual report. Auditor fees must be clearly disclosed and non-audit fees should not exceed 50% of total fees. Where this limit is breached, the audit committee should plan for fee reduction. Companies should not provide auditors with limited liability or indemnification. The resignation of an auditor during the financial year should be clearly explained, as should any qualifications to the annual report. There should be no material omissions. The audit committee should ensure that adequate whistleblowing procedures are in place.

As with all elements of corporate disclosure, boilerplate should be avoided at all costs. Disclosures should be clear, relevant, as concise as possible and AGM materials should be available in English in sufficient time before the meeting. We will consider voting against the annual report where disclosure falls short of the mark. We support the FRC's guidance on risk management, internal control and related financial and business reporting.

The statements of viability should be clearly disclosed. Companies should provide sufficient disclosure on material and emerging risks across a suitably long-term horizon. "Long-term" should relate to the company's business cycle and should never be limited to the next twelve months. Aside from a description of risks, the strategic report should detail the contribution and composition of the company workforce.

3.3 Stewarding our Capital, Protecting Shareholder Rights

Principles

We aim to be responsible stewards of the capital bestowed on us by our beneficiaries. In turn, we expect companies to steward the capital we provide to them with care and concern for long-term outcomes. We would like our companies to be granted the flexibility to manage their capital structure effectively and raise additional capital where necessary in a timely and cost-efficient manner. We are against giving companies unlimited authorisation to raise capital unless there is a sufficiently compelling case. We encourage companies to use the 14-day GM facility to raise extraordinary, unanticipated volumes of capital and expect prior dialogue with shareholders.

Securities that are accompanied by shareholder rights are more valuable than securities lacking these rights. Clearly, we wish to preserve or enhance this value, not fritter it away. We avoid, therefore, the unnecessary dilution of our shares and seek to preserve our rights of pre-emption. We expect resolutions pertaining to capital decisions to be split out on the proxy statement, rather than "bundled" into one resolution. We will not typically approve the creation of non-voting shares and usually vote against attempts by controlling shareholders to increase the differential between his or her level of equity ownership and voting control. Stock splits are approved on a case-by-case basis with reference to the justification disclosed by the company.

Companies ought to disclose clear dividend policies. Dividends should be sufficiently covered and put to shareholder vote. Uncovered dividends should be accompanied by an explanation covering the sustainability of the dividend or distribution policy. Companies proposing scrip issues should offer a cash dividend option. Companies ought to explain why a share buyback programme is the most appropriate method of returning cash to shareholders, including the circumstances in which a buyback will be executed. The Fund pays particular attention to share buyback programmes that could affect remuneration structures through the influence on earning per share (EPS) measurements: such structures must be buyback-neutral and buyback authorities must

be within acceptable limits, expiring no later than the following AGM. The Fund will typically vote against waivers of Rule 9 of the Takeover Code (in relation to ownership levels at which mandatory bids are required).

The Fund is unlikely to support article changes that materially reduce shareholder rights. The Fund is strongly opposed to virtual-only AGMs and views as fundamental the right to attend shareholder meetings in-person. The Fund typically opposes resolutions seeking authority to limit the jurisdiction that applies to dispute resolution.

Merger and Acquisition (M&A) decisions are made on a case-by-case basis, with reference to the long-term economic interest of scheme members and compliance with the Fund's Conflicts of Interest Policy. The Fund will consider supporting transactions with the following characteristics: long-term benefits to shareholders, good quality disclosure, high quality management, supportive independent advice, approval of the independent directors. We seek to determine whether the deal yields a good strategic fit, and we value prior engagement with shareholders. We do not support poison pills that entrench management or damage shareholder value. Introductions of poison pills should be clearly explained and put to shareholder vote.

By contrast, poison pill redemption resolutions are generally supported. We will usually vote at courts and classes in a consistent manner with our GM vote.

The Fund does not support resolutions seeking authority to make political donations, where the recipients are likely to be political parties or lobbying organisations of concern. When it comes to capital, smaller companies might be afforded greater flexibility, depending on circumstance.

3.4 Fair Remuneration for Strong Performance Through the Cycle

Principles

General

For the majority of the Fund's UK listed investee companies, shareholders are entitled to vote annually on an advisory basis on the remuneration report and (typically) every three years on the remuneration policy (where the voting outcome is binding). Our voting decisions recognise that remuneration is contextual, rather than one-size-fits-all.

Companies need flexibility to design and apply remuneration structures appropriate to the business in question. There is no requirement for remuneration structures to follow traditional models if more appropriate models can be found. Whilst the structure of remuneration policies is of prime importance, we are also concerned about the quantum of pay. Remuneration should amount to no more than is necessary and sufficient to attract, retain and motivate the individuals and groups of individuals most suited to managing the company. Levels of executive remuneration that are, or are perceived to be, excessive and unfair can be demotivating to staff and reputationally damaging to the company. Executive pay should be considered in the context of overall workforce pay and in the context of the long-term financial needs of the company, its ability to meet its dividend policy and its ongoing requirement for capital investment and R&D.

Remuneration structures should be simple and easy to understand for both shareholders and executives, who need clear lines of sight as to their objectives.

Governance

A remuneration committee, composed solely of independent non-executive directors, should design and apply appropriate remuneration structures and should enter into dialogue with shareholders and employee representatives. The outcome of consultations should be made known in advance of the AGM, such that policy changes do not come as a surprise to engaged shareholders or employee representatives. Any advisors to the remuneration committee should be disclosed with an explanation of the advice provided. Multiple relationships with the company should be transparent and the external auditor should not normally perform the role of remuneration advisor. The committee should feel empowered to apply discretion appropriately (including increases and decreases) and should be aware that it is possible to gain shareholder trust through the use of restraint. Where the remuneration report or policy receive large votes against (which we currently consider to be more than 20% oppose votes among minority interests), the company should consider changes to the remuneration committee, engaging shareholders and changing remuneration advisors. The output of the remuneration committee – including remuneration policies and reports – should exhibit intelligent design and proactivity. This can be achieved through appropriate departures from traditional remuneration models including Long Term Incentive Plans (LTIPs). The remuneration committee and the nomination committee should work together on succession planning and at an early stage of the recruitment process should start to design appropriate remuneration for incoming executives. We view exceptional payments as indicative of poor planning by the remuneration committee.

Disclosure

The Chair of the remuneration committee should author a detailed but intelligible report outlining the work undertaken during the year and, where relevant, how the committee has responded to significant levels of opposition votes.

Disclosures should clearly relate remuneration structures to business strategy and should relate the levels of award to company performance, strategy, financial liabilities and over all workforce conditions. Any use of discretion should be fully explained. The median and maximum awards under the bonus scheme and incentive plans should be clear, as should the effect on EPS-based targets of share buyback schemes. The targets for variable pay, for this year and next, should be disclosed (there should be retrospective disclosure if the targets are commercially sensitive).

Structure and Fairness

Remuneration should amount to no more than is necessary and sufficient to attract, retain and motivate the individuals and groups of individuals most suited to managing the company.

An executive's base salary should reflect his or her role and level of responsibility. Base salary should not increase significantly without a clear, compelling and exceptional justification. The rate of salary should not be solely or mainly based on quartile comparison, and we would expect salary benchmarking to occur once every three years at a maximum. Salary increases should be set in the context of wage increases to the median worker. The remuneration committee should understand how base pay increases affect the total level of pay now and in the future. Contracts should be agreed on a 12-months' basis.

Annual bonuses should have stretching, declared targets that link to company strategy. There should be consistency with the targets given prominence in the strategic report. Performance against targets should be disclosed in the remuneration report. In determining targets for variable pay, the remuneration committee should consider strategic, financial and non-financial measurements, and companies with high levels of Environmental, Social or Governance (ESG) risk should consider using ESG metrics with appropriate weightings. In general, bonuses should be reduced from their current levels, and maximum and median rewards under annual bonuses should usually be lower than rewards within LTIP schemes, reflecting the dominance of the long-term over the short-term. The payment of a significant proportion of the annual bonus in deferred shares is welcomed where this improves alignment with shareholders, does not risk excessive dilution and includes a suitable holding period. If a company experiences a significant negative event, bonus sanction should be considered even if the annual targets were met.

Incentive schemes should be transparent, understandable, long-term and appropriate to the circumstances and strategy of the company. For reasons of simplicity, companies should avoid having more than one active incentive plan. Performance conditions should ensure there is no reward for failure, nor for luck, and sufficient clawback and malus provisions should be designed and applied. The performance measurement period should have a minimum of three years, with a vesting period a minimum of three years from grant. Companies operating in sectors with long-term investment horizons should consider a performance period of more than three years. We are concerned that, despite the wide range of business models and investment horizons across UK listed companies, there are too many standard LTIP schemes with common vesting periods and performance targets, and we think this reflects a lack of intelligent design by remuneration committees. Committees should give thought to not having an LTIP and rewarding execs through a single bonus scheme which pays out in deferred shares with a holding period, based on stretching performance targets. Whether contained in an LTIP or otherwise, performance targets should not reward below-median performance and threshold vesting amounts should not be significant relevant to base salary. Where comparator groups are used, the remuneration committee should disclose why the comparators are believed to be genuinely representative (eg, with reference to their size, sector and performance). If awards depend on Total Shareholder Return (TSR) relative to overseas peers, companies should disclose fair currency conversion policies in advance of the grant. There should be several performance targets, which should relate to shareholder return, to the business strategy and include financial and non-financial elements, according to the company's current and expected operating environment. We would not expect performance conditions to be re-tested between remuneration policy reviews. Following a change of control, awards under an LTIP plan should be made pro-rata for time and performance to date; they should not automatically vest. Share-based awards should not lead to excessive dilution and exceptions to this principle should be put to shareholder vote, which ought to receive support from the majority of minority shareholders. In the event of a decline in the share price, remuneration committees should prevent accidental ("windfall") gains through top level grants through the use of downward discretion. Remuneration policies should explain the treatment of M&A and share buybacks where these are likely to impact performance targets either directly or indirectly.

In order to achieve alignment with shareholders, executives should make a material, long-term investment in company shares and these shares should be subject to a suitable holding period following an executive's departure. Companies should disclose the time by which new executives should reach the target level share ownership. Whilst these shares may be hedged or used as collateral, the company should make it clear that this is not true for share awards earned through LTIPs. Executive share ownership for alignment purposes should be distinct from shares granted under LTIPs, though exceptions may be made where shares are vested and not subject to ongoing performance conditions. Significant share sales should be rationalised in the annual report. As with all aspects of remuneration, the remuneration committee should be wary of unintended consequences, eg, effects on risk taking or risk aversion, dividend policy design and M&A. Remuneration committees should be cognisant of the significant costs and liabilities of executives' pensions contributions, the overall remuneration structure, and the tax and regulatory environment. Whilst we use a 30% contribution rate as a guideline for the upper limit, we think executive pensions contributions must set in the context of contributions for the overall workforce. Changes in actuarial assumptions that affect transfer values should be clearly disclosed. No element of variable pay should be pensionable.

Certain payments to incoming and outgoing executives cannot be avoided, but remuneration committees should be mindful of opportunities to minimise such costs in alignment with long-term shareholders. Outgoing executives should not be rewarded for failure. Severance pay consequences should be considered before appointment, such that early termination does not lead to unanticipated liabilities. We will not usually support retention payments ("golden handcuffs"), but could support deferred payments to key staff during critical periods. A clear rationale should be presented during shareholder dialogue. Similarly, compensatory payments for new appointments (including where the appointee has had to forgo expected variable pay at a previous employer) could only be considered with a clear rationale and we would expect compensation to be awarded in shares and subject to perf conditions. New appointments should normally begin on a lower salary to avoid creeping costs.

We will typically oppose tax equalisation payments where this introduces a new (net) cost to the company. We expect a cap on such payments to be disclosed.

Non-executive directors' fees should reflect the role and the level of responsibility and should not increase excessively from one year to the next. We do not expect non-executives to participate in LTIP schemes but understand that, exceptionally, directors may be granted shares at listing or pre-listing stage on a one-off basis. Share awards need a clear rationale and the policy should be applied consistently over time with conditions and parameters that ensure independence of the director's contribution. At a minimum this should include a requirement that share-based awards do not have performance conditions and are made at the market price. Additional benefits for non-executives should reflect necessary business duties only.

3.5 Miscellaneous

Principles

We are regularly called on to vote on shareholder proposals. These proposals address a range of topics including proxy access, articles of association, climate change, human rights and more. The Fund takes a case-by-case approach to shareholder resolutions and will support resolutions that are appropriately worded and, on balance, support the long-term economic interests of our stakeholders and help to make boards of directors accountable to shareholders. We consider pre-declaring our voting intentions on shareholder proposals on a case-by-case basis.

We follow the PLSA's guidance on related party transactions.

We usually support all employee share schemes, except where we have concerns over dilution.

Smaller companies and investment trusts are at different stages with respect to corporate governance arrangements, and our expectations of these companies reflect these differences in some circumstances. We are mindful of the QCA corporate governance code for smaller and medium listed companies and the Association of Investment Companies Code of Corporate Governance.

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COMPLIANCE WITH THE UK STEWARDSHIP CODE FOR INSTITUTIONAL INVESTORS JUNE 2019



West Midlands Pension Fund

INTRODUCTION

The West Midlands Pension Fund and West Midlands Integrated Transport Authority Pension Fund (together: 'the Fund') fully support the UK Stewardship Code ('the Code') and as part of their commitment to best practice seek to apply the principles in the Code to their investment activities.

The Code applies to both asset managers and asset owners. The Fund's adherence to and implementation of the Code is appropriate to the operating context of the Fund and the Fund's position within the investment chain. The West Midlands Pension Fund is one of the UK's largest pension funds, managing and administering the pension interests of our members and scheme employers. The Fund holds and manages a diversified portfolio of assets amounting to £16 billion (as at March 2019), targeting reliable growth over the long term, to deliver pensions for members in retirement.

Since April 2018, the Fund has undertaken stewardship activity both directly and through the LGPS Central investment pool. The Fund has transitioned a portion of its assets into pooled funds managed by LGPS Central Limited and now accesses proxy voting and engagement services through the company. The Company also complies with the Code and fully supports each of the seven principles.

This compliance statement is reviewed at least annually.

STEWARDSHIP OF THE FUND

The Fund defines the concept of stewardship in the same way as the Financial Reporting Council (FRC):

"Stewardship aims to promote the long-term success of companies in such a way that the ultimate providers of capital also prosper. For investors, stewardship is more than just voting. Activities may include monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure, and corporate governance, including culture and remuneration. Engagement is purposeful dialogue with companies on these matters as well as on issues that are the immediate subject of votes at general meetings."¹

In this compliance statement, the term 'responsible investment' (RI) refers to the Fund's programme of integrating financially material 'environmental, social and governance' (ESG) factors into the Fund's investment processes. 'ESG factors' may be referred to as 'responsible investment factors' throughout this document.

¹ <https://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Stewardship-Code-September-2012.pdf> accessed June 2019

THE FUND'S POSITION ON IMPLEMENTING THE PRINCIPLES

Principle 1 – Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

The Fund fully follows this principle.

1.1 Overview

The Fund's approach to stewardship is set out in its *Responsible Investment Framework*, *Investment Strategy Statement* and *Voting Policies* which are available on the Fund's website². The Fund's approach to stewardship is tailored according to its role in the investment chain. Selected details of the Fund's approach to stewardship are provided below. This is expanded in greater detail in subsequent sections as appropriate to each of the seven principles of the UK Stewardship Code.

1.2 In Detail

1.2.1 Beliefs Underpinning the Fund's Approach to Stewardship

The Fund believes that effective management of financially material responsible investment risks should support the Fund's requirement to protect returns over the long term. With regard to climate change risks, the Fund recognises that the scale of the potential impacts is such that a proactive and precautionary approach is needed in order to address them. The Fund considers RI to be relevant to the performance of the entire Fund across asset classes.

Investee companies with robust governance structures should be better positioned to handle the effects of shocks and stresses of future events. There is risk but also opportunity in holding companies that have weak governance of financially material ESG issues. Thus, the Fund prefers to adopt a policy of risk monitoring and engagement in order to positively influence company behaviour and enhance shareholder value, influence that would be lost through a divestment approach.

The Fund extends this principle of 'engagement for positive change' to the due diligence, appointment and monitoring of external fund managers who are at an early stage of developing its RI approach. The Fund believes that it will improve its effectiveness by acting collectively with other like-minded investors because it increases the likelihood that it will be heard by the company, fund manager or other relevant stakeholder compared with acting alone.

² For example, UK and Japanese Stewardship Codes

1.2.2 The Fund's Stewardship Objectives

The Fund aims to:

- 1 Be aware of and monitor financially material responsible investment issues in the context of investment and manager selection. Depending on the asset class and nature of the proposed mandate or vehicle, the Fund will monitor:
 - ESG issues in relation to internally managed investments (for example, equities, direct property);
 - the extent to which the external managers incorporate ESG issues into their investment processes; and
 - hold external managers to account for improvement in their ESG performance over a reasonable timeframe.
- 2 Make full use of its ownership rights, including voting and engagement activities. Either directly, collaboratively or through specialist service providers:
 - hold constructive dialogue with listed companies;
 - encourage the disclosure by companies of ESG issues; and
 - participate in the development of public policy on ESG issues.

1.2.3 Roles and Responsibilities for Stewardship at the Fund

Roles and responsibilities with respect to the discharge of stewardship activities are set out in the Fund's Responsible Investment Framework:

The Pensions Committee is at all times responsible for the Fund's investments, including oversight of the RI strategy and collaboration with other investors. Responsibility for oversight of the Fund's RI framework sits with the Director of Pensions and Assistant Director (Investments and Finance). Responsibility for the implementation of this framework sits with the Head of Investment. Implementation is supported by LGPS Central.

1.2.4 Approach to Implementing and Monitoring Stewardship at External Managers

All new Investment Management Agreements (IMAs) include requirements to adhere to the UK's Stewardship Code, where applicable.

The Fund, supported by LGPS Central, undertakes annual reviews of the ESG approaches and practices of its external equity fund managers, including the extent of the manager's active stewardship of its investees. External equity fund managers are expected to demonstrate improving levels of the integration of ESG risks into investment decision making over time. Whilst equities – the Fund's largest single exposure by asset class – represents a natural focus point for managing ESG integration within external fund managers, the Fund endeavors to monitor the stewardship of external managers across all asset classes.

Pre-Appointment

The Fund collects the following information from each manager before they are appointed where applicable to the asset class:

- Copy of their ESG, active ownership policies or equivalent which articulates how ESG factors (stemming from research, active ownership activities or other sources) are integrated into their investment process.
- Case studies or examples of where ESG issues have influenced an investment decision.
- Information on the process for integrating any third party ESG data (for example, MSCI) into their company financial models, investment strategies and portfolio construction.
- RI reporting format.
- Whether they are a signatory of the UN-backed Principles for Responsible Investment (PRI) and Stewardship Code, copy of their PRI public report and annual assessment scores if applicable.

Post-Appointment

The Fund assesses the ESG capability of a fund manager as a factor within each of the people, process and performance categories. In its decision to appoint a fund manager, the Fund takes a balanced consideration of all relevant factors including ESG. However, the Fund will pay particular attention to adherence to relevant soft regulatory codes depending on the market in which it invests. In practice, this means the Fund is willing to hire a fund manager at an early stage of developing its RI approach so long as there is a demonstrable RI commitment and a willingness to improve in their approach over time. In alignment with our guiding principles on 'engagement versus exclusion', the Fund believes that there is added value in working with them to improve their approach.

Monitoring and Reporting

Each external fund manager is expected to report at agreed intervals to the Fund on how their RI activities are contributing to improved long-term risk-adjusted returns. Examples of information that can be provided in aid of this objective include but are not limited to the following:

- The evolution of how the manager integrates the consideration of ESG issues into its investment and active ownership activities.
- How investment and active ownership functions are combined to protect and/or enhance shareholder value.
- How the manager exercised the Fund's voting rights.
- Any outcomes arising from the manager's engagement with companies and their effectiveness.

Principle 2 – Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

The Fund fully follows this principle.

2.1 Overview

Declaration of conflict of interests is a standing agenda item at the start of all Pensions Committee meetings.

2.2 In Detail

2.2.1 Internally Managed Funds

The Fund has a conflicts of interests policy aligned with the expectations of the Financial Conduct Authority (FCA).

The FCA Handbook SYSC 10.1.3R states that a firm must take all reasonable steps to identify conflicts of interest between:

- a) the firm, including its managers, employees and appointed representatives (or where applicable, tied agents), or any person directly or indirectly linked to them by control, and a client of the firm; or
- b) one client of the firm and another client; that arise or may arise in the course of the firm providing any regulated activity or ancillary service.

The nature of the services provided by the authority may give rise to potential or actual conflicts of interests. We have put in place procedures to identify and manage potential and actual conflicts to ensure these do not adversely affect the interest of our customers and the Fund and that our actions are not influenced by interest which favour the authority, its employees or another party.

Conflicts of interests should be avoided, documented, managed and disclosed if they cannot be avoided.

Staff are provided with the Compliance Manual which sets out the types of conflicts that arise or may arise in their roles in addition to support from Compliance where there is any doubt whether there is a potential or actual conflict. All conflicts are recorded and stored by Compliance. Training is provided to all new employees and refresher training is compulsory on an annual basis.

2.2.2 Externally Managed Funds

The need to avoid conflicts of interest is also highlighted in the Fund's IMAs and contracts with external parties. Conflict of interest management forms part of the Fund's due diligence process before and after the appointment of external fund managers. The Fund obtains assurances that any potential conflicts are adequately managed, and this assurance is obtained on an annual basis following the appointment of an external manager.

Principle 3 – Institutional investors should monitor their investor companies.

The Fund fully follows this principle.

3.1 Overview

The Fund's arrangements are set out in its Responsible Investment Framework and its website³. Relevant information from the Responsible Investment Framework is presented below.

For equity holdings, the Fund uses the Local Authority Pension Fund Forum (LAPFF) as its primary engagement partner. The Fund is also supported by LGPS Central's engagement partner, Hermes EOS. Where an engagement platform is not available, the Fund will engage with its investees directly, or in collaboration with the PRI or other groups of like-minded investors. The Fund does not typically seek to become an insider in any of its quoted equity investments.

The Fund and LGPS Central hold external fund managers to account for their engagement approach as part of routine monitoring activities.

3.2 In Detail

3.2.1 Compliance with the UK Corporate Governance Code

The Fund expects UK companies to adhere to the UK Corporate Governance Code on a comply or explain basis. Further, the Fund has bespoke UK corporate governance guidelines which are available on its website, which aim to deal with issues that are either not covered by the Code, require greater emphasis or are specifically left open for shareholders to resolve with company boards. The Fund expects companies outside the UK to adhere to international voting principles, recognising local application and development.

3.2.2 Understanding and Disclosure of ESG Risks

The Fund expects companies to manage and disclose its environmental and social risks to the extent required for an understanding of the development, position and performance of the company. In alignment with the Association of British Insurers' position, there are aspects of environmental and social reporting on which the Fund places particular value given their relevance across all sectors, its holistic approach to risk management, and the view that owners should not micro-manage companies.

This is narrative reporting which:

- sets ESG risks in the context of the whole range of risks and opportunities facing the company;
- contains a forward-looking perspective; and
- describes the actions of the board in mitigating these risks.

³ <http://www.wmpfonline.com/article/5708/Engagement-Through-Partnerships>

In terms of the specific environmental and social issues to focus upon, the Fund prefers to take a case-by-case, sector-based approach. Our approach on climate change risk is detailed below.

The Fund aims to engage in purposeful stewardship.

Working with our partners, we will develop an Annual Climate Stewardship Plan. This will set clear goals of engagement with companies, fund managers, policy-makers, and other organisations of influence. We will use stewardship techniques to manage the risks and opportunities within our investment portfolio, focusing on the risks and opportunities of greatest magnitude.

Our monitoring and stewardship of climate-related risks and opportunities will extend to our funding risk and employer covenant monitoring.

We will collaborate with like-minded investors where possible and we will be active participants in selected collaborative initiatives where supportive of our stewardship aims.

We will make full use of our voting rights and will co-file or support climate-related shareholder resolutions.

Principle 4 – Institutional investors should establish clear guidelines as to when and how they will escalate their activities as a method of protecting and enhancing shareholder value.

The Fund fully follows this principle.

4.1 Overview

The Fund recognises that ‘escalating activity’ is most effective when carried out as a group; hence when necessary and typically in partnership, the Fund will escalate an engagement with directly held investee companies to protect and enhance shareholder value. Where an engagement platform is not available, the Fund will act alone to escalate engagements with its investees directly, or will enter into collaboration with the PRI or other groups of like-minded investors.

The Fund holds its external fund managers to account for their engagement approach as part of its monitoring activities, which includes any escalating activity.

4.2 In Detail

4.2.1 Issues and Escalation

The Fund, either on its own or in collaboration, engages with companies on a range of issues including governance, climate change, employment standards, tax practices, board composition, human rights, employment practices and human capital management, social risk, reputational risk.

Unsatisfactory corporate responses lead to escalation, as agreed by the appropriate investment officers at the Fund, LGPS Central or, where engagement has been conducted through LAPFF, the LAPFF Executive.

Examples of how the Fund, LGPS Central or LAPFF might escalate include:

- letter issuance;
- alert issuance;
- meetings with the management or the directors of an investee;
- attendance and raising questions at company AGM;
- collaborative engagement with other organisations, including the 30% club, UNPRI, the CDP, EITI, INCR;
- shareholder resolutions (normally only after a sustained period of engagement); and
- legal action.

4.2.2 Measuring Success

Assessments of success are measured according to the degree of a company's response to the engagement exercise. Where an engagement has been executed through LAPFF, each company response is given one of seven qualitative assessment scores (ranging from 'Dialogue Continuing' to 'Substantial Improvement') and all information is collated and reported by LAPFF. Other data collected include the seniority of the position engaged on each issue and the format of the engagement. Where an engagement has been conducted directly by the Fund of LGPS Central, qualitative assessments of the success of the engagement to date are made and reported to the Pensions Committee on a quarterly basis, for as long as the engagement takes to conclude. The statuses of collaborative engagements (including with LAPFF) are also reported to the Pensions Committee on a quarterly basis.

Principle 5 – Institutional investors should be willing to act collectively with other investors where appropriate.

The Fund fully follows this principle.

5.1 Overview

The Fund believes that collaboration with other investors on ESG issues allows the Fund to increase its impact when engaging with companies, fund managers, regulatory bodies and other stakeholders. The Fund will, however, act alone on corporate engagement where relevant.

The Fund actively works with other asset owners, fund managers, and other organisations to promote responsible investment. These include but are not limited to LAPFF, the UN-backed Principles for Responsible Investment and the Institutional Investors Group on Climate Change (IIGCC), Transition Pathway Initiative (TPI), 30% Club Investor Group, Pensions & Lifetime Savings Association (PLSA) and UK Sustainable Investment Forum (UKSIF). The Fund seeks to work collectively on engagement whenever its aims are supported by like-minded investors and where it is felt that collaborative action is more likely to result in a positive outcome.

5.2 In Detail

The Fund uses various engagement platforms to maximise its influence as an active owner in collaboration with other like-minded investors. The Fund's primary engagement partnerships are highlighted below.

5.2.1 Local Authority Pension Fund Forum

The Fund is a founding member of the Local Authority Pension Fund Forum (LAPFF) and the Fund's Director of Pensions is the Honorary Treasurer. LAPFF is the UK's leading collaborative shareholder engagement group encompassing over 80 local authority pension funds and investment pools from across the country with combined assets of over £230 billion. The Fund is an active participant in LAPFF's engagement programs. Membership of LAPFF provides the Fund with:

- independent research and advice on the ESG risks of companies to inform further stakeholder engagement;
- advice on the governance practices of companies;
- a forum to engage with companies to improve governance practices; and
- proxy voting advice on proxy voting for annual general meetings.

5.2.2 UN-backed Principles for Responsible Investment

The Fund signed the Principles for Responsible Investment (PRI) in 2011. The PRI is a set of six aspirational principles designed to encourage and assist investors integrate ESG into their investment processes. The Fund is an active participant in the PRI's engagement program. The Fund considers the following criteria amongst others in determining its participation in PRI-related initiatives:

- Initiative is in alignment with the Fund's RI policy.
- The ESG issue or company of concern is considered to be particularly material to the Fund.
- Certain impediments (eg, geographic) make investor collaboration the preferred option.

5.2.3 Industry Engagement

In collaboration with other like-minded investors, the Fund may engage with public policy makers, regulators, trade bodies, indices and other players in the financial markets to achieve the aim of promoting sustainable growth. The Fund considers these initiatives on a case-by-case basis.

5.2.4 Roles and Responsibilities

The Pensions Committee is at all times responsible for the Fund's investments, including oversight of the RI strategy and collaboration with other investors. Responsibility for oversight of the Fund's RI framework sits with the Director of Pensions and Assistant Director (Investments and Finance). Responsibility for the implementation of this framework sits with the Head of Investment, supported by LGPS Central.

Principle 6 – Institutional investors should be willing to act collectively with other investors where appropriate.

The Fund fully follows this principle.

6.1 Overview

The Fund's voting approach and associated policies can be found in full on the Fund's website⁴. Further details are provided below. The Fund releases a report summarising its voting activities on a quarterly basis, details of which can be found on the Fund's website. The Fund also discloses its voting activity on a vote-by-vote basis, via an online portal. Voting reports are also presented to the Pensions Committee on a quarterly basis.

6.2 In Detail

6.2.1 Voting Globally

Where practical, the Fund aims to vote in every single market in which it invests. In the interests of sending a consistent signal to investee companies, the Fund has decided to use a third party provider for analysis of governance issues and executing its proxy voting rights across all markets in which it invests.

Further details of the fund's Voting Policy and current guidelines are set out in the Responsible Investment Framework and Voting Principles available on the Fund website.

The Fund currently uses a proxy voting agency, appointed by LGPS Central Limited for analysis of governance issues and executing its proxy voting rights across all markets in which it invests. The Fund has its own detailed West Midlands UK Voting Policy which aims to deal with issues that are either not covered by the UK Corporate Governance Code, require greater emphasis or are specifically left open for shareholders to resolve with company boards. For the remaining markets in which we invest, we currently endorse the proxy voting providers International Shareholder Voting Principles.

The Fund is committed to transparency with respect to its voting activity. To that end, the Fund discloses its voting activities on a vote-by-vote basis via its website.

The Fund produces a summary report on a quarterly basis, which is disclosed on the Fund's website and is reported to the Pensions Committee.

6.2.2 Securities Lending Programme

The Fund has an active securities lending programme. To ensure that the Fund is able to vote all its shares at important meetings has worked with service providers to establish procedures to restrict lending for certain stocks and recall shares in advance of shareholder votes. The Fund monitors the meetings and proportion of the securities on loan, and will restrict and/or recall lent stock in select circumstances.

⁴ <http://www.wmpfonline.com/article/5693/Voting-Globally>

Principle 7 – Institutional investors should report periodically on their stewardship and voting activities.

The Fund fully follows this principle.

7.1 Overview

The Fund's website provides information on its responsible investment commitments and evidence of implementation of its stewardship responsibilities. Reports are taken quarterly to Pensions Committee on responsible investment activities⁵.

A section in the Annual Report is devoted to reporting on the Fund's responsible investment activity, including an annual summary of its voting and engagement activity⁶. The Fund also discloses its voting activity on a vote-by-vote basis, via an online portal.

7.2 In Detail

7.2.1 External Reporting

Voting

The Fund is committed to transparency with respect to its voting activity. To that end, the Fund discloses its voting activities on a vote-by-vote basis.

The Fund releases a report on its voting activities on a quarterly basis and this is also disclosed on the Fund's website⁷. The quarterly voting report is provided to the Pensions Committee.

Engagement

The engagement activities of the Fund are disclosed via the collective bodies through which the Fund executes its corporate engagement activities (notably LGPSC Central, LAPFF and the PRI) as well as via the Fund's Annual Report and Accounts which is available on the Fund's website. Data on engagement themes, status/success of each engagement and the engagement format used are reported to show the effectiveness of each engagement.

7.2.2 Internal Reporting

Data on engagement and voting are reported to the Pensions Committee on a quarterly basis. The Pensions Committee is made aware of the extent of the Fund's voting through the quarter, the way in which the fund has voted and the extent to which the fund has supported the company's resolutions.

The Pensions Committee is made aware of new and ongoing engagement activities either undertaken by the Fund or by the Fund's engagement partners. Engagement themes are reported to the Pensions Committee each quarter until their conclusion.

⁵ <http://www.wmpfonline.com/article/5062/Member-Engagement>

⁶ <http://www.wmpfonline.com/annualreports>

⁷ <http://www.wmpfonline.com/article/5693/Voting-Globally>

7.2.3 Accreditation and Credentials

LGPS Central

From April 2018, Fund assets have started to transition into the LGPS investment pool, LGPS Central Limited. The pool company LGPS Central Limited ("Central"), established by the Fund and seven regional partners to operate collective investment vehicles through which the Fund may invest, has developed a leading approach to RI and supports Partner Funds in the execution of their individual RI policies. RI integration features in the investment process for all major asset classes, a suite of RI policies are in place together with a supporting engagement provider and regular monitoring and reporting.

Central supports the Fund in implementation of RI policy both through fund management arrangements and in an advisory capacity, supplementing and building on the collective action of the Fund and its own partnerships.

LAPFF

The Local Authority Pension Fund Forum (LAPFF) is the UK's leading collaborative shareholder engagement group. Formed in 1990, LAPFF brings together over 80 LGPS funds and investment pools from across the country with combined assets of over £230 billion. The Forum provides a unique opportunity for Britain's local authority pension funds to discuss investment issues and shareholder engagement. PIRC Ltd. is currently the research and engagement partner to LAPFF. PIRC has been awarded 'Tier 1' status by the FRC⁸ for PIRC's stewardship activities and implementation of the Stewardship Code and is signed up to the Best Practice Principles for Proxy Advisers⁹. PIRC is regulated by the Financial Conduct Authority.

Contacting West Midlands Pension Fund

For queries relating to the Fund's compliance with the UK Stewardship Code, including queries from other investors relating to collaborative stewardship, please contact responsibleinvestment@wolverhampton.gov.uk

For general queries, please contact pensionfundenquiries@wolverhampton.gov.uk

⁸ <https://www.frc.org.uk/Our-Work/Corporate-Governance-Reporting/Corporate-governance/UK-Stewardship-Code/UK-Stewardship-Code-statements/Service-Providers.aspx>

⁹ <http://pirc.co.uk/about-us-1/files/PIRC%20Best%20Practice%20Principles%202014.pdf>

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