

**Time** 10.00 am **Public Meeting?** YES **Type of meeting** Pensions

**Venue** Online Meeting

## Membership

**Chair** Cllr Milkinderpal Jaspal (Lab)

**Vice-chair** Cllr Clare Simm (Lab)

### Labour

Cllr Stephen Simkins  
Cllr Jasbinder Dehar  
Cllr Keith Inston  
Cllr Phil Page  
Cllr John Reynolds

### Conservative

Cllr Paul Singh

### Independent

Cllr Harman Banger

### District Members

Cllr Muhammad Afzal (Birmingham City Council)  
Cllr Sandra Hevican (Sandwell Metropolitan Borough Council)  
Cllr Bally Singh (Coventry City Council)  
Cllr Alan Taylor (Dudley Metropolitan Borough Council)  
Cllr Joe Tildesley (Solihull Metropolitan Borough Council)  
Cllr Rose Martin (Walsall Metropolitan Borough Council)

### Trade union observers

Malcolm Cantello  
Martin Clift  
Ian Smith

Quorum for this meeting is eight Councillors.

## Information for the Public

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

**Contact** Kirsty Tuffin

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[NOT PROTECTIVELY MARKED]

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

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# Agenda

## Part 1 – items open to the press and public

- | <i>Item No.</i> | <i>Title</i>   |
|-----------------|--|
| 1               | <b>Apologies for absence (if any)</b>  |
| 2               | <b>Declarations of interests (if any)</b>  |
| 3               | <b>Minutes of the Previous Meeting</b> (Pages 5 - 14)<br>[For approval]  |
| 4               | <b>Matters arising</b><br>[To consider any matters arising from the minutes of the previous meetings]  |
| 5               | <b>Annual Report and Accounts 2019-2020</b> (Pages 15 - 18)<br>[To receive an update on the Fund's Audit and seek the Committee's approval of the draft annual report for the year ending 31 March 2020, ahead of publication on the Fund's website – Appendix A to follow]. |
| 6               | <b>Budget Monitoring 2020/2021 and Quarterly Accounts June 2020</b> (Pages 19 - 26)<br>[To receive an update on the forecast out-turn against operating budget for 2020/21 and the quarterly accounts to 30 June 2020].  |
| 7               | <b>Quarterly Investment Report to 30 June 2020</b> (Pages 27 - 52)<br>[To consider a range of investment issues, primarily the market and investment background and the performance of the West Midlands Pension Fund].  |
| 8               | <b>Responsible Investment Activities</b> (Pages 53 - 90)<br>[To receive an update on the work undertaken in relation to responsible investment activities since the Pensions Committee meeting in June 2020].  |
| 9               | <b>Governance and Assurance</b> (Pages 91 - 102)<br>[To receive an update on the work of the Fund to deliver a well governed scheme].  |
| 10              | <b>Amended Internal Audit Plan 2020 - 2021</b> (Pages 103 - 108)<br>[To receive the revised work programme for internal audit for 2020 – 2021].  |
| 11              | <b>Pensions Administration Report to 30 June 2020</b> (Pages 109 - 132)<br>[To receive an update on the routine operational work undertaken by the pensions administration service areas during the period 1 April to 30 June 2020]  |
| 12              | <b>Customer Engagement Update</b> (Pages 133 - 156)<br>[To receive an update of the Fund's customer engagement activity from 1 April 2020 to 30 June 2020 and future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy].        |

13 **Exclusion of press and public**  
[To pass the following resolution:

That in accordance with Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following items of business as they involve the likely disclosure of exempt information on the grounds shown below].

**PART 2 - EXEMPT ITEMS, CLOSED TO PRESS AND PUBLIC**

- 14 **Response to Covid-19** (Pages 157 - 164)  
[To receive an overview of the Fund's response to the current global pandemic and the steps being taken to mitigate service delivery impact].
- 15 **Employer Covenant Monitoring** (Pages 165 - 186)  
[To receive an update on the review of the in-house monitoring framework and the individual cases arising from the ongoing monitoring process].
- 16 **Procurement Programme** (Pages 187 - 192)  
[To be informed of the upcoming programme of work to procure key systems and professional services/advisors].
- 17 **McCloud** (Pages 193 - 200)  
[To receive the proposed remedy to benefits members have built up with the Local Government Pension Scheme (LGPS) following the McCloud ruling].
- 18 **Investment Strategy and Activity Update** (Pages 201 - 206)  
[To receive an update on investment strategy and activity in the WMPF and Admitted Body Sub Funds over the quarter].
- 19 **LGPS Central pool - Shareholder update and report to MHCLG** (Pages 207 - 226)  
[To receive an overview of LGPS Central pooling progress reported to MHCLG].
- 20 **LGPS Central Ltd Update** (Pages 227 - 240)  
[To receive an update on the development of the Company and investment products and support services provided to the West Midlands Pension Fund by LGPS Central Limited].

<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Pensions Committee</b> Minutes - 17 June 2020
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## Attendance

### Members of the Pensions Committee

Cllr Milkinderpal Jaspal (Chair)  
Cllr Clare Simm (Vice-Chair)  
Cllr Stephen Simkins  
Cllr Keith Inston  
Cllr Phil Page  
Cllr John Reynolds  
Cllr Paul Singh  
Cllr Muhammad Afzal (Birmingham City Council)  
Cllr Sandra Hevican (Sandwell MBC)  
Cllr Rose Martin (Walsall Metropolitan Borough Council)  
Cllr Bally Singh (Coventry City Council)  
Cllr Councillor Alan Taylor (Dudley MBC)  
Cllr Joe Tildesley (Solihull Metropolitan Borough Council)  
Martin Clift (Trade Union Observer Representative)

### Employees

Rachel Brothwood	Director of Pensions - West Midlands Pension Fund
Jill Davys	Assistant Director - Investments and Finance – West Midlands Pension Fund
Tom Davies	Head of Investments – West Midlands Pension Fund
Rachel Howe	Head of Governance and Corporate Services - West Midlands Pension Fund
Claire Nye	Director of Finance – City of Wolverhampton Council
Amy Regler	Head of Operations – West Midlands Pension Fund
Lauren Pote	Governance Support Officer – West Midlands Pension Fund
Hayley Reid	Senior Auditor – City of Wolverhampton Council
Peter Farrow	Head of Audit – City of Wolverhampton Council
Simon Taylor	Head of Pensions - West Midlands Pension Fund
Kirsty Tuffin	Democratic Services Officer – City of Wolverhampton Council

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## Part 1 – items open to the press and public

*Item No.*    *Title*

- 1        **Apologies for absence (if any)**  
Apologies for absence were received from Councillor Harman Banger, Councillor Jasbinder Dehar and Malcolm Cantello, Trade Union Representative.

2 **Notification of substitute members**

No notification of substitutes were received.

3 **Declarations of interests (if any)**

There were no declarations of interest.

4 **Minutes of the Previous Meeting**

That the minutes from the previous meeting held on 21 January 2020 be approved as a correct record and signed by the Chair.

5 **Matters arising**

The Chair advised that due to the Covid-19 pandemic it had been necessary to cancel the March Pensions Committee meeting. The timing, unfortunately, had coincided with the end of the financial year when the Fund had a number of items which required approval by 31 March 2020.

These included:

- Approval of the 2020 - 2021 budget which was fundamental to the continued operation of the Fund and linked to that approval of the Fund's 2020 - 2025 Service Plan. Within the Service Plan officers had identified challenges from both the external wider LGPS and investment industry, together with responses to internal factors and stakeholder feedback, which shaped the way the Fund developed and enhanced services for customers.
- Accounting policies, the basis on which the Fund reported its annual report and accounts and provided independent assurance to stakeholders that the financial statements provided a true and fair view of the Fund's financial position and transactions for the period in question and that those statements had been prepared in accordance with generally accepted accounting practice.
- A number of statutory policies that included, the Funding Strategy Statement, the Investment Strategy Statement and the Strategic Investment Allocation Benchmark.

Cllr Jaspal advised that in line with the Committee's Urgent Decision powers, the Committee Chair, Cllr Simkins at that time, and himself, in the role of Vice Chair, engaged in consultation with officers regarding the use of the urgent decision powers. Collectively, it was determined their use had been necessary. In order to keep all members of the Pensions Committee informed with regards to the urgent decisions being taken reports relating to the urgent decisions had been published in advance to afford all members the opportunity to view and comment if required. No comments were received, and the recommendations outlined in those reports had been approved.

6 **Pensions Committee Annual Governance Report**

Rachel Howe, Head of Governance and Corporate Services, presented the Annual Governance Report seeking approval for annual governance matters of the Pensions Committee that ensured effective due diligence in decision making through regular review of delegated powers, terms of reference and the continued engagement of the Fund's stakeholders on its decision-making body.

Resolved:

1. That it be agreed that the revised Terms of Reference for the Pensions Committee be approved.
2. That it be agreed that the revised delegations from the Committee, to the Director of Pensions be approved.
3. That it be agreed to defer of the appointment of district members to the Committee until September 2020 be approved.
4. That it be agreed that the re-appointment of the Trade Union representatives onto the Committee for the Municipal Year 2020-2021 be confirmed:
  - Martin Clift and Ian Smith – Unite
  - Malcolm Cantello – Unison
5. That the following dates and times of meetings of the Pensions Committee be confirmed:  
Pensions Committee – 10:00 am  
30 September 2020  
9 December 2020  
24 March 2021
6. That it be agreed that the Training Policy developed for members of the Fund's governing bodies be approved.

#### 7 **Local Pensions Board Annual Report**

Rachel Howe, Head of Governance and Corporate Services, presented the report on the work undertaken by the Local Pensions Board during 2019-2020 which had been produced in consultation with the Local Pension Board Chair, Joe McCormick. The Committee noted that production of the annual report was a legislative requirement.

Resolved:

1. That the Local Pensions Board Annual Report be noted.

#### 8 **Statement of Accounts 2019-2020**

Jill Davys, Assistant Director, Investments and Finance presented the statement of accounts 2019-2020 report which provided an update on the progress in the finalisation of the Fund's draft statement of accounts for the year ending 31 March 2020.

The Assistant Director noted that this year's statement of accounts incorporates West Midlands Integrated Transport Authority (WMITA) Pension Fund and the Fund's information within a single statement, due to their merger with the Fund. An Annual Report would be prepared to include the finalised version of the Statement of Accounts and be presented to the September meeting of the Pensions Committee.

Resolved:

1. That the delegation of authority to the Chair and Vice Chair of Pensions Committee be approved:
  - a. To approve the Statement of Accounts once finalised and certified by the Section 151 officer; and
  - b. To approve the final publication of the Fund's 2019-2020 Annual Report and Accounts following audit in July, consideration of audit opinion and approval of the draft by Pensions Committee in September 2020.

2. That the draft Statement of Accounts for West Midlands Pension Fund (incorporating the merger with the West Midlands ITA Pension Fund (WMITA Pension Fund) would be finalised and be subject to audit by the Fund's external auditors, Grant Thornton, with the final version and audit opinion due to be reported to the Committee in September 2020 be noted.
3. That the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 had extended the statutory accounting deadlines for completion of draft and final Statement of Accounts be noted.

9 **Budget Monitoring and Quarterly Accounts to 31 March 2020**

Jill Davys, Assistant Director, Investments and Finance presented the report on the out-turn for the year against operating budgets as at the 2019/20 year-end.

Resolved:

1. That the quarterly accounts for the period ending 31 March 2020 be noted.
2. That the Fund out-turn for 2019/20 against the operating budget for the year, the underspend in Fund management costs and higher investment management costs over the year be noted.

10 **Annual Report 2019 - 2020 and Internal Audit Plan 2020 - 2021**

Peter Farrow, Head of Audit Services, presented the report on the outcome of the work programme for internal audit for 2019-2020 and the outline work programme for internal audit during 2020-2021.

The Committee were advised that for 2019-2020 six audit reviews had taken place, none of which had been rated 'limited' (red), three had been rated 'satisfactory' and three 'substantial', which resulted in an unqualified audit opinion from Internal Audit. The Head of Audit Services confirmed that all recommendations had been accepted and were being taken forward by the Fund's Senior Management Team. The Head of Audit Services also highlighted the Internal Audit Plan 2020-2021 which had been developed in conjunction with Fund Officers.

Resolved:

1. That the internal audit report for 2019 – 2020 be noted.
2. That the internal audit plan for 2020 – 2021 be noted.

11 **Legal and Compliance Update**

Rachel Howe, Head of Governance and Corporate Services, presented the report on the work of the Fund to deliver a well governed scheme.

The Committee were advised that in line with the assurance framework the report provided an update on the risk management of the Fund and that actions taken to manage and mitigate risk were effective in supporting the Fund's response to emerging issues and changing environment.

Resolved:

1. That the risk movements as reported and monitored through the year from April 2019 – March 2020 be noted.
2. That the latest strategic risk-register and areas being closely monitored in the current environment be noted.



3. That the compliance monitoring activity undertaken during the quarter be noted.

12 **Investment Risk and Assurance Framework**

Jill Davys, Assistant Director, Investments and Finance presented the report on the Fund's investment governance structure, how the Fund would undertake management and monitoring of the Fund's investment arrangements, including reporting to the Committee who oversee those arrangements.

The Committee were advised that the investment risk and assurance framework formed part of the Fund's wider control framework and showed commitment to the fully integrated approach to the managing of investment risks.

Resolved:

1. That the Fund's Investment Risk and Assurance Framework be approved.

13 **Quarterly Investment Report to 31 March 2020**

Tom Davies, Head of Investments, presented the report on the range of investment issues for consideration by the Committee, primarily the market and investment background and the performance of assets owned by the Fund.

The Head of Investments noted the recovery of the investment markets throughout April – June 2020, highlighting that this report covered the period to 31 March 2020. The Head of Investments further detailed the variety of movements between asset classes within the Fund and the potentially significant impact of lagged valuations on some of the Fund's illiquid assets at this time, with performance highlights presented. Following questions raised the Committee were advised that it had been too early to assess long term affects from Covid-19 on the property sector but the Fund had been in regular dialogue with investment advisers and managers, noting the situation would continue to be monitored.

Resolved:

1. That the global market and investment update paper prepared by the Fund's Investment Consultant, Redington be noted.
2. That the Asset Allocation and Performance Reporting for the West Midlands Pension Fund (WMPF) be noted.
3. That the Asset Allocation and Performance Reporting for the West Midlands Integrated Transport Authority Pension Fund (WMITAPF), and that it would be the last time this element appears in this format following the merger of the WMITAPF with the Main WMPF, be noted.

14 **Responsible Investment**

Jill Davys, Assistant Director Investments and Finance presented the report on the work undertaken in relation to responsible investment activities since the January 2020 Pensions Committee meeting.

The Assistant Director noted the development of the engagement themes for 2020-23 and the work undertaken by the Fund on responsible investment in the last six months, highlighting key areas of engagement and delivery of outcomes.

The Committee recognised the momentum of change in corporate response to Climate Change, following global investor initiatives such as Climate Action 100+ and noted the ongoing dialogue with those interested in the variety of engagements supported by the Fund's Responsible Investment Framework, including action on modern slavery.

Cllr Reynolds commented on the Fund's engagement with Rio Tinto and requested follow up on this issue, Cllr Reynolds also welcomed the Fund's work on modern slavery, noting that the Fund had become a signatory on the Modern Slavery Project.

Cllr Simm highlighted correspondence received from Palestine Solidarity Campaign and requested that the issues raised regarding Palestine and the West Bank were taken forward. The Assistant Director, Jill Davys confirmed that the Fund had received correspondence following a recent Supreme Court ruling and were responding to all letters in consultation with the Chair and in line with the Fund's responsible investment framework.

Cllr Simkins commented on the importance of the Fund's work in relation to tax and executive pay, noting the importance of protecting the Fund's members. Cllr B Singh raised questions regarding bio-fuel, carbon emissions and deforestation requesting that these issues be considered in the Fund's wider engagement activity. Rachel Brothwood, Director of Pensions confirmed that an update on engagement activities concerning deforestation would be provided at the September Committee meeting.

The Chair highlighted that company commentary was changing, in particular with regards to energy companies and recognised that engagement was effective.

Resolved:

1. That the Fund's updated Responsible Investment Framework (Appendix A), incorporating; Engagement themes for 2020-23 be approved.
2. That the Fund's voting and engagement activity for the six months ending 31 March 2020 be noted.
3. That the issues discussed by LAPFF are set out in the Quarterly Engagement Reports which are available on the LAPFF website be noted:  
<http://www.lapfforum.org/publications/qrtlyengagement-reports/>.
4. That the issues discussed in the LGPS Central Quarterly Stewardship Reports which are available on the LGPS Central website be noted:  
<https://www.lgpscentral.co.uk/wpcontent/uploads/2020/05/LGPS-Central-QSR-Q4-2019-20.pdf>
5. That the Reporting completed by the Fund as signatory to the UN Principles for Responsible Investment be noted.

15

### **Pensions Administration Report to 31 March 2020**

Amy Regler, Head of Operations, presented the report on routine operational work undertaken by the pension's administration service areas during the period 1 October 2019 to 31 March 2020.

The committee were advised that within section 13.1 of the report, the total annual pensions in payment should read as £551.3 million. Following questions regarding death notification figures, the Head of Operations and the Director of Pensions

confirmed there had been a rise in death notifications and that an initial spike in notifications had reduced towards more normal levels in recent weeks.

Resolved:

1. That the write-offs detailed in section 14 of this report be approved.
2. That the Administering Authority Discretions Policy for 2020 be approved.
3. That the applications approved by the Director of Pensions and the Chair or Vice-Chair of Pensions Committee for admission to the West Midlands Pension Fund be noted.
4. That the pensions administration activity and that performance targets were met across the key benefit operations processes during the reporting period be noted.
5. That the impact of Covid-19 on the workload volumes for pension administration be noted.
6. That the update on the progress of the Fund's Digital Transformation Programme be noted.

16 **Customer Engagement Update**

Simon Taylor, Head of Pensions, presented the report on the Fund's customer engagement activity, in the short-term primarily based around the Covid-19 outbreak and the support available from the Fund, to include assurance of continued service delivery highlighting the focus of customer contact had been linked to the providing additional support during the pandemic.

Resolved:

1. That the proposed postponement to review and potential revision of the Pensions Administration Strategy (PAS) and the associated consultation be approved.
2. That the engagement activity and customer support provided aligned to the Covid-19 restrictions be noted.
3. That the high-level overview of planned activity and changes made to the annual Customer Engagement Plan be noted.

17 **Data Management**

Rachel Howe, Head of Governance and Corporate Services, presented the report on the Fund's Data Management Strategy and provided an update on the work of the Fund in delivering good data management in line with statutory requirements.

Resolved:

1. That the Data Management Strategy, updated for 2020 be adopted.
2. That the ongoing work of the Fund to manage, monitor and effect good data management be noted.

18 **Business Performance and Service Plan Update**

Rachel Howe, Head of Governance and Corporate Services, presented the report on how the Fund delivering the priorities set out in the 2019-2024 Service Plan and provided an update on the Fund's performance as measured by its Key Performance Indicators.

Resolved:

1. That the performance of the Fund in working to deliver its corporate priorities as outlined in the 2019 – 2024 Service Plan be noted.
2. That the Fund's KPIs for year-end performance together with a year on year overview be noted.

19 **Exemption of Press and Public**

Resolved:

That in accordance with Section 100A (4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business as they involve the likely disclosure of exempt information falling within the paragraph 3 of Schedule 12A of the Act.

20 **Fund Response to Covid-19**

Rachel Howe, Head of Governance and Corporate Services, presented the report on the Fund's response to the current global pandemic.

The Committee were provided with assurance regarding the Fund's service delivery and were informed that pension benefits had been paid when due. Steps were being taken to ensure the ongoing protection of the Fund's employees in the preparation for re-opening office space. Recognition and thanks were given for the work of the Fund's employees from the Head of Governance and Corporate Services and members of the Committee.

Resolved:

1. That the steps taken by the Fund to protect employees, mitigate impact and maintain service delivery during the current global health crisis be noted.
2. That the national picture across pensions and the LGPS in responding to the crisis be noted.
3. That the steps being taken to review the current office environment and assess the potential for colleagues to return to the office be noted.

21 **Completion of 2019 Valuation**

Simon Taylor, Head of Pensions, presented the report on the finalised 2019 actuarial valuation and a summary of the national position and associated reviews.

Resolved:

1. That the finalisation of the 2019 actuarial valuation and the associated Actuarial Rates and Adjustment certificate signed 31 March 2020 be noted.
2. That the ongoing activity to oversee changes in employer funding arrangements and wider review of outcomes of the 2019 actuarial valuation be noted.

22 **Investment Strategy and Activity update**

Tom Davies, Head of Investments, presented the report on the investment strategy and activity in the WMPF and WMITA Pension Fund over the last quarter and provided an update on the product development plan for LGPS Central Ltd investment sub-funds, to support implementation of the Fund investment strategy through investment pooling. Due diligence and review was currently being undertaken to assess arrangements for the transition of Fund assets.

Cllr J Reynolds noted his appreciation for the work done by the Fund regarding the re-classification of liquid and illiquid assets and requested further information on the Fund's illiquid assets in future reports.

Resolved:

1. That the Delegation to the Director of Pensions and Assistant Director, Investments and Finance to agree the arrangements for the transition of Fund assets to LGPS Central Ltd Multi-Asset Credit (MAC) sub-fund as appropriate be re-confirmed.
2. That the update on investment strategies for the main Pension Fund and the WMITA Pension Fund be noted.
3. That the Highlights of recent activity within the Pension Fund be noted.

23 **Annual Report on the Investment Advisory Panel and the Investment and Funding Strategy Panel for WMITA Pension Fund**

Jill Davys, Assistant Director Investments and Finance presented the report on the activities of the Investment Advisory Panel (IAP) and the WMITAPF Strategy Panel (Investment and Funding) during 2019/2020.

The Committee were advised that the Fund had regularly corresponded with both panels via Microsoft Teams. Feedback from the Panels on the challenges faced and actions taken had been received and both Panels had felt the actions taken by the Fund had been appropriate.

It was noted that following the merger of the Funds, the WMITAPF Strategy Panel has been disbanded, with the IAP continuing to oversee implementation of investment strategy across the merged Fund and report back to the Pension Committee.

Resolved:

1. That the work of the Investment Advisory Panel and the WMITAPF Strategy Panel (Investment and Funding) for 2019/2020 be noted.

24 **LGPS Update**

Rachel Brothwood, Director of Pensions, presented the report on the Shareholder resolutions and business in relation to the investment pool operator company LGPS Central Limited, following postponement of the Shareholder and Company meetings due in February 2020, at which the Company's Strategic Business Plan and budget for 2020-2021 were to be presented by the Board for Shareholder approval.

The Committee discussed the progress made with investment pooling and requested a further report.

The Director of Pensions noted that the Chief Executive had been due to attend the Pensions Committee meeting in March 2020 and would be invited to the September meeting.

Resolved:

1. That the Director of Pension's update on Shareholder business relating to LGPS Central Limited be noted.

25

**Fund Structure Update**

Rachel Brothwood, Director of Pensions, presented the report on the staffing developments and requirements to support the Fund service delivery.

The Committee were advised that the key changes since the structure was last reported to Committee in June 2019 had been beneficial for the Fund and proposed areas for further development and recruitment to support delivery of the Service Plan 2020-2025, allowed for within the budget approved for 2020/2021.

Resolved:

1. That the pension fund service structure at as February 2020, together with changes implemented over 2019/2020, following review in 2019 be noted.
2. That the proposed areas of review in 2020/2021, to reflect future service requirements and recruitment experience during 2019/2020 be noted.
3. That the roles undertaken by the Senior Management Team be noted.
4. That the arrangements the Fund would be facilitating in support of the LGPS Central investment pool Partner Fund support office be noted.

<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Pensions Committee</b> 30 September 2020
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<b>Report title</b>	Annual Report and Accounts 2019-2020	
<b>Originating service</b>	Pension Services	
<b>Accountable employee</b>	Darshan Singh	Head of Finance
	Tel	01902 555768
	Email	<a href="mailto:darshan.singh@wolverhampton.gov.uk">darshan.singh@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	<a href="mailto:rachel.brothwood@wolverhampton.gov.uk">rachel.brothwood@wolverhampton.gov.uk</a>

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**Recommendation for decision:**

The Committee is recommended to approve:

1. The draft Annual Report for the year ending 31 March 2020.

**Recommendations for noting:**

The Committee is recommended to note:

1. Approval of the 2019/20 Statement of Accounts, certified by the Authorities Section 151 officer and published on 22 June 2020.
2. Grant Thornton's Audit Findings Report for West Midlands Pension Fund (WMPF).
3. That the Management Representations letter to Grant Thornton was signed in September 2020 by the Chair and the Director of Pensions on behalf of the Fund.
4. Development of the draft Annual Report with final publication to be approved by the Chair and Vice Chair, in line with the delegation agreed by the Committee in June 2020.

## **1.0 Purpose**

- 1.1 The purpose of this report is to update the Committee on the Fund's Audit and seek the Committee's approval of the draft annual report for the year ending 31 March 2020, ahead of 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. Normally, these must be subject to external audit and published no later than 31 July (accounts) and 1 December (annual report).

With effect from 30 April 2020 and applicable to the financial year ended 31 March 2020 only, The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 extended the publication deadline for the Statement of Accounts to 30 November 2020.

- 2.2 The draft Statement of Accounts was still being finalised at the time of the last Committee meeting in June (due to delays caused by Covid19) and therefore was not formally presented, however work was completed shortly after Pensions Committee and the Pension Fund Statement of Accounts was discussed with the Chair and Vice Chair and published within the main City of Wolverhampton Statement of Accounts on 22 June. Since June, work has been undertaken by the Fund's external auditor, Grant Thornton, who will attend the Committee to present their findings.

## **3.0 Audit Findings**

- 3.1 Following the conclusion of all audit work, Grant Thornton issued an unqualified audit opinion for the Fund with the Statement of Accounts having been completed well before the revised statutory deadline of 30 November.
- 3.2 There have been no changes to the bottom lines of the Fund Account or the Net Assets Statement so that the final value of the Fund at 31 March 2020 remains at £15.3 billion with the decrease in value being £426 million as per the draft Statement of Accounts published on the City of Wolverhampton Council website.
- 3.3 Grant Thornton's findings for WMPF are summarised in their "Report to those charged with governance" (ISA 260 report) a copy of which is attached at Appendix A.
- 3.4 In accordance with International Auditing Standards, the Fund is required to confirm to the external auditor that it has complied with all relevant requirements and provided all relevant information to the auditor. This takes the form of a Management Representation letter, signed by the Chair and the Director of Pensions on behalf of WMPF in September and submitted to Grant Thornton.



#### **4.0 Publication**

- 4.1 It is recommended that the Committee notes and approves the draft Annual Report and Accounts which will be finalised in consultation with the Chair and Vice Chair ahead of publication.
- 4.2 The approved Annual Report will be placed on the Fund's website at the following link, <http://www.wmpfonline.com/annualreports>. A copy of the draft report will be circulated to members of Committee ahead of the meeting.
- 4.3 The consolidated Scheme Annual Report for the LGPS in England & Wales will be published by the Scheme Advisory Board in due course, expected late Spring 2021.

#### **5.0 Financial implications**

- 5.1 The financial implications are discussed in the body of the report.

#### **6.0 Legal implications**

- 6.1 This report contains no direct legal implications for the authority.

#### **7.0 Equalities implications**

- 7.1 This report has no direct equalities implications.

#### **8.0 Environmental implications**

- 8.1 This report has no direct environmental implications.

#### **9.0 Human resources implications**

- 9.1 The report has no direct human resources implications.

#### **10.0 Corporate landlord implications**

- 10.1 This report has no direct corporate landlord implications.

#### **11.0 Schedule of background papers**

- 11.1 Draft Accounts 2019/20, published online within the City of Wolverhampton's Statement of Accounts.

#### **12.0 Schedule of appendices**

- 12.1 Appendix A – Grant Thornton Audit Findings Report, WMPF

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<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Pensions Committee</b> <b>30 September 2020</b>
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<b>Report title</b>	Budget Monitoring 2020/21 and Quarterly Accounts June 2020	
<b>Originating service</b>	Pension Services	
<b>Accountable employee</b>	Darshan Singh	Head of Finance
	Tel	01902 55 2768
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<b>Report to be/has been considered by</b>	Rachel Brothwood	Director of Pensions
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**Recommendations for noting:**

The Committee is asked to note:

1. The quarterly accounts for the period ending 30 June 2020 which estimate the value of West Midlands Pension Fund at this date to be £17.4 billion, an increase of £2.1 billion since 31 March 2020.
2. West Midlands Pension Fund forecast out-turn for the year against operating budgets as at the end of June 2020 is an overspend of £5.6m primarily attributable to increased estimates for investment management costs on implementation of changes to the investment strategy.

## 1.0 Purpose

- 1.1 The purpose of this report is to update Committee on the forecast out-turn against operating budget for 2020/21 and present the quarterly accounts to 30 June 2020.
- 1.2 The operating budget was approved by Committee under urgent decisions on 27 March 2020.

## 2.0 Forecast Out-turn against Operating Budget 2020/21

- 2.1 The following table sets out the forecast out-turn compared with the Fund's operating budget as at the end of the first quarter:

	Budget 2019/20	Budget 2020/21	Forecast 2020/21	Variance Outturn
	£000	£000	£000	£000
Employees	7,358	9,066	8,514	(552)
Premises	302	300	300	-
Transport	37	38	27	(11)
Other Supplies and Services	430	437	437	-
Service Development	949	1,127	1,136	9
Professional Fees	1,484	1,452	1,452	-
Communications and Computing	585	613	605	(8)
Support Services	634	723	714	(9)
Miscellaneous Income	(584)	(595)	(595)	-
<b>Net Expenditure</b>	<b>11,195</b>	<b>13,161</b>	<b>12,590</b>	<b>(571)</b>
External Investment Management Costs	73,836	77,970	84,137	6,167
LGPS Central Charges	4,669	4,949	4,949	-
<b>Total</b>	<b>89,700</b>	<b>96,080</b>	<b>101,676</b>	<b>5,596</b>

\*There may be slight differences due to rounding.

- 2.2 Forecasts have been made using a combination of reviewing spend to date and taking into account plans for the remainder of the financial year. The figures now combine both WMPF Main Fund and the former WMITA Pension Fund following regulations to merge the funds during 2019/20. At this time, it is anticipated there is likely to be an underspend on staffing due in part to challenges posed to recruitment by the Covid 19 pandemic particularly during the initial lockdown period and transition to home working. The delays in recruiting to vacant posts are in turn expected to reduce associated computing and ICT support costs from the numbers originally budgeted for in March 2020. The pandemic has also curtailed business related travel for several months so expenditure on transport is forecast down accordingly. Systems related service development work has continued

during this period and £25k has been earmarked in the budget to cover Covid related costs such as new IT equipment to facilitate home working and work carried out at Mander House to enhance health and safety measures in preparation for a return to office working.

- 2.3 As at the end of June 2020, annual external investment management costs are forecast to be approximately £6m above the level projected and budgeted in March 2020. The latest forecast anticipates implementation of changes to the strategic asset allocation following approval of the updated Investment Strategy Statement in March and the consequent impact that investment in different asset classes will have on overall fees.

It should be noted that planned changes target a lower level of investment risk and actual investment management costs are heavily influenced by market movements and investment performance. Actual costs are uncertain and estimates are expected to fluctuate during the year. Portfolio changes during the year (such as transition of management arrangements) could also impact on the final outcome for the full year.

- 2.4 The majority of investment management costs and fees are deducted at source by fund managers, total investment management costs for the Fund are estimated to be around £89.9m, as follows:

	Budget 2019/20 £'000	Budget 2020/21 £'000	Forecast 2020/21 £'000
External Costs:			
- Invoiced	9,960	9,678	10,090
- Deducted at Source	63,876	68,292	74,047
- LGPS Central	4,669	4,949	4,949
<b>Total External Investment Management Costs</b>	<b>78,505</b>	<b>82,919</b>	<b>89,086</b>
Internal Investment Management Costs	1,188	1,261	823
<b>Total Investment Management Costs</b>	<b>79,693</b>	<b>84,180</b>	<b>89,909</b>

- 2.5 Investment costs and the management thereof remain a key consideration throughout the Fund's investment decision making and the Fund continues to review and seek opportunities for cost reduction where these can be achieved on implementation without impacting risk or expected return. However, it is recognised that as the new investment strategy is implemented the Fund is likely to see increased costs given the higher allocation to more expensive asset classes required to achieve strategic investment goals.

2.6 Cost-per-member is used as a measure of pension schemes' cost-effectiveness but does not reflect the level of service provided to employers or scheme members. The following table sets out the forecast cost-per-member compared to budget using the three standard headings specified by CIPFA: administration, oversight and governance and investment management costs.

At this time, we are forecasting a slight reduction on expenditure relative to budget for total administration, oversight & governance cost from £34.91 to £34.51 per member.

	2019/20 Actual £000	2020/21 Budget £000	2020/21 Forecast £000
Total Administration Costs (£000)	6,067	7,710	7,792
Administration Cost per Member (£)	18.17	22.62	22.86
Total Oversight and Governance Costs (£000)	2,869	4,190	3,972
Oversight and Governance Cost per Member (£)	8.59	12.29	11.65
Number of Members	333,934	340,903	340,903
<b>Total Administration, Oversight and Governance cost per Member (£)</b>	<b>26.76</b>	<b>34.91</b>	<b>34.51</b>
Total Investment Management Costs (£000)	82,537	83,967	89,909
Investment Management Cost per Member (£)	247.17	246.31	263.74
<b>Investment Management Costs as a Percentage of Forecast Net Assets</b>	<b>0.54%</b>	<b>0.51%</b>	<b>0.52%</b>

2.7 The Fund, like all public-sector bodies, continues to be cost-conscious and keeps its operating costs and procedures under continuous review. It was recognised that with the increasing workload due to regulatory changes, increasing employer and scheme members demands that there were increased resourcing requirements for the Fund and this was reflected in the budget set out for the current financial year.

### **3.0 Quarterly Accounts – West Midlands Pension Fund**

3.1 Appendix A provides a Fund Account for the three months ended June 2020 and a Net Assets Statement as at 30 June 2020.

3.2 The Net Assets Statement estimates a value for the Fund at 30 June 2020 of £17.4 billion. This is an increase of £2.1 billion from the 31 March 2020 value shown in the year end accounts. There are two main reasons for this increase.

- Investment markets experienced sharp falls in the last few weeks of the financial year due to the impact of the Covid-19 pandemic and lockdown of economies around the world so the valuation of the Fund's investments was some £1.4bn lower than had originally been forecast for end of March 2020. Post year end, investment markets have made significant recoveries pushing valuations on listed investments back up to pre-Covid levels.
- Following the actuarial valuation as at 31 March 2019, some employers chose to pay their full 2020/21 – 2022/23 future service and past service deficit contributions as a lump sum before the end of April 2020 and these payments have been accounted for in full this quarter.

3.3 These quarterly accounts have been prepared using a number of key assumptions, which are set out below:

- Past Service Deficit Contributions for the year have been recognised in full in the first quarter;
- Where employers have made 'up-front' payments for the whole year and, in some cases, for future years, these have been recognised in full in the first quarter (the combined effect of these two points is that the contributions income shown in the Fund Account is significantly more than one quarter of the total amount that will be due for the year);
- Management expenses have been estimated on an accrual's basis, being equal to one quarter of the forecast net cost for the year;
- Investment income has been calculated based on income due for the period.

### **4.0 Financial implications**

4.1 The financial implications are discussed in the body of the report.

### **5.0 Legal implications**

5.1 This report contains no direct legal implications for the authority.

### **6.0 Equalities implications**

6.1 This report has no direct equalities implications.

**7.0 Environmental implications**

7.1 This report has no direct environmental implications.

**8.0 Human resources implications**

8.1 The report has no direct human resources implications.

**9.0 Corporate landlord implications**

9.1 This report has no corporate landlord implications.

**10.0 Schedule of background papers**

10.1 None.

**11.0 Schedule of appendices**

11.1 Appendix A – West Midlands Pension Fund Quarterly Accounts 30 June 2020



## WEST MIDLANDS PENSION FUND ACCOUNTS FOR THE QUARTER TO 30 JUNE 2020

## Fund Account

2019/20 £m		Quarter to 30 June 2020 £m
	<b>Contributions &amp; Benefits</b>	
353.2	Contributions Receivable	915.8
31.2	Transfers In	4.1
14.3	Other Income	0.2
<b>398.7</b>	<b>Total Contributions and Other Income</b>	<b>920.1</b>
(637.8)	Benefits Payable	(156.5)
(40.0)	Payments To and On Account of Leavers	(5.9)
(0.9)	Other Payments	(0.1)
<b>(678.7)</b>	<b>Total Benefits and Other Expenditure</b>	<b>(162.5)</b>
<b>491.7</b>	<b>Transfer in of WMITA Fund at market value</b>	<b>-</b>
<b>(91.5)</b>	<b>Management Expenses</b>	<b>(25.5)</b>
	<b>Returns on Investments</b>	
178.2	Investment Income	26.0
(745.1)	Changes in Value of Investments	1,361.8
20.7	Revaluation of bulk annuity insurance buy-in contract	-
<b>(546.2)</b>	<b>Net Return on Investments</b>	<b>1,387.8</b>
<b>(426.0)</b>	<b>Net (Decrease)/Increase in the Fund During the Period</b>	<b>2,119.9</b>
<b>15,714.1</b>	<b>Net Assets of the Fund at the Beginning of the Period</b>	<b>15,288.1</b>
<b>15,288.1</b>	<b>Net Assets of the Fund at the End of the Period</b>	<b>17,408.0</b>

## WEST MIDLANDS PENSION FUND ACCOUNTS FOR THE QUARTER TO 30 JUNE 2020

## Net Assets Statement

31 March 2020		30 June 2020
£m		£m
	<b>Investment Assets (at Market Value)</b>	
494.0	Bonds	526.5
28.9	UK Equities	29.8
1,408.8	Overseas Equities	1,653.7
10,869.9	Pooled Investment Vehicles	12,194.3
965.1	Property (Direct)	942.5
11.7	Derivatives - Futures	-
-	Derivatives - Forward Foreign Exchange	-
582.5	Foreign Currency Holdings	663.5
569.6	Cash Deposits	1,097.4
75.8	Other Investment Assets	8.9
7.0	Outstanding Dividend Entitlement and Recoverable With-Holding Tax	7.0
<b>15,013.3</b>	<b>Investment Assets</b>	<b>17,123.6</b>
	<b>Investment Liabilities (at Market Value)</b>	
-	Derivatives - Futures	(18.7)
(76.8)	Derivatives - Forward Foreign Exchange	(43.5)
<b>(76.8)</b>	<b>Investment Liabilities</b>	<b>(62.2)</b>
<b>14,936.5</b>	<b>Net Investment Assets</b>	<b>17,061.4</b>
<b>229.4</b>	<b>Bulk annuity insurance buy-in policy</b>	<b>229.4</b>
<b>14.5</b>	<b>Long-Term Debtors</b>	<b>14.8</b>
<b>132.4</b>	<b>Current Assets</b>	<b>124.3</b>
<b>(24.7)</b>	<b>Current Liabilities</b>	<b>(21.9)</b>
<b>15,288.1</b>	<b>Net Assets of the Fund at the End of the Period</b>	<b>17,408.0</b>

<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Pensions Committee</b> 30 September 2020
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<b>Report title</b>	Quarterly Investment Report to 30 June 2020	
<b>Originating service</b>	Pension Services	
<b>Accountable employee</b>	Tom Davies	Assistant Director – Investments
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<b>Report to be/has been considered by</b>	Rachel Brothwood	Director of Pensions
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**Recommendations for noting:**

The Committee is asked to note:

1. The global market and investment update paper prepared by the Fund's Investment Consultant, Redington.
2. Asset Allocation and Performance Reporting for the West Midlands Pension Fund (WMPF), Main Fund and Admitted Body Sub Funds.

## **1.0 Purpose**

- 1.1 The investment report covers the range of investment issues for consideration by the Committee, primarily the market and investment background and the performance of the West Midlands Pension Fund (Main Fund and Admitted Body Sub Funds). Supporting responsible investment activities are covered in a separate paper.

## **2.0 Background**

- 2.1 This paper aims to bring together routine investment matters relevant to the management and implementation of the Fund's investment strategy and related policies:
- I. The economic and market background environment in which the Fund operates and the outlook for different asset classes.
  - II. WMPF's investment strategy is outlined in the Investment Strategy Statement (ISS) and set in conjunction with the Funding Strategy Statement (FSS) to target a return over the long term to deliver the asset values required to meet benefit payments due to members. The Strategic Investment Allocation Benchmark (SIAB) forms part of the ISS and includes the target asset allocation and the levels of returns investment policies will be benchmarked against.
  - III. This report provides separate commentary on the Main Fund and Admitted Body Sub Funds, established for former employers of the West Midlands Integrated Transport Authority Pension Fund, West Midlands Transport Limited (WMTL) and Preston Bus (PB).
  - IV. This report refers to Fund positioning against 2019 ISS and SIAB policy targets. These were refreshed as part of the 2020 ISS review as approved by the Pensions Committee in March 2020. Implementation of the 2020 ISS updates is underway and will see the Fund transition to new strategic policy targets, designed to better meet the future needs of the WMPF.

## **3.0 Executive Summary**

- 3.1 As at to 30 June 2020, the West Midlands Pension Fund's market value was £17.1 billion. Investment markets staged a strong rebound in the quarter to end June with some asset classes recovery large proportions of the losses suffered in the first quarter of the year.
- 3.2 The Main Fund increased by 9.5% over the quarter but underperformed its benchmark by 2%. Private Equity was the largest detractor over the period with lagged returns significantly behind the listed equity benchmark used for the asset class. The Fund's returns are below that of its benchmark for 1, 3 and 5 years but are marginally ahead over 10 years.

3.3 The Admitted Body Sub Funds significantly outperformed in the 3 months to 30 June 2020 but remain behind over 1 year and longer time periods. For WMTL, positive relative performance for the quarter was driven by a rebound in Multi-Asset Credit and Diversified Growth Funds. Both asset types remain detractors over 1 year. For PB, Multi-Asset Credit contributed positively to excess return of the quarter but was a drag for 1 year relative performance.

#### 4.0 Markets and Investment Background

4.1 The Fund's Investment Consultant, Redington provides a quarterly update on the market background and market performance over the quarter. The report for the quarter to 30 June 2020 which further sets out the outlook for the Fund's key asset classes over the coming months can be found in Appendix A.

4.2 Returns for the major asset classes for the period are shown below:

<b>Asset Class Returns</b>	<b>3 months (%)</b>	<b>12 months (%)</b>	<b>3 years (% p.a.)</b>
UK Equity	10.2	-13.0	-1.6
Europe (ex UK) Equity	18.9	0.7	3.8
North America Equity	21.9	10.9	12.5
Emerging Market Equity	18.9	-0.4	4.6
UK Gilts	2.5	11.2	5.9
Index Linked Gilts	10.3	10.6	6.9
Corporate Bonds	7.0	6.4	4.3
Property	-2.2	-2.0	4.1
Cash	0.0	0.4	0.4

4.3 Equities across all regions recovered significantly in the quarter as many countries began to lift lockdown restrictions. Ongoing monetary support and fiscal stimulus from global governments and early indications of economic recovery also boosted investor sentiment.

4.4 Government bonds (nominal and index-linked) performed well as yields fell (meaning prices rose). Corporate bonds and emerging market debt also delivered positive returns.

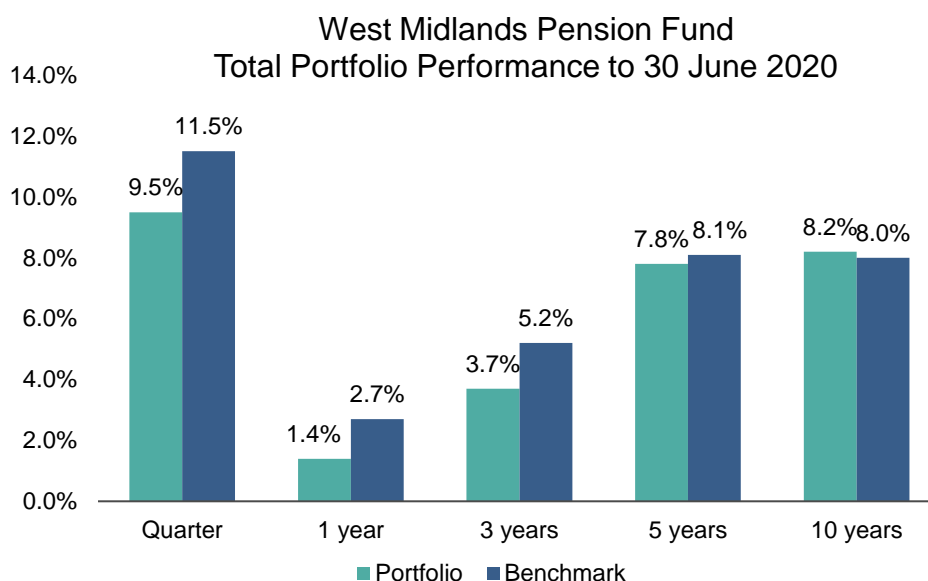
4.5 Uncertainty remained in commercial UK property markets with low transaction levels and ongoing rent deferrals.

#### 5.0 West Midlands Pension Fund

##### ***Main Fund Performance Summary***

5.1 The Main Fund delivered a return of 9.5% over the quarter but underperformed the benchmark return of 11.5%. The Fund's relative return is now behind over 1, 3 and 5 years.

- 5.2 Over the quarter, relative performance was driven by Private Equity, with valuations in the asset class now showing the delayed impacts of the Covid-19 pandemic and subsequent economic fallout. The overweight cash position also detracted.
- 5.3 Over 1 year, Emerging Market Equity and Infrastructure were significant detractors, whilst over 3 years Insurance Linked Securities contributed significantly to negative excess return. Strong returns from US Treasury Inflation-Protected Securities (TIPS) have been the largest positive contributor over recent periods.



- 5.4 The asset allocation of the Main Fund as at the quarter end, compared to strategic targets is set out in the table below. Note that this table and accompanying commentary refers to previous policy targets. The revised Strategic Investment Allocation Benchmark within the 2020 Investment Strategy Statement will be adopted as new strategies are implemented and meaningful allocations changes are made.

Asset class	Value (£m)	Fund allocation %	Current Benchmark %	Difference %	Change from previous quarter %
<b>Growth</b>					
Quoted equities	8,288	49.1	48.0	1.1	0.9
Private equity	1,146	6.8	10.0	-3.2	-1.6
Special opportunities	214	1.3	2.0	-0.7	-0.2
Currency Hedge	(44)	-0.3	N/A	N/A	N/A
<b>Total growth assets</b>	<b>9,604</b>	<b>56.8</b>	<b>60.0</b>	<b>-3.2</b>	<b>-0.9</b>
<b>Stabilising</b>					
UK gilts	355	2.1	2.0	0.1	-0.3
Index linked gilts	921	5.5	5.0	0.5	-0.2
Cash & Cash Equivalents	1,194	7.1	2.0	5.1	2.7
Corporate bonds	666	3.9	2.0	1.9	-0.2
Cashflow matching fixed interest	318	1.9	3.0	-1.1	-0.1
US TIPS	330	2.0	0.0	2.0	-0.1
<b>Total stabilising assets</b>	<b>3,783</b>	<b>22.4</b>	<b>14.0</b>	<b>8.4</b>	<b>1.7</b>
<b>Income assets</b>					
Specialist fixed interest	524	3.1	3.5	-0.4	-0.2
Emerging market debt	692	4.1	3.5	0.6	0.0
Property	1,275	7.6	10.0	-2.4	-1.4
Insurance linked funds	216	1.3	3.0	-1.7	-0.3
Real assets and infrastructure	783	4.6	6.0	-1.4	-0.8
<b>Total income assets</b>	<b>3,489</b>	<b>20.7</b>	<b>26.0</b>	<b>-5.3</b>	<b>-2.6</b>
<b>TOTAL</b>	<b>16,876</b>	<b>100.0</b>	<b>100.0</b>	<b>-</b>	<b>-</b>

5.5 The Fund remained overweight in stabilising assets versus previous policy targets, largely a result of the higher than normal levels of cash held. Despite significant recovery in the quarter, growth assets remain underweight relative to the asset allocation target.

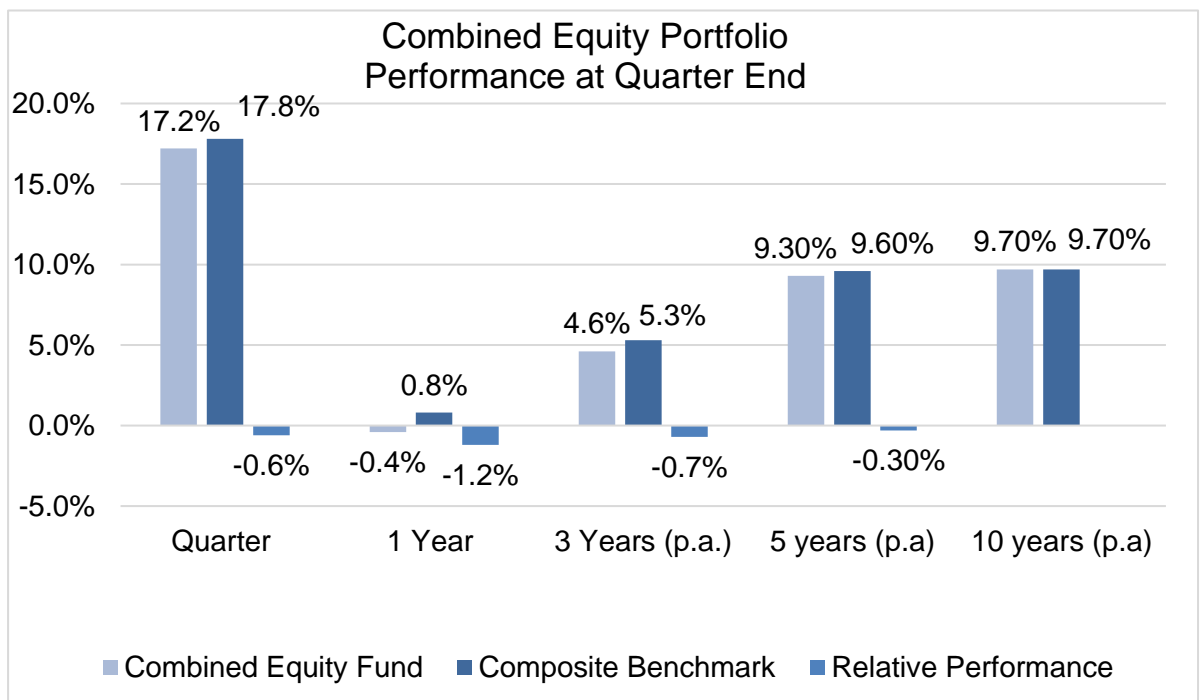
5.6 The Fund's attention is now on implementing the Strategic Asset Allocation (SAA) changes as agreed as part of the 2020 investment strategy review. Efforts are focused on fixed income assets, with steps being taken to move towards new target weights in multi-asset credit and illiquid credit in particular and cash holdings expected to be deployed over the coming quarters.

**6.0 West Midlands Pension Fund**

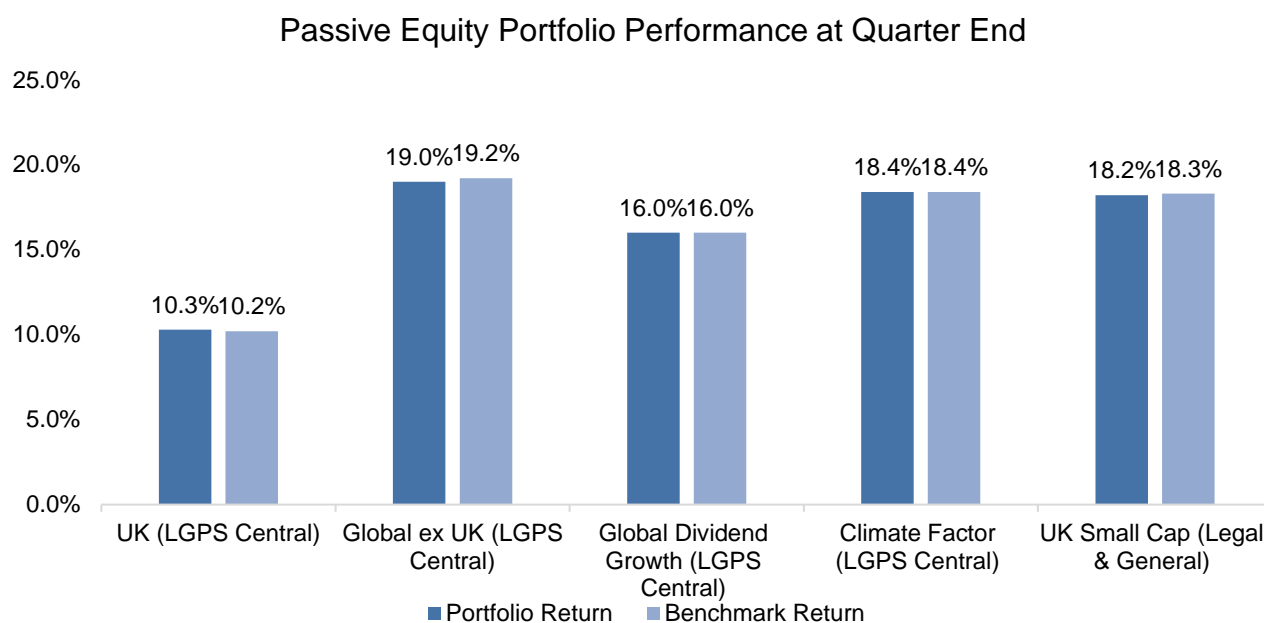
***Detailed Performance Commentary***

***Growth Assets***

6.1 Over the 1 year and 3 year periods, the total Combined Equity Fund is behind its benchmark performance as shown below. On the longer term 10-year measurement, the portfolio remains level with its benchmark, having generated 9.7% p.a.



6.2 The Main Fund's passive equity assets are now almost exclusively managed by the investment pool company, LGPS Central Ltd with a large proportion of these assets held in an LGPS Central Ltd ACS global equity passive fund. All passive funds performed broadly in line with the respective benchmarks during the quarter.



6.3 Over the quarter the Fund's actively managed global equities comprised the LGPS Central Ltd (LGPSC) Active Equity Fund, an allocation to a sustainable equity manager and a basket of global equity futures held pending transition to the sustainable equity mandates over the course of 2020. Two further transitions to sustainable equity managers were completed after quarter end.

6.3.1 For the quarter the LGPSC Global Active Equity Fund returned 21% against its specific benchmark of 19.8%. The LGPSC Global Active Equity Fund is a blended multi-manager portfolio consisting of 3 portfolios. The underlying manager with a value style was the best performer over the period.

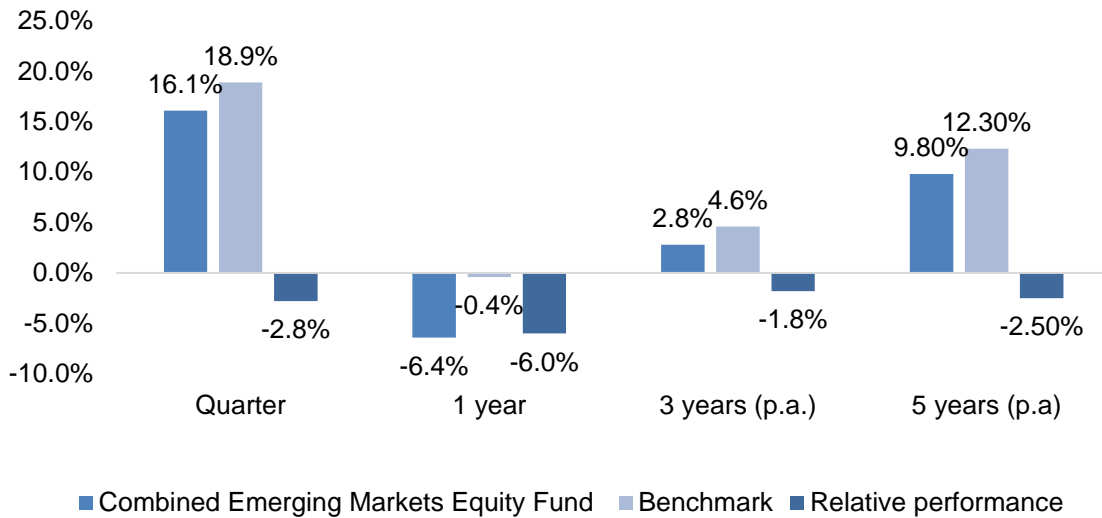
6.3.2 The Combined Active Global Equity portfolio underperformed over the quarter and is behind over all periods.

	Quarter (%)	1 Year (%)	3 Year (% p.a.)	5 Year (p.a.)
<b>Composite Benchmark</b>	<b>19.7</b>	<b>5.7</b>	<b>8.4</b>	<b>12.3</b>
Legacy Portfolio	16.5	-1.5	2.1	6.0
Global Sustainable Equity Fund	19.2	N/A	N/A	19.2
LGPSC Global Active Equity Fund	21.0	3.1	N/A	8.8
<b>Combined</b>	<b>19.0</b>	<b>1.4</b>	<b>4.5</b>	<b>9.8</b>
<b>Relative Performance</b>	<b>-0.7</b>	<b>-4.3</b>	<b>-3.9</b>	<b>-2.5</b>



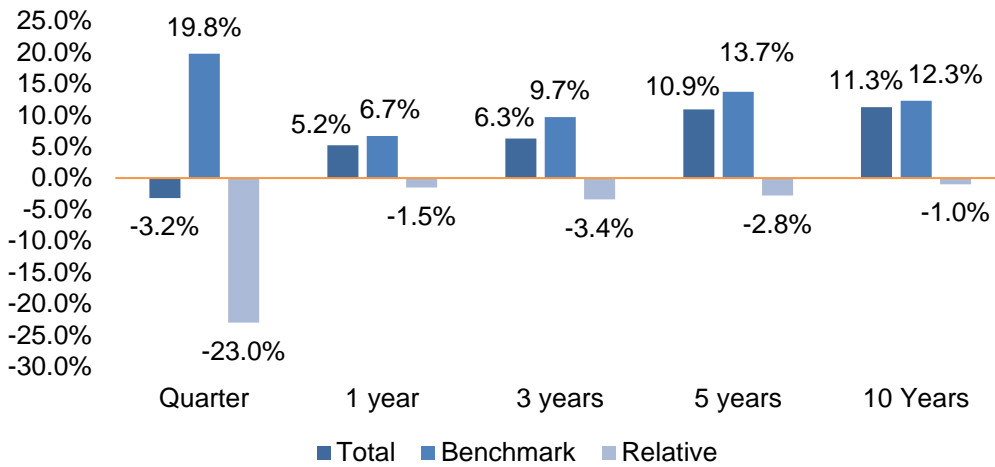
6.4 The Fund’s Emerging Market Equities (EME) are actively managed externally by three specialist managers. Despite strong absolute returns over the quarter, the combined EME portfolio significantly underperformed its benchmark. All managers contributed to underperformance. Returns for 1 year are significantly behind and longer-term returns are also lagging. A review of these managers is being undertaken in conjunction with the Emerging Market strategy prior to effecting the increase in allocation set within the 2020 ISS.

Emerging Market Equity Portfolio  
Quarterly performance to 30 June 2020



6.5 During the quarter, the Private Equity (PE) portfolio underperformed its benchmark by -23%, returning -3.2% against the benchmark return of 19.8%, reversing the positive relative performance reported in the previous quarter. Valuations are now showing the lagged impacts of the Covid-19 pandemic. As the benchmark used here is based on listed equities (which have shown steep falls), the relative performance should be interpreted with caution.

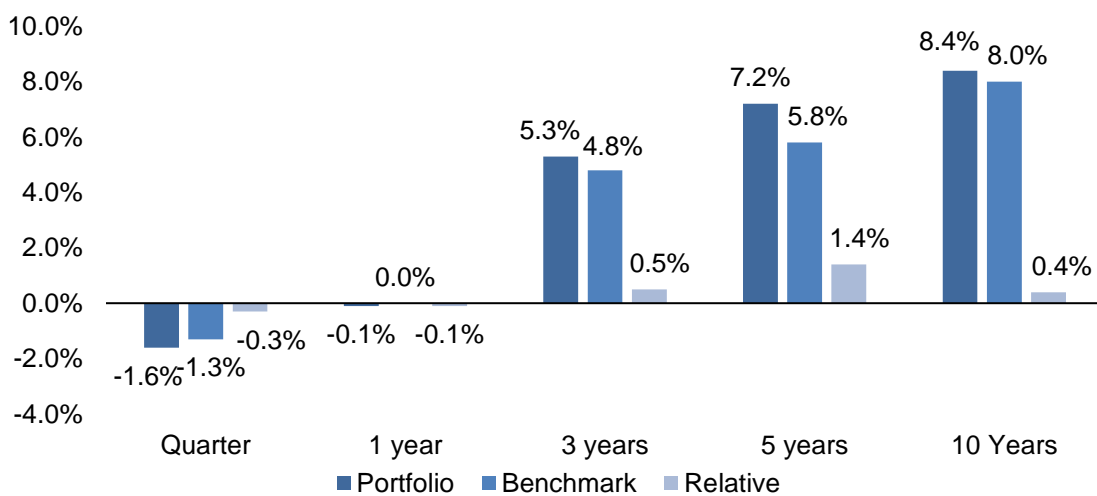
### Private Equity Portfolio Performance to 30 June 2020



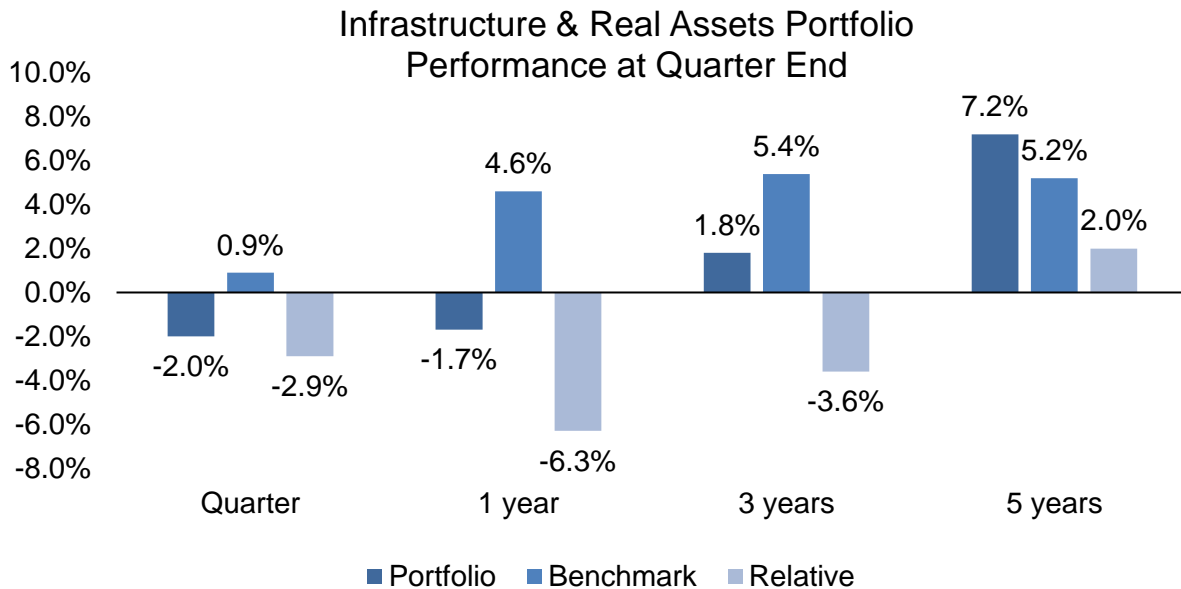
### Income Assets

- 6.6 The property portfolio slightly underperformed its benchmark during the quarter (-0.3%), however, continues to outperform on a longer-term basis (0.5% and 1.4% ahead over 3 years and 5 years). The Direct portfolio performed well due to higher allocations in the industrial and supermarket sectors. The Indirect portfolio pulled the performance level down with holdings with retail exposure particularly contributing negatively.
- 6.7 With ongoing social distancing in place and risk appetite remaining low, transaction levels have been below normal levels. Valuation uncertainty persists and future rental levels remain unclear.

### Property Portfolio Performance at Quarter End



6.8 The infrastructure portfolio underperformed its benchmark (CPI+4%) by 290bps for the quarter. Negative relative performance was impacted by a fall in value of several UK assets which were significantly impacted by the impact of Covid19 and poor performance in the US Infrastructure segment. The full, longer-term impact on infrastructure sector valuations is still not clear. Whilst we see difficulties for the more economically sensitive investments, we also expect a degree of resilience from certain sectors.



6.9 The aggregate fixed income portfolio marginally outperformed its benchmark for the quarter but remains behind over 1 and 3 years (80bps and 70bps respectively).

6.10 The Emerging Market Debt (EMD) component performed well (2% outperformance for the quarter) with strong performance from the hard currency EMD fund, which benefitted from an overweight position in Argentina. The blended mandate also outperformed. The broader EMD component is now ahead of benchmark over 1 year (0.1%bps) and 5 years (1.2%).

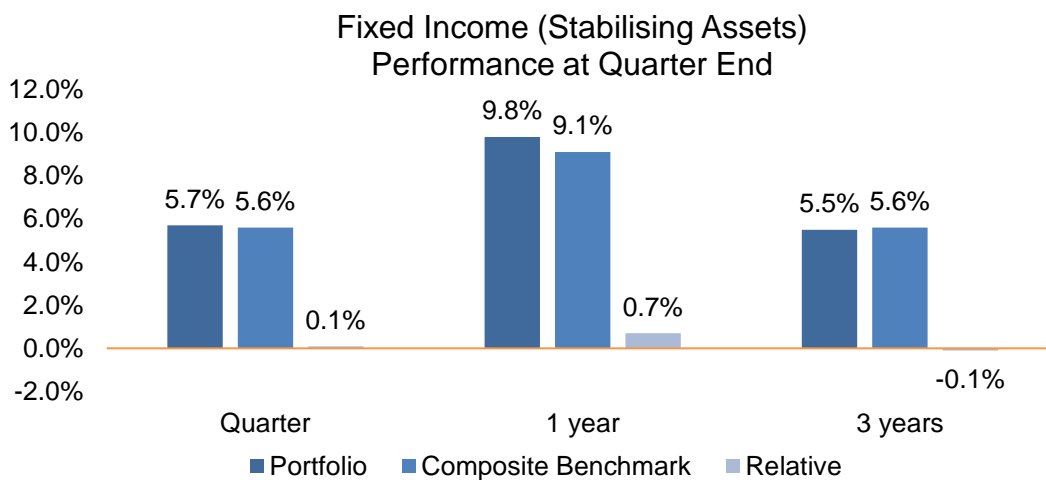
6.11 Multi-Asset Credit delivered strong absolute performance in Q2, with manager performance recovering partially after significant falls in March. This fund remains a detractor over a 1 year period. Note this asset is now being compared to a composite benchmark comprised of loans and high yield indices. Over 1 year this fund has decreased in value by c4.6% so also significantly lags target performance (1m LIBOR +4.5%).

Relative Performance Summary

	Quarter	1 year	3 years	5 years
Emerging Market Debt	2.0%	0.1%	-0.6%	1.2%
Multi Asset Credit	2.1%	-2.0%	n/a	n/a

## Stabilising Assets

- 6.12 **Stabilising Fixed Income:** The stabilising portfolio comprises the Fund's exposure to government bonds and index linked securities, corporate bonds, cashflow matching and cash. The stabilising component of the fixed interest portfolio marginally outperformed its benchmark over the quarter by 0.1%. Performance was boosted by the strong performance of index linked gilts, which returned 10.3% over the quarter, and the Fund's US Treasury Inflation-Protected Securities (TIPS), which returned 7.2%. However, this was offset by an overweight cash balance. The Corporate Bond mandates also performed well.
- 6.13 Over the 1 year and the 3 year timeframe, the stabilising portfolio outperformed or matched the benchmark as shown in the charts below:



## Currency

- 6.14 The Fund maintained its hedge ratios of 50% EUR and 25% USD throughout the period. Sterling was broadly flat against US dollar over the 3 months but depreciated vs the Euro. This resulted in a loss for the quarter when the hedge matured in mid-June 2020. This loss detracted from the Fund's total performance by 0.1%. Over the 1-year period, the hedging programme had a negative impact of -0.3%.

## 7.0 Admitted Body Sub Funds (ABSFs)

7.1 The current allocation within the ABSFs is shown in below. Existing policy targets have been retained for benchmark construction for the quarter.

WMTL asset allocation:

Asset Class	Value (£)	Fund allocation %	Policy target %	Difference %	Change from previous quarter %
Equities – L&G	73,814,899	15.1%	14.2%	0.9%	1.7%
Diversified Growth Funds (DGF's)	97,402,885	20.1%	18.6%	1.4%	0.4%
<b>Total Growth</b>	<b>171,217,784</b>	<b>35.2%</b>	<b>32.9%</b>	<b>2.3%</b>	<b>2.1%</b>
Fixed interest – L&G	38,070,419	7.9%	0.0%	7.9%	0.3%
CQS MAC	45,910,197	9.5%	10.7%	-1.2%	0.6%
LDI	0	0.0%	9.0%	-9.0%	0.0%
Cash	1,105,337	0.2%	0.0%	0.2%	-0.4%
<b>Total Defensive</b>	<b>85,085,953</b>	<b>17.6%</b>	<b>19.6%</b>	<b>-2.0%</b>	<b>0.5%</b>
Prudential Buy In*	229,400,000	47.2%	47.2%	0.0%	-2.6%
<b>TOTAL</b>	<b>485,703,737</b>	<b>100.0%</b>	<b>99.7%</b>	<b>0.3%</b>	<b>0.0%</b>

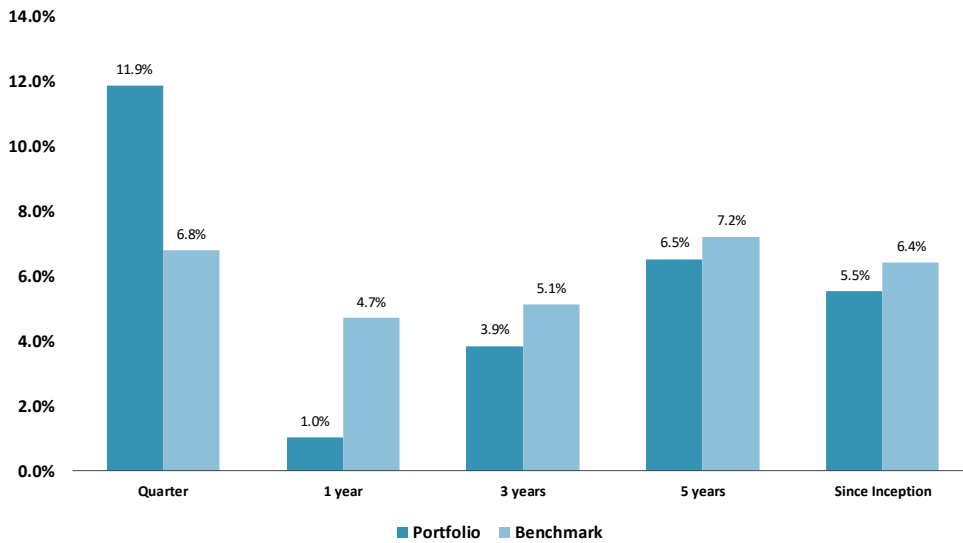
PB asset allocation:

Asset Class	Value (£)	Fund allocation %	Policy target %	Difference %	Change from previous quarter %
Equities – L&G	2,948,156	15.3%	15.0%	0.2%	1.1%
<b>Total Growth</b>	<b>2,948,156</b>	<b>15.3%</b>	<b>15.0%</b>	<b>0.3%</b>	<b>1.1%</b>
Fixed interest – L&G	11,252,889	58.2%	0.0%	58.2%	-1.5%
CQS MAC	5,025,029	26.0%	27.5%	-1.5%	0.5%
LDI	0	0.0%	57.0%	-57.0%	N/a
Cash	101,040	0.5%	0.5%	0.1%	-0.1%
<b>Total Defensive</b>	<b>16,378,958</b>	<b>84.7%</b>	<b>85.0%</b>	<b>-0.3%</b>	<b>-1.1%</b>
<b>TOTAL</b>	<b>19,327,114</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>

## WMTL performance

7.2 WMTL performance to quarter end is summarised below. Significant outperformance in the quarter has not been enough to recover 1 year or longer-term performance. Relative performance is almost entirely driven by the Diversified Growth Fund (DGF) and Multi-Asset-Credit (MAC) holdings, both of which are benchmarked against 'base rate plus' target performance. Attribution (for 1 year) is split between these asset classes, with the DGF's contributing c2.1% of underperformance and MAC c1.8%.

### West Midlands National Express Fund Performance



### 7.3 Performance Summary by Asset Class:

	Absolute performance		Relative performance	
	Quarter	1 Year	Quarter	1 Year
Equities	18.8%	2.7%	0.4%	0.7%
Diversified Growth Funds	8.0%	-0.6%	7.0%	-4.9%
Bonds	11.2%	1.3%	7.0%	-5.3%
<b>Total return</b>	<b>11.9%</b>	<b>1.0%</b>	<b>5.1%</b>	<b>-3.7%</b>

### Fixed Income

7.4 Alongside the MAC holding in the bond portfolio, there are passive Index Linked Gilts (c£28m or 10% fund excl. buy-in) and actively managed Corporate Bonds (c£10m, equivalent to 4%). The Corporate Bond mandate is performing well, ahead of benchmark by 160bps for the quarter and 50bps for 1 year.

7.5 MAC was introduced in Q3 2018. Despite a return of 12.4% for Q2 the fund has lost 463bps over one year, not yet fully recovering from the significant spread widening in Q1. As mentioned, underperformance from this strategy has been a significant detractor for total relative returns, in part driven by benchmarking performance for this asset against target returns (LIBOR+4.5%).

### Diversified Growth Funds

7.6 Both DGF holdings delivered positive absolute and relative performance for the quarter but both 1 year and 3-year numbers remain poor. In both cases, equities were the largest contributor to the Q2 gains. More defensive holdings held back performance for both funds.

## Equities

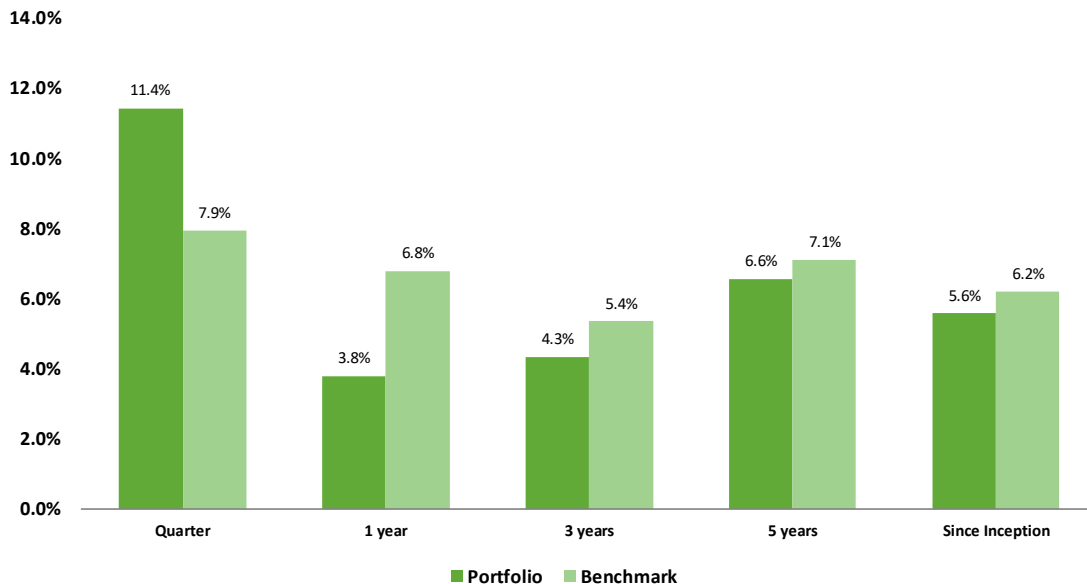
7.7 The equity portfolio is managed passively, with the following allocations and performance (absolute basis):

	Value (£)	% Equity	Quarter 1	1 year
UK	5,288,939	7%	10.2%	-13.0%
North America	26,638,087	36%	21.9%	10.9%
Europe (ex UK)	18,345,366	25%	18.7%	0.5%
Japan	6,856,580	9%	12.3%	6.8%
Pacific (ex Japan)	6,416,834	9%	21.6%	-5.4%
Emerging Markets	10,269,093	14%	18.8%	-0.6%
Total equities	73,814,899	100%	18.8%	2.7%

## WM PB Performance Summary

7.8 WM PB performance is summarised below. As with WMTL, significant outperformance in the quarter has not been enough to recover 1 year or longer-term performance. Relative performance for PB is almost entirely driven by the MAC allocation, for the same reasons as those described above (for WMTL). Underperformance by this accounts for c270bps of the 300bps underperformance for 1 year.

### West Midlands PBL Fund Performance



7.9 Performance Summary by Asset Class is show below.

	Absolute performance		Relative performance	
	Quarter	1 Year	Quarter	1 Year
Equities	18.5%	2.5%	0.0%	0.4%
Bonds	10.3%	4.2%	4.2%	-3.3%
<b>Total return</b>	<b>11.4%</b>	<b>3.8%</b>	<b>3.5%</b>	<b>-3.0%</b>

PB holding in Passive Equities, Index-Linked Gilts, MAC and Corporate Bonds are the same as those held by WMTL, with performance outlined above.

**8.0 Investment Pooling Update – LGPS Central Ltd**

8.1 The Fund continues to work closely with its' investment pool company LGPS Central Ltd (LGPSC) and Partner Funds to look for opportunities to transition assets where it can see value add from doing so including the opportunity to make cost savings.

8.2 Work has taken place alongside input from the Fund and other Partner Funds to establish a Multi-Asset Credit (MAC) sub-fund for which development and manager selection is underway. In addition, the Fund has worked with a number of Partner Funds and LGPSC to develop a mandate for Emerging Market Debt (EMD). Two managers have been appointed and a fund is expected to be launched later in 2020.

**9.0 Financial implications**

9.1 The financial implications are set out throughout the report.

**10.0 Legal implications**

10.1 This report contains no direct legal implications.

**11.0 Equalities implications**

11.1 This report contains no direct equal opportunities implications.

**12.0 Environmental implications**

12.1 This report contains no direct environmental implications.

**13.0 Human resources implications**

13.1 This report contains no direct human resources implications.

**14.0 Corporate landlord implications**

14.1 This report contains no direct corporate landlord implications.



**15.0 Schedule of background papers**

15.1 Investment Strategy Statement 2020 -

<https://www.wmpfonline.com/CHttpHandler.ashx?id=16022&p=0>

15.2 Funding Strategy Statement 2020 -

<https://www.wmpfonline.com/CHttpHandler.ashx?id=12481&p=0>

**16.0 Schedule of appendices**

16.1 Appendix A – Redington Economic and Market Update Q2 2020

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# YOUR MARKET AND INVESTMENT UPDATE

Q2 2020

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West Midlands Pension Fund



# WHAT HAPPENED DURING THE QUARTER



Philip Rose  
(CIO, Strategy  
& Risk)

## Market Summary

Q2 showed that trying to predict markets from economic data (or indeed even trying to predict economic data) remains challenging, with markets rebounding strongly even as the pandemic worsened. In part, this has been driven by prompt coordinated monetary and fiscal action across the world, which has helped to support both incomes and markets. While we do not yet have a cure for the virus, central banks and governments do have a cure for market dislocations, which have been remedied far faster than was seen in 2008. Differences in monetary/fiscal stimulus and pandemic management may lead to significantly different outcomes across both countries and industries.

## Key Points for You

- Risk, as measured by VaR 95%, decreased marginally from 15.5% to 15.4% over the quarter. This was largely driven by the increased allocation to cash.
- Expected return decreased marginally from Gilts + 3.5% to Gilts + 3.4% over the quarter. This was largely driven by a reduction in the expected return for credit assets owing to the tightening of spreads as markets recovered from the COVID-19 related sell-off in Q1 2020.

## Market Data







Equity Index	Level	Change since 31-Mar-20	Change since 28-Jun-19
FTSE 100 (Total Return)	5803	9.1%	-13.8%
S&P 500 (Total Return)	6352	20.5%	7.5%
EuroStoxx 50 (Total Return)	1362	17.8%	-4.5%
Nikkei 225 (Total Return)	36547	18.0%	7.0%
MSCI World (Total Return)	4990	18.5%	3.3%
MSCI Emerging Markets (Total Return)	591	16.7%	1.4%
<b>FX</b>			
USD vs GBP	1.24	-0.1%	-2.3%
EUR vs GBP	1.10	-1.9%	-1.1%
GBP vs JPY	0.7	-0.2%	2.3%
<b>Credit Spreads</b>			
Sterling Non-Gilt Index	149	-53 bps	25 bps
Sterling Non-Gilt 15Y+ Index	202	-45 bps	25 bps
Global Investment Grade	165	-100 bps	47 bps
US Investment Grade	182	-116 bps	49 bps
Global High Yield	584	-176 bps	208 bps
European High Yield	467	-161 bps	158 bps

## Market Data

UK Gilts	Level	Change since 31-Mar-20	Change since 28-Jun-19
10Y	0.18	-17 bps	-71 bps
30Y	0.67	-17 bps	-85 bps
<b>UK Nominal Swaps</b>			
10Y	0.36	-24 bps	-69 bps
30Y	0.43	-18 bps	-83 bps
<b>Gilt Breakeven Inflation</b>			
10Y	3.10	11 bps	-22 bps
30Y	2.98	30 bps	-40 bps
<b>UK RPI Swap</b>			
10Y	3.39	7 bps	-20 bps
30Y	3.01	23 bps	-40 bps
<b>UK Gilt Real Rates</b>			
10Y	-2.91	-28 bps	-49 bps
30Y	-2.31	-47 bps	-45 bps
<b>US TIPS</b>			
20Y	-0.07	-22 bps	-83 bps
30Y	-0.08	-25 bps	-98 bps

# VIEWS FROM THE ASSET CLASS SPECIALISTS



		<p><b>Kate Mijkowska</b> <b>LDI and Government Bonds</b></p>	<p>Over Q2 2020, UK index-linked gilt yields fell by 41bps at the 20-year point, reaching new record lows. This decrease was driven by nominal gilt yields, which fell c.19bps, as well as an increase in gilt-based inflation expectations of c.22bps. The rise in inflation expectations was exacerbated by poor supply of index-linked gilts, as well as the uncertainty over the RPI rate itself given its potential reform to be more aligned with CPIH. Following extreme market conditions at the end of the first quarter, liquidity in nominal gilts returned to normal and repo costs fell back to c. Sonia + 20bps, which are levels that we are much more accustomed to.</p> <p>In April, the deadline for submitting responses to the RPI consultation was extended until August 2020. Redington's response to it is available on request. Finally, the cessation of Libor may occur earlier than initially expected (end of 2020), but this is yet to be confirmed.</p>
<p>Page 45</p> 		<p><b>Oliver Wayne</b> <b>Liquid Markets: Equities</b></p>	<p>Equity markets rallied strongly in the second quarter of 2020 as governments provided enormous amounts of stimulus and economies started to reopen. US equities outperformed other major equity markets. Emerging market equities generated strong returns amplified by US dollar weakness, but moderately underperformed developed markets. Volatility remained high throughout the quarter, even as market sentiment improved.</p> <p>From a factor perspective, the market leadership remained largely unchanged, with momentum factors outperforming across developed and emerging markets. Value factors – which materially underperformed in the Q1 drawdown – lagged in the recovery and underperformed the broader market. From a size perspective, Q2 saw a reversal from the first quarter as market participants' risk appetite increased, with smaller companies outperforming larger companies across both developed and emerging markets.</p>
		<p><b>Tom Wake-Walker</b> <b>Liquid Markets: Multi-Asset</b></p>	<p>Performance within multi-asset portfolios for the quarter depended on the degree of market risk held by managers. Systematic managers generally increased risk through the quarter due to both volatility-scaling mechanisms as well as trend signals, while many discretionary managers remained relatively cautious with their equity allocations, instead tilting more towards credit to capture liquidity-driven returns. Trend following managers benefited from long exposure to precious metals and fixed income but struggled with short equity and long dollar positioning which originated from the extreme Q1 price moves. Equity market neutral and style premia strategies were mixed, with those more exposed to the value factor faring worst as the style continued to underperform.</p>

# VIEWS FROM THE ASSET CLASS SPECIALISTS

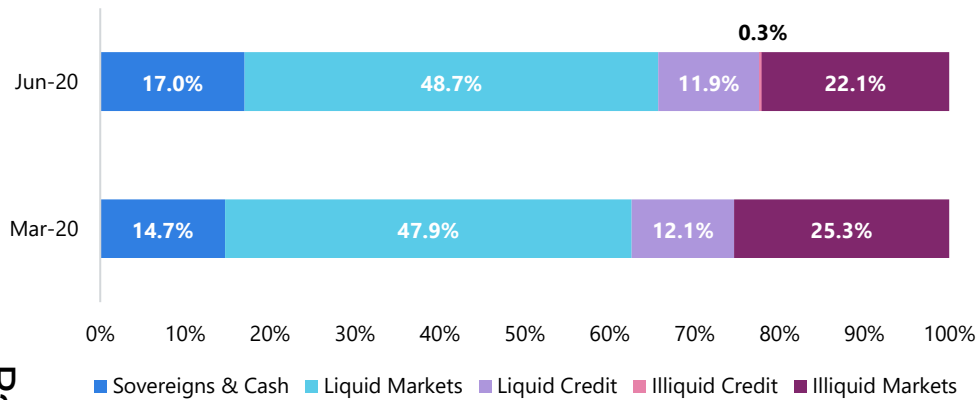


		<p><b>Chris Bikos</b> <b>Liquid &amp; Semi-Liquid Credit</b></p>	<p>Q2 2020 was a stark contrast to Q1, with the extremely sharp economic global downturn followed by timely and unforeseen levels of monetary stimulus and central bank intervention across the globe. Consequently, credit spreads declined across the risk/return spectrum and boosted returns on corporate bonds, with longer-duration and higher-quality bonds posting the best year-to-date results. Overall, corporate bonds outperformed government bonds. US and European High Yield spreads tightened during the quarter but remained higher relative to their long-term averages. Emerging Market (EM) bonds also rebounded to produce strong gains. Hard currency government, quasi-sovereign and corporate bonds posted double digit returns. Local currency bonds had a good quarter, but EM currency performance was mixed, as concerns over COVID-19 remained heightened, notably in Brazil. The shape of recovery will largely depend on COVID-19's trajectory and on central banks' continued support.</p>
<p>Page 46</p>		<p><b>Tom Duggan</b> <b>Illiquid Credit</b></p>	<p>The market rally that provided a wealth of opportunity in publicly traded assets had little impact (besides inputs for certain valuation methodologies) on private market activity. The tenets of active management in private markets such as deal sourcing, structuring and engagement are driven (predominantly) by people. Hence, shelter-in-place and continued social distancing measures as well as broader economic uncertainty have stemmed M&amp;A and private market activity. S&amp;P reported just 50 deals totalling \$6.5bn over H1 2020 vs. 119 deals worth \$40.4bn in H1 2019 in the US. As such, Q2 and H1 2020 have proven to be a long-awaited litmus test of illiquid manager processes and workout/restructuring experience as they triage portfolios and allocate resources accordingly. An area of positive differentiation has been the ability for lenders of scale and special situations to provide capital at attractive terms where public syndication or issuance is no longer tenable. Still, the broader observation and rhetoric seems to be patience in deployment and a focus on managing liquidity through 2020.</p>
		<p><b>Jaspal Phull</b> <b>Illiquid Markets</b></p>	<p>The UK property market has been hit hard by the COVID-19 crisis. It is now very evident that the pandemic has caused existing trends to accelerate; online shopping is growing faster at the expense of traditional brick-and-mortar retailers, whilst struggling businesses are being pushed into default and bankruptcy at a much quicker pace. Despite the monetary and fiscal measures being enacted to combat the economic fallout of the virus, the economic recovery is expected to be slow, uneven and highly different among regions, cities, property types and sectors. Rental collection over the quarter varied across sectors, with retail the poorest performing. Most UK property funds remain gated; however, central London offices, all industrial and logistics assets, build-to-rent properties and long-dated annuity income assets with a secure covenant now no longer need a material uncertainty clause in their valuations.</p>

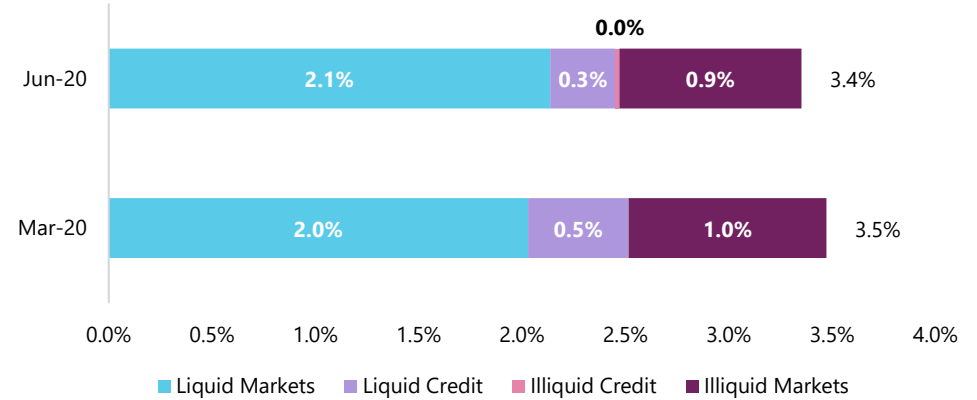
# YOUR ASSET ALLOCATION AND EXPOSURE



## Asset Allocation Change

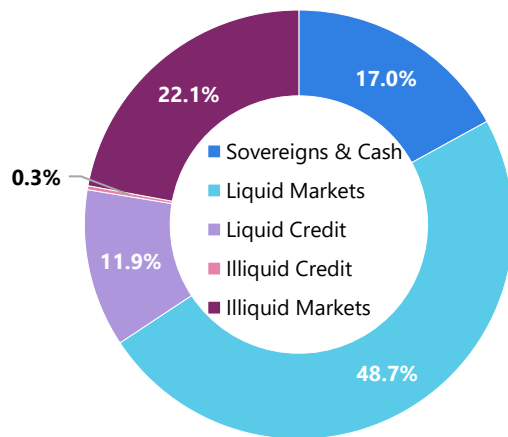


## Expected Return Contribution Change (over gilts)



Note, asset class expected returns are in the appendix.

## Detailed Asset Allocation

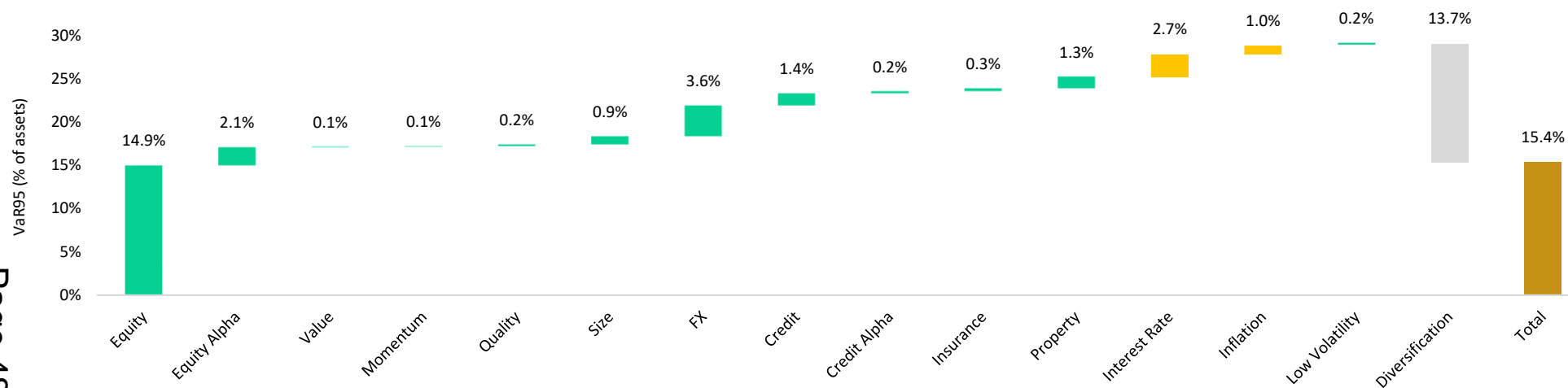


- 6.8% Cash GBP
- 6.1% Index-Linked Gilts
- 2.1% Nominal Gilts
- 2.0% US TIPS
- 3.0% ACS LGPS Global Equity Dividend Growth Factor
- 13.0% ACS LGPS Global Ex UK Passive Equity
- 9.7% ACS LGPS All World Eq Climate Multi Factor Fund
- 5.6% ACS LGPS UK Equity Passive Fund
- 5.1% Global Equities - External
- 3.2% Global Equities - Internal
- 2.2% Sustainable Equity Fund
- 0.1% Overseas Legacy Passive Equities
- 0.0% UK Equities
- 6.9% Emerging Markets Equities
- 3.9% UK Corporate Bonds
- 1.2% LGPS Central Global Active IG Coporate Bond Fund
- 2.8% Other Fixed Interest (Secured Loans)
- 4.0% Emerging Market Debt Funds
- 0.3% Securitised Opportunities
- 2.4% Direct Infrastructure
- 5.7% Direct Property
- 2.3% Indirect Infrastructure
- 2.0% Indirect Property
- 1.3% Insurance-Linked Securities
- 1.3% Opportunistic Funds
- 7.1% Private Equity/Secondaries

# HELPING YOU UNDERSTAND YOUR RISK

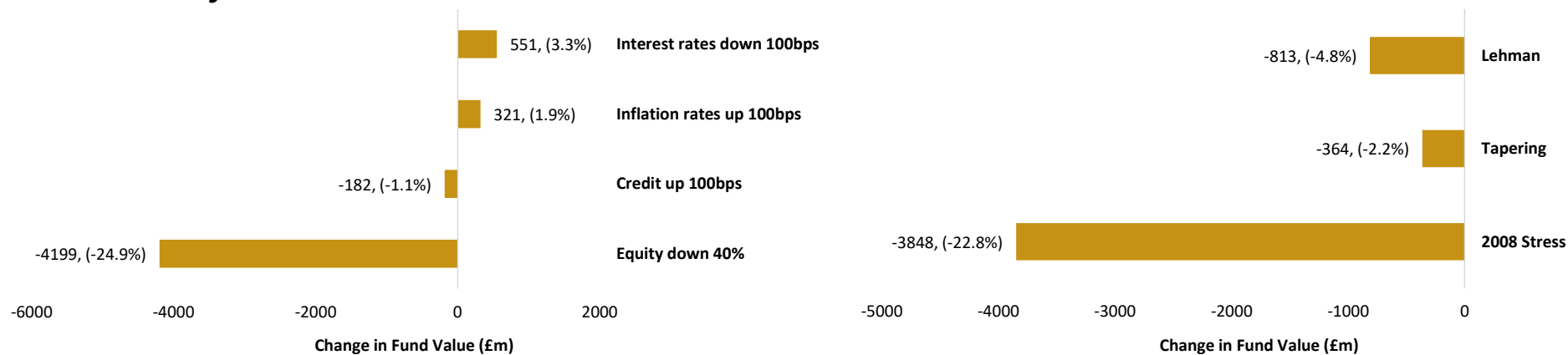


## Current Value-at-Risk 95%



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## Scenario Analysis







# APPENDICES

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# REDINGTON'S EXPECTED RETURNS – JUNE 2020



Asset Class	Expected Return (Gilts +)	Volatility	Expected Fees (p.a.)
<b>Equity</b>			
Developed Market Equities	4.2% ↑	17.8% ↑	0.0%-0.1%
Sustainable Equities	4.4% ↓	16.3% ↓	0.2%-0.4%
Emerging Markets Equities	4.8% —	21.0% ↓	0.1%-0.2%
China A Share Equities	6.1% —	30.9% ↓	0.3%-0.8%
<b>Liquid Credit</b>			
Corporate Debt GBP	1.4% ↓	5.9% ↓	0.1%-0.2%
Emerging Market Debt – Corporates	3.1% ↓	6.3% ↓	0.4%-0.6%
Emerging Market Debt – Local Currency Sovereign	3.7% ↓	14.5% ↓	0.5%-0.8%
Emerging Market Debt – Hard Currency Sovereign	2.7% ↓	8.9% ↓	0.5%-0.8%
Emerging Market Debt – Total Return	3.3% ↓	9.9% —	0.5%-0.8%
Multi-Class Credit Global	4.3% ↓	8.5% ↓	0.4%-0.7%
<b>Illiquid Credit</b>			
Diversified Matching Illiquids (Uninvested)	2.4% ↓	7.0% ↓	0.3%-0.5%
Opportunistic Illiquid Credit	6.1% ↑	12.9% ↓	1.0%-1.5% (+ performance fee)
Securitised Opportunities	4.0% ↓	7.8% ↓	0.5%-0.7%
Special Situations	7.0% ↓	17.2% ↓	1.0%-1.5% (+ performance fee)
<b>Illiquid Markets</b>			
Private Equity	4.1% ↑	26.5% ↑	1.0%-1.5% (+ performance fee)
Insurance-Linked Securities	4.8% —	12.4% —	1.0%-1.5%
Renewable Infrastructure (Whole Projects)	5.3% ↑	14.3% ↑	0.5%-0.7%

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Fee data is estimated based on fees of preferred managers in each strategy. In practise each fee would be negotiated for West Midlands and may be considerably lower.

# GLOSSARY



Term	Description
Annual Management Charge (AMC)	The fee charged by the asset manager for managing the fund, typically expressed as an annual percentage on the invested assets. This excludes additional expenses, e.g. administrative costs, which when combined with the AMC make up a fund's total expense ratio (TER).
Credit Risk	The risk of financial loss as a result of the inability or unwillingness of an entity to make payments as they become due. Many types of relationships involve credit risk, such as those in which a company owes money to its suppliers (trade debt) or where a counterparty is required to make payments under a derivative contract (counterparty credit risk).
Credit Spread	The difference in the yield between two different bonds, due to different credit quality. The credit spread reflects the additional yield an investor can earn from taking incremental credit risk. Is it often quoted in relation to the yield on government bonds.
Inflation	The average rate at which prices (of products and services) increase over time. It gradually reduces the value of money over time – the higher the rate of inflation, the greater the erosion of value.
Risk Attribution	The process of attributing certain components of total risk to various sources such as inflation risk, credit risk, equity risk, etc.
Stress Testing	A tool used to assess a portfolio's exposure to large – but plausible – shocks. In the broadest sense, stress testing is a 'what if' exercise and can be modelled across various scenarios. For example, a stress test can be used to simulate the performance of a portfolio during 9/11, Black Monday and the Global Financial Crisis of 2007-08.
Value-at-Risk (VaR)	The minimum value that the Fund would expect to lose (at risk) for a given confidence level, over a given time horizon. We have used a 1-in-20 (i.e. 95%) confidence level. For example, if a portfolio's 95% 1-year VaR is £200 million, it would have a 5% chance (1-in-20) of suffering a loss over the year of £200 million or more.
Volatility	A measure of variability that is used as a common metric for risk. It represents the value of one standard deviation change in the value of an assets' return. Under certain assumptions, we are able to use this measure to calculate the probability of a given change in the value of the asset or portfolio.
Yield	The income return on an investment. It is based on the received cash flows of a security and is usually expressed as an annual percentage.
Yield Curve	A graphical representation showing the yields of a set of financial instruments by maturity. For example, the par interest rate swap curve or the UK Gilt curve.

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<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Pensions Committee</b> <b>30 September 2020</b>
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<b>Report title</b>	Responsible Investment Activities	
<b>Originating service</b>	Pension Services	
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**Recommendations for decision:**

The Committee is recommended to:

1. Approve the updated Voting Principles 2020, included as appendix A.
2. Approve the updated Climate Change Framework and Strategy, included as appendix B.

**Recommendations for noting:**

The Committee is asked to note:

1. The Fund's voting and engagement activity for the three months ending 30 June 2020.
2. The issues discussed by LAPFF are set out in the Quarterly Engagement Report which is available on the LAPFF website: <https://lapfforum.org/publications/category/quarterly-engagement-reports/>
3. The issues discussed in the LGPS Central Quarterly Stewardship Report which is available on the LGPS Central website: <https://www.lgpscentral.co.uk/wp-content/uploads/2020/08/LGPS-Central-Quarterly-Stewardship-Update-Q1-2020-21.pdf>.
4. The Fund's Principles for Responsible Investment Assessment Outcome.

## **1.0 Purpose**

- 1.1 To update the Pensions Committee on the work undertaken in relation to responsible investment activities since the Pensions Committee meeting in June 2020.

## **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.

## **3.0 Voting Principles and Climate Change Reports**

- 3.1 The Committee regularly reviews and approves the various framework and policy documents put in place to support delivery of Responsible Investment to ensure any necessary changes e.g. regulatory and changes in approach are incorporated. On this occasion, both documents include minor amendments and a refresh of commentary rather than any fundamental changes. The documents for consideration and approval at this Committee are the:

- Voting Principles
- Climate Change Framework and Strategy

- 3.2 Voting Principles: - The Fund's Voting Principles has seen a number of iterations and was last approved by Committee in June 2019. The Voting Principles apply to all assets where the Fund as an asset owner has voting rights, and also where voting rights are executed by external managers on behalf of the Fund. The Committee are asked to approve the updated Voting Principles 2020, included at appendix A.

- 3.3 Climate Change Framework and Strategy: - The Fund's Climate Risk Strategy and Framework was approved by Committee on 27 March 2019. The document's objective is to explain how the Fund will address climate-related risks and opportunities of relevance to the Fund's investment and funding objectives. The Committee are asked to approve the updated Framework, included as appendix B. Following completion of the 2020 portfolio climate risk review and noting the ongoing evolution of policy and risk indicators, work is ongoing to appraise and inform review of progress and targets set in 2019.

## **4.0 Climate Risk Review**

- 4.1 Climate-related risks and opportunities can be financially material, and the Fund believes the management of climate risk is a fiduciary issue. Through physical events, policy or market changes, climate risks are likely to affect almost all asset classes, sectors and regions. While there remains a great deal of uncertainty, it is unlikely that climate risks can be mitigated through diversification alone. The evidence base of climate change gives rise to significant uncertainty over the way in which climate risks will manifest, and

no single tool can provide an accurate and complete observation on a pension fund's climate risk.

4.2 LGPS Central Ltd has worked closely with WMPF and other Partner Funds and external providers to review and assess climate risk metrics, updating the portfolio analysis WMPF undertook in 2017/18. The outcomes and recommendations of this review are currently being assessed with a view to informing future strategy and engagement activity, noting in line with the Fund's beliefs, that climate-aware decisions can only be made with accurate, relevant, complete, and comparable data

4.3 The increase in climate data, disclosure and assessment tools is vital in helping to continue to inform climate risk exposure, opportunities and areas for mitigation of risk. Current analysis provides coverage for around 50% of total Fund assets and ongoing engagement and industry-wide collaboration is key to increasing information to inform portfolio review.

## **5.0 Principles for Responsible Investment Assessment Outcome**

5.1 The UN Principles for Responsible Investment (PRI) is the world's leading proponent of responsible investment. It strives to understand the investment implications of environmental, social and governance (ESG) factors, whilst supporting its investor signatories in incorporating these factors into their investment and ownership decisions.

5.2 As an asset owner, the Fund has been a signatory of the PRI since 2011. This year the Fund took part in the first mandatory reporting and assessment cycle for all PRI signatories. Assessment ensures that signatories can understand, commit to, and demonstrate their alignment with a global industry-standard of responsible investment, and ultimately achieve higher investment returns whilst making a positive contribution to environmental and societal causes.

5.3 In line with the Fund's Responsible Investment Strategy, the Investment Team strive to monitor and measure the environmental, social and governance impact of its portfolio and engage with asset managers and collaborate with other investors to ensure that its responsible investment targets are met, whilst meeting the Fund's fiduciary obligations.

5.4 The Fund was therefore delighted to learn that it has achieved an A+ or A for every module of the report (Figure 1). The Fund was one of the first 70 UK asset owners to report for assessment and, along with the Fund's pool company, LGPS Central Ltd (who also achieved A+), the Fund was one of only 8 of the UK's Local Government Pension Scheme Fund's to submit. The report results, in conjunction with the Fund being within the first tranche for submission, demonstrates the Fund's commitment to responsible investment.

5.5 The assessment outcome paves the way for a busy 2020-21 as the Fund continues to assess activity relative to the enhanced UK Stewardship Code and continues engagement in line with themes for 2020-2023.

### Summary Scorecard

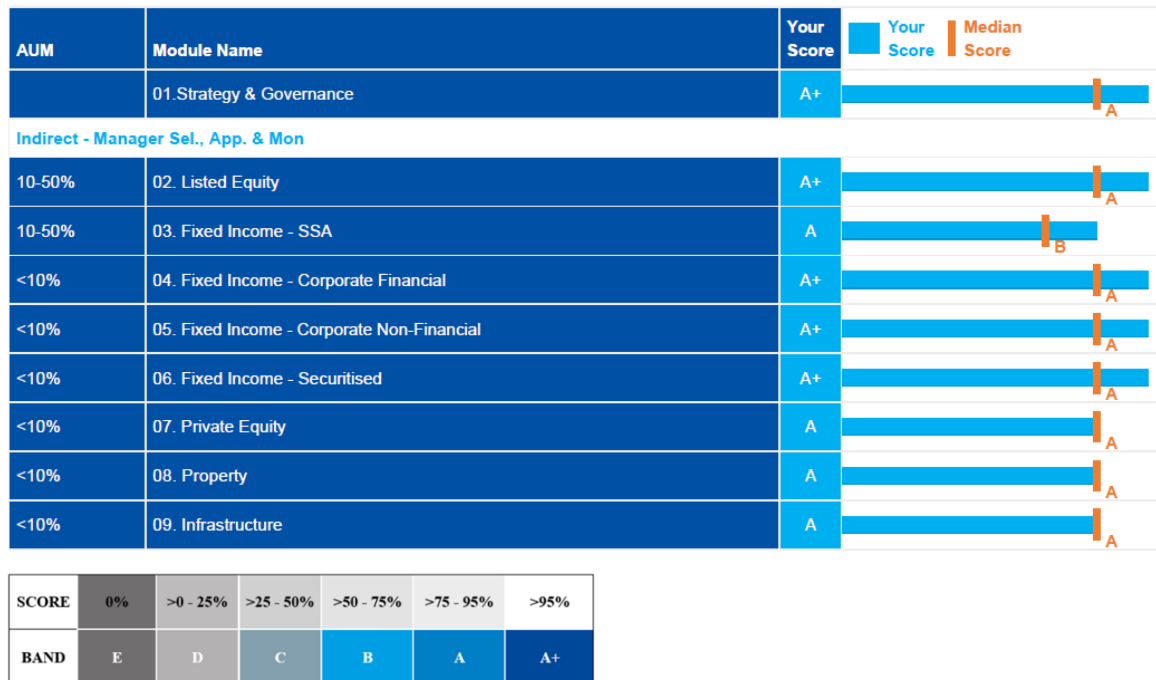


Figure 1: West Midlands Pension Fund Principle for Responsible Investment Assessment Report Outcome 2020

## 6.0 Responsible Investment Activities

### Engagement through Partnerships

- 6.1 The Fund's strategy is 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), EOS at Federated Hermes ('EOS' - via a contract held by LGPS Central Ltd, the Fund's investment pool operator), the Institutional Investors Group on Climate Change (IIGCC) and the UK Pension Fund Roundtable.
- 6.2 Through LAPFF, the Fund undertook 113 engagements with 79 companies during the quarter. Over 80 of the engagements addressed climate change issues, with the remaining engagements focussing on environmental risk, human rights and governance. The majority of engagements were conducted through letter writing and substantial and moderate improvements were documented in 12 engagements. Through LGPS Central Ltd and its engagement provider, Hermes EOS, the Fund engaged with 549 companies during the quarter, covering 1,439 environmental, social and corporate governance issues and objectives. Most engagements were conducted through letter issuance or company meetings, and LGPS Central Ltd or EOS, met or wrote to the Chair or a member of senior management.



- 6.3 COVID 19 continues to cause disruption with potentially long-lasting repercussions for the economy and society as a whole. Whilst the situation is highly disruptive, engagement has been adjusted to reflect this new landscape of risks. In June 2020 Pensions Committee approved the Fund's new engagement themes for the 2020 – 2023 financial years: climate change; sustainable food systems; human rights; and responsible financial management.

#### *Climate Change*

- 6.4 Climate change is an unavoidable issue for governments, corporates and consumers alike. In light of the current COVID-19 Pandemic, the Fund continues to engage with its external managers over climate change with some arguing there are now two schools of thought for the trajectory of climate action: one is that the pandemic could lead to fundamental changes in human behaviour which may act as a tailwind for the climate change theme; the second is that the shock to the global economy coupled with lower oil prices could result in policy measures being directed elsewhere resulting in the cost trajectories for renewable sources and the developing array of products which use them becoming less favourable.
- 6.5 This quarter engagement has taken place through LAPFF (of which both WMPF and LGPS Central Ltd are members). Eighty-two climate change engagements with a range of companies were undertaken during the period. Substantial improvements were made with BP PLC and Southern Company, both of which have set new climate ambitions for net zero emissions by 2050.
- 6.6 Climate change stewardship undertaken by LGPS Central Ltd continues to build on collaborations with the Climate Action 100+ initiative. During the quarter the LGPS Central's climate change engagement comprised 203 companies with 252 engagements issues. There was engagement activity on 228 engagement issues and achievement of some or all engagement objectives on 89 occasions. LGPS Central has joined more than 100 global investors in asking policy makers in the EU to plan and execute recovery from COVID-19 that is aligned with climate commitments, and ultimately with the goals of the Paris Agreement.
- 6.7 Engagement with Amazon has taken place through one of the Fund's managers with the company now putting in place a climate strategy and has been delivering on the execution of its climate pledge and carbon neutral goals, aiming to manage climate-related risk and align its business model with a 1.5°C target. Amazon has published its first sustainability report, including climate-related financial risk disclosures with reporting above average for a US corporation and believe that sustained engagement will help Amazon continue to improve.

#### *Sustainable Food Systems*

- 6.8 In light of the Covid-19 global pandemic, governments and international institutions are becoming increasingly worried about the growing constraints on access to food around the world as the virus disrupts economies and leaves workers without income for

sustenance. Throughout the quarter the Fund has undertaken a number of engagements under the Sustainable Food Systems umbrella through LAPFF and LGPSC.

- 6.9 In the first quarter of 2019 LAPFF was one of a group of investors that wrote to some of the largest fast food companies including McDonalds, Dominos and Chipotle asking how they plan to enact meaningful policies and targets to de-risk their meat and dairy supply chains from a climate perspective and has continued to engage during 2020. LAPFF met with Chipotle representatives on numerous occasions during 2019 and into 2020. The initial discussion revolved around the measurement of scope three carbon emissions, particularly those relating to the protein supply chain. At the most recent meeting with the company in May 2020, Chipotle went one step further by confirming it would work with the science-based target initiative to set science-based reduction targets for company-wide emissions by 2021. LAPFF's focus is now on ensuring the company continues to develop a methodology capable of accurately collecting emissions data from across its value chain. Such data should set meaningful company-wide emissions reductions targets and must be independently verified as representing accurately the company's carbon footprint.
- 6.10 In September 2019, LGPS Central signed a PRI investor statement calling on companies to take action to prevent deforestation in the Amazon region in Brazil. Provisional legislative measures are currently being considered due to COVID-19 to legalise private occupation of public lands/forests in the Amazon and to reduce requirements for environmental licensing, amongst others. During the last quarter, LGPS Central joined an investor coalition led by Norwegian investor Storebrand, to seek dialogue with policymakers in Brazil and to raise these concerns from a long-term investment perspective. Letters were sent to Brazilian embassies across Europe, US and Japan, the coalition has engaged at the highest political levels, including with the Vice President, the Governor of the Brazilian Central Bank and members of the Brazilian Congress.

### *Human Rights*

- 6.11 The Fund supports the PRI view that human rights are universal and inherent to all human beings<sup>1</sup>. Engagement provider Hermes EOS notes that every person around the world deserves to be treated with dignity and equality, we are all equally entitled to our human rights without discrimination. Human rights are a priority issue for investors as they underpin a company's wider corporate culture, business ethics and enterprise risk management. All these affect a company's reputation and the ability to create and preserve value over the long term.<sup>2</sup>

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<sup>1</sup> <https://www.unpri.org/Uploads/y/v/q/PRI-Human-Rights-Policy.pdf>

<sup>2</sup> <https://www.hermes-investment.com/uki/eos-insight/eos/public-engagement-report-q2-2020/>

- 6.12 Through its Responsible Investment Framework, the Fund actively supports a range of initiatives to champion diversity, equality and the protection of Human Rights in the companies we invest in.
- 6.13 The Fund has undertaken human rights engagement during the quarter through LAPFF and LGPS Central Ltd. The former undertook 11 human rights engagements during the quarter, and during the recent AGM season, the latter voted for shareholder proposals that ask Facebook and Alphabet to ensure better oversight of human rights risk. In order to further ongoing, collaborative engagement with Alphabet, LGPS Central Ltd voted for a shareholder proposal requesting the establishment of a Human Rights Risk Oversight Committee. The proposal got very strong support, roughly 45% of the independent votes cast in support.
- 6.14 The Fund has been engaging with its directly managed external managers to better understand their approach to human rights and in particular on equality, diversity and inclusion, not just with their investee companies, but also how they incorporate directly in their own policies and in practical terms. The Fund is collating and considering how it might further these engagement points.

#### *Responsible Financial Management*

- 6.15 The Covid-19 pandemic – and the global response to it – poses a threat not only to global health, but to communities, economies and investments. The PRI has stipulated that as long-term stewards of capital, investors can and should act now to help reduce harmful impacts. The Covid-19 crisis impacts all investors and their beneficiaries – regardless of holdings, strategy or role in the investment chain. Responses to the crisis must therefore be predicated on the basis of systemic integrity and long-term universal returns being more important than relative company performance. The Fund reached out to its investment managers to obtain assurance on their management of Covid19 and its impact on their business operations, which provided comfort on the effectiveness of managers in dealing with the crisis.
- 6.16 During the quarter LGPS Central Ltd undertook seven fair tax payment engagements. The Pool also undertook collaboration with peer European investors to engage a selection of companies across vulnerable sectors and contribution to Fair Tax Mark project seeking to identify common, international norms for responsible tax conduct.

#### *Voting Globally*

- 6.17 The Fund's voting policies are currently executed by EOS via a contract held by LGPS Central Ltd, the Fund's asset pool company. The Fund has contributed to and endorses LGPS Central's Voting Principles.

6.18 The voting activity for the quarter across markets and issues can be found in Appendix E. During the period, the Fund voted at a total of 1,737 company meetings (24,633 resolutions) – 203 UK, 367 Europe, 502 North American, 497 Developed Asia, 21 Australasian and 147 in Emerging and Frontier Markets. At 1,047 meetings we recommended opposing one or more resolutions. The largest number of resolutions that were opposed concerned remuneration and board structure (usually voting against non-independent non-executive directors where the Fund or its advisors do not see sufficient independent oversight on a company board).

### *Correspondence*

6.19 Following the Supreme Court ruling on the case of the Palestine Solidarity Campaign (PSC) vs the Secretary of State for Housing, the Fund received correspondence from both a national campaign group (received in common with a number of other local authority pension schemes) and local representatives. The Wolverhampton Palestinian Solidarity Campaign raised queries regarding a number of companies that currently operate within Occupied Palestinian Territories who were felt not to be adhering to the UN's guiding principles on Human Rights<sup>[1]</sup>. The Fund's engagement partner LAPFF has started correspondence with companies cited by both the PSC and the UN as having human rights concerns through their operations in the Israeli settlements/Occupied Palestinian Territories. The Committee will be kept updated on progress in this engagement.

6.20 The Fund has also received over recent weeks an increase in correspondence from individual members of the public in connection with climate change and calls for divestment.. The Fund maintains its position that engagement rather than divestment continues to be a more effective long term approach and is able to point to the collaborative work it engages on with others to deliver success in encouraging companies to set carbon targets and to focus on managing their own climate risks.

## **7.0 Financial implications**

7.1 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.

## **8.0 Legal implications**

8.1 This report contains no direct legal implications.

## **9.0 Equalities implications**

9.1 This report contains no equal opportunities implications.

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<sup>[1]</sup> [https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr\\_en.pdf](https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr_en.pdf)

## **10.0 Environmental implications**

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

## **11.0 Human resources implications**

11.1 This report contains no direct human resources implications.

## **12.0 Corporate landlord implications**

12.1 This report contains no direct corporate landlord implications.

## **13.0 Schedule of background papers**

13.1 LGPS Central Quarterly Stewardship Report: <https://www.lgpscentral.co.uk/wp-content/uploads/2020/08/LGPS-Central-Quarterly-Stewardship-Update-Q1-2020-21.pdf>.

13.2 LAPFF Quarterly Engagement Report: <https://lapfforum.org/publications/category/quarterly-engagement-reports/> .

## **14.0 Schedule of appendices**

14.1 Appendix A – Voting Policy

14.2 Appendix B – Climate Change Framework and Strategy

14.3 Appendix C – WMPF Engagement Activity

14.4 Appendix D - WMPF Voting Activity

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# WEST MIDLANDS PENSION FUND VOTING PRINCIPLES SEPTEMBER 2020



West Midlands Pension Fund

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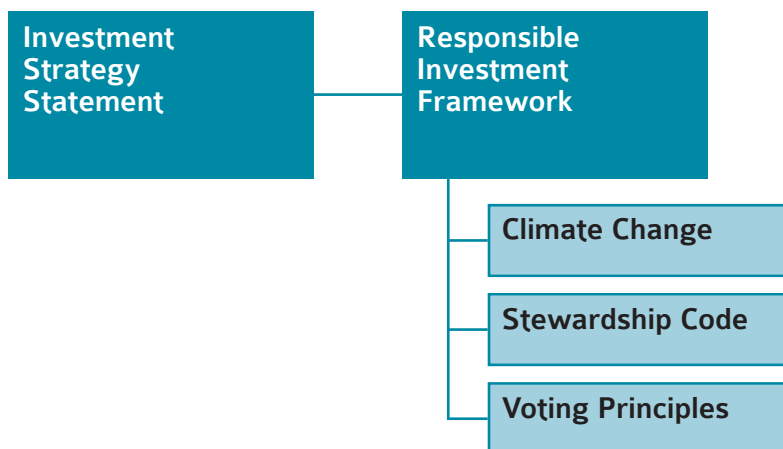
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## 1 CONTEXT

### 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 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

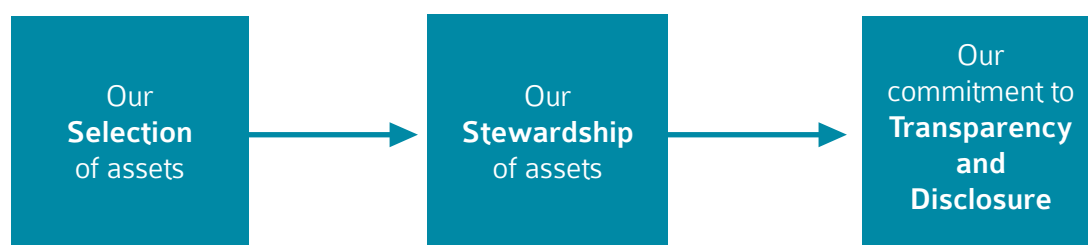
West Midlands Pension Fund (“the Fund”) is a defined benefit pension fund established under the Local Government Pension Scheme. It has over 333,000 members, total assets under management in the region of £16.8 billion (30 June 2020) and is administered by the City of Wolverhampton Council.

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 Ltd (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 Ltd, 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 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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# CLIMATE CHANGE FRAMEWORK AND STRATEGY 2019-2023

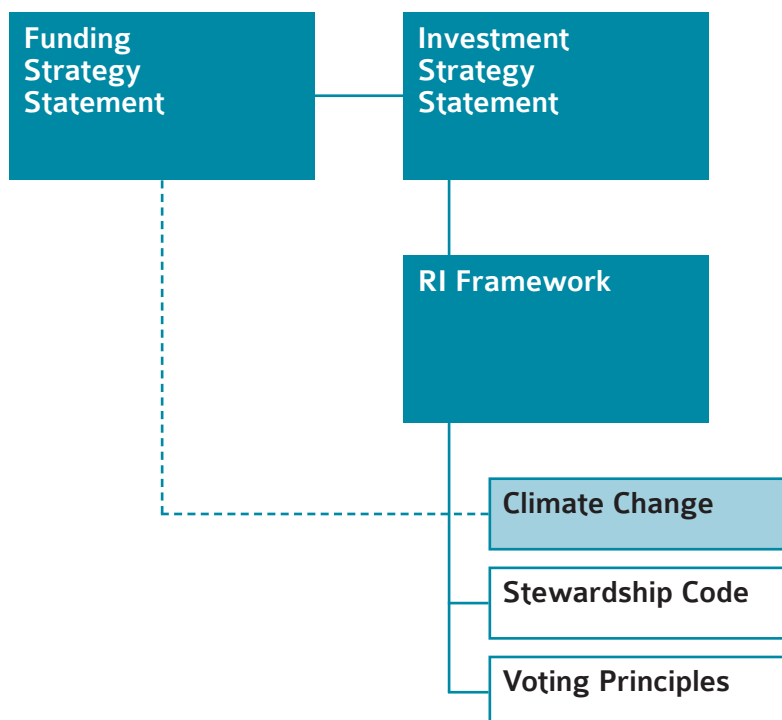


West Midlands Pension Fund

## ABOUT THIS DOCUMENT

This document is West Midlands Pension Fund’s (“the Fund”) *Framework and Strategy for Managing the Risks and Opportunities Presented by Climate Change* (“*Climate Change Framework & Strategy*”). The document’s objective is to explain how the Fund will address climate-related risks and opportunities of relevance to the Fund’s investment and funding objectives. It has been prepared in alignment with the Final Recommendations of the Taskforce on Climate-related Financial Disclosures (“TCFD”)<sup>1</sup>. The document is a component of the Fund’s Responsible Investment Framework (“RI Framework”), which is itself a component of the Fund’s Investment Strategy Statement (“ISS”) developed and reviewed in conjunction with the Funding Strategy Statement (“FSS”), as depicted in Figure 1 below. The financial materiality of climate change risk is referenced in both the RI Framework and the ISS. This document sets the Fund’s four-year framework and strategy; it is reviewed by the Fund’s Pensions Committee on an annual basis.

**Figure 1: Depiction of the *Climate Change Framework & Strategy* in relation to other key documents**



<sup>1</sup><https://www.fsb-tcf.org/wp-content/uploads/2017/06/FINAL-2017-TCFD-Report-11052018.pdf>, accessed November 2018

**GOVERNANCE OF CLIMATE CHANGE RISK** [TCFD Reference: Governance (a) and (b)]

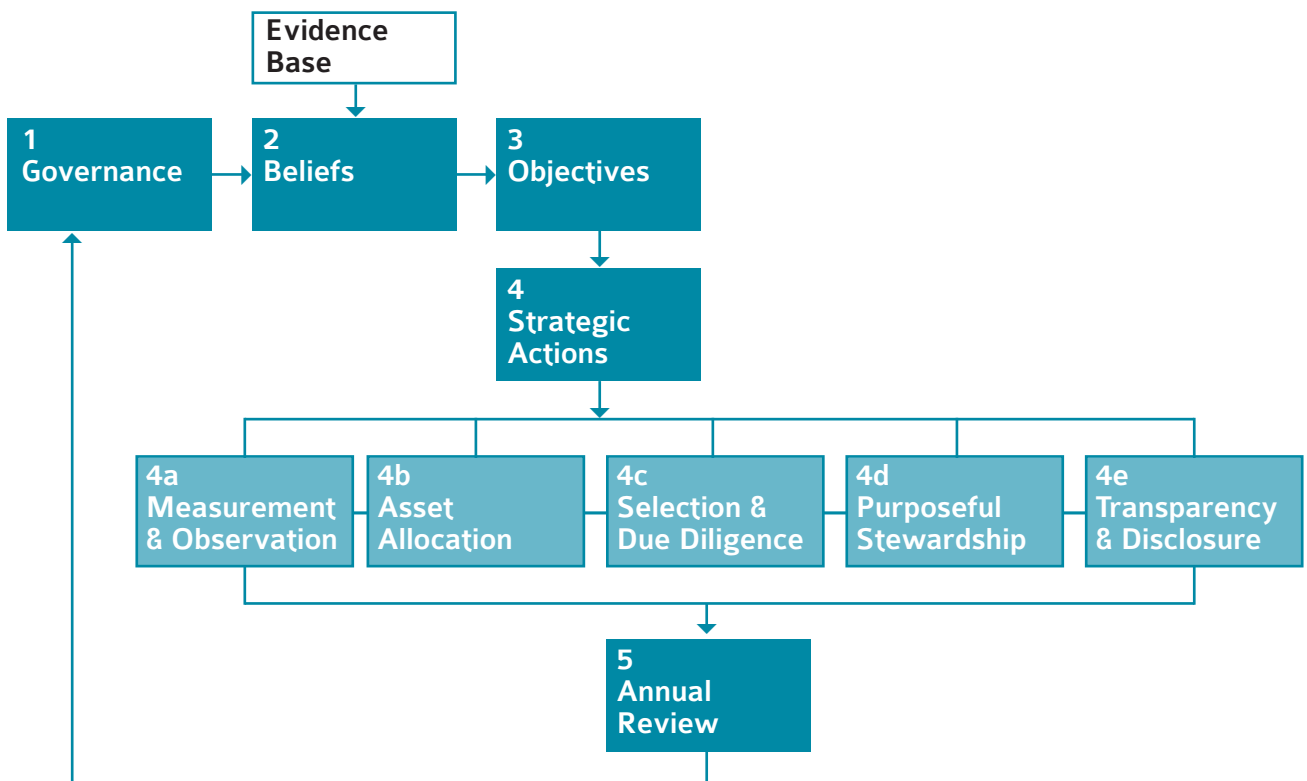
The Pensions Committee is at all times responsible for the Fund’s investment and funding arrangements, including oversight of the Climate Change Framework & Strategy. Responsibility for implementation of the Fund’s Climate Change Framework & Strategy sits with the Director of Pensions and Assistant Director Investments & Finance. The Pensions Committee will review this policy at a minimum annually, or at such time as the Fund sees fit to revise its policies and procedures.

The Pensions Committee receives regular training on the financial impacts of climate change. Reports on responsible investment, including climate change, are received quarterly and annually.

Day-to-day implementation of the Fund’s climate change strategy is delegated to Fund officers, with oversight from the Director of Pensions and Assistant Director Investments & Finance. LGPS Central Limited, which has been established to provide opportunities for the Fund to pool its investments and achieve further economies of scale, assists the Fund in assessing and managing climate-related risks.

The identification and management of climate-related risks at the asset level is further delegated to the relevant fund manager, with oversight from the Investment Team and, where appropriate, LGPS Central Limited. As detailed in below, the Fund leverages suppliers, partnerships and initiatives to identify, monitor and manage climate risk.

**Figure 2: Depiction of the *Climate Change Framework & Strategy***



## EVIDENCE-BASED BELIEFS RELATED TO CLIMATE CHANGE

### The Economics of Climate Change

- 1 Following the Intergovernmental Panel on Climate Change (“IPCC”), we acknowledge that the Earth’s climate is changing as a result of anthropogenic activity. Unabated, such change would be devastating for our way of life.
- 2 Consistently with Lord Stern’s research, we hold that the economic damages of unabated climate change are greater than the costs of precautionary mitigation.
- 3 We believe that climate change is financially material across all major asset classes. In support of fiduciary duty, the risks and opportunities presented by climate change should be mitigated and exploited by asset allocation decisions, by individual investment decisions, and through purposeful stewardship.
- 4 Climate change has the potential to impact the funding level of the pension fund through impacts on employer covenant, asset pricing, and longer-term inflation, interest rates and life expectancy.
- 5 We strongly support the Paris Agreement on climate change.

### The Energy Transition

- 6 An ambitious and just energy transition, aligned with the Paris Agreement, requires global greenhouse gas emissions (“GHGs”) to peak around 2020, and to decline to net zero well before the end of this century.
- 7 The energy transition will not occur by focusing only on suppliers of energy. The demand for energy must also undergo a major transformation.
- 8 We think that market mechanisms, including a sufficient and stable carbon pricing regime, are important policy instruments to achieve meaningful GHG reductions.
- 9 It is possible for a high-emitting company to shift its business model and thrive in the transition to a low carbon future.

### Purposeful Climate Stewardship

- 10 We would be less likely to realise a Paris-aligned energy transition were responsible investors to cease owning and stewarding high emitting companies. Strong governance is essential for climate awareness and risk management.
- 11 No individual investor is influential enough to act alone, nor is the investment industry sufficient to achieve the required rate of change. Policy makers, consumers, companies and investors all have a role to play.
- 12 Climate-aware decisions can only be made with accurate, relevant, complete, and comparable data.



## CLIMATE-RELATED OBJECTIVES

### **Understanding the Risks**

We aim to have access to the best possible information on the risks and opportunities presented by a changing climate, as relevant for our Fund. This includes impacts to our investment strategy, or to our funding strategy, as a result of transition risks and opportunities, and physical risks and opportunities.

In collaboration with selected partners, we aim to contribute to improvements in the completeness, quality and relevance of climate-related disclosures.

### **Fund Resilience and Decarbonisation**

We aim to ensure our investment portfolio, our funding strategy, and our employer covenant framework are resilient to climate-related risks over the short, medium and long term. This includes the risk of failing to identify climate-related investment opportunities.

For an effective first line of defence, we aim to integrate climate change into our investment processes including our selection and due diligence of assets. We aim to decarbonise our portfolio through purposeful stewardship.

We also aim to incorporate climate risk identification and analysis into our covenant and funding processes. This will be monitored and used to inform strategy reviews over the medium and longer term.

### **Collaboration and Transparency**

We aim to work with like-minded organisations to support the ambitions of the Paris Agreement. We aim to be fully transparent with our stakeholders through regular public disclosure, aligned with best practice.

## STRATEGIC ACTIONS

### a) Measurement & Observation [TCFD Reference: Strategy (c), Risk Management (a), (c), Metrics and Targets (a), (b)]

We will make regular measurements and observations on the climate-related risks and opportunities relating to our Fund. This includes:

- Economic assessment of our asset allocation against plausible climate-related scenarios
- A suite of carbon metrics enabling the Fund to assess via a scorecard progress in responding to the recognised risks and opportunities driven by climate change
- Identification of the greatest climate-related risks to the Fund
- Engaging our advisers, including actuarial and covenant advisers, to develop analysis and tools to inform funding risk considerations

Recognising the early stages of certain methodologies and mapping of future scenarios, including the possibility of measuring alignment with the Paris Agreement, we will support efforts to develop credible methodologies.

Recognising the deficiency of relevant, consistent and comparable climate-related financial data, we will encourage disclosure and the adoption of the recommendations of the TCFD.

### b) Asset Allocation [TCFD Reference: Strategy (b), Risk Management (b)]

Where permitted by a credible evidence base, we will integrate climate change factors into reviews of our asset allocation, subject to the requirements of the ISS and FSS. In light of this, we will actively consider allocations to asset classes that improve our ability to meet our investment objectives.

By 2023, our ambition is to have 10-15% of the Fund invested in low carbon and sustainable investments.

By 2023, we expect our exposure to pure-play thermal coal producers to be less than 1% of the value of the Fund.

### c) Selection and Due Diligence [TCFD Reference: Risk Management (b), (c)]

In our selection and due diligence of directly and indirectly held assets, we will assess material climate change risks and opportunities, alongside other relevant investment factors.

In active investment mandates, we will not make new investments without the fund manager applying sufficient procedures to manage financially material climate-related risks.

Our expectations on climate risk management will be specified in investment mandates, investment management agreements and other relevant documentation.

**d) Purposeful Stewardship***[TCFD Reference: Risk Management (b), (c)]*

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.

**e) Transparency & Disclosure***[TCFD Reference: Governance, Strategy, Risk Management, Metrics & Targets]*

We will disclose, using the recommendations of the TCFD, in our annual report.

We will disclose updates on progress against our Annual Climate Stewardship Plan. We will also review and publish, on an annual basis, our Investment Strategy Statement and our Funding Strategy Statement, and these documents will, following review in conjunction with the 2019 actuarial valuation, factor in our approach to managing climate change risks and opportunities.

We will disclose our voting decisions on a vote-by-vote basis.

From time to time we may “pre-declare” our voting intentions on climate-related shareholder resolutions.

## ANNUAL REVIEW

This *Climate Change Framework & Strategy* has been established to run for four years from March 2019 to March 2023. This is so as to coincide with several key events in 2023:

- First global stock take under Article 14 of the Paris Agreement
- Culmination of the Climate Action 100+ engagement programme
- IPCC Sixth Assessment Cycle concludes in 2023
- The sign-off (based on current LGPS regulations) of the 2022 triennial actuarial valuation.

Working within our climate strategy governance structure, we will next review the *Climate Change Framework & Strategy* In June 2021.

## FURTHER READING

2016 Simon Dietz, Alex Bowen, Charlie Dixon and Philip Gradwell, 'Climate Value at Risk' of global financial assets

2015 Mercer *Investing in a time of climate change*

2018 IIGCC, *Addressing climate risks and opportunities in the investment process*

2017 TCFD *Final Report: Recommendations of the Taskforce on Climate-related Financial Disclosures*

2018 Carbon Tracker *Mind the Gap*

2006 The Stern Review on the Economics of Climate Change

IPCC, 2014: Climate Change 2014: Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change [Core Writing Team, R.K. Pachauri and L.A. Meyer (eds.)]

IPCC 2018, Special Report: Global Warming of 1.5°C

2015, United Nations, *"The Paris Agreement"*

2017 Institute and Faculty of Actuaries, *Risk Alert: Climate-Related Risks*

2017 Institute and Faculty of Actuaries, *Resource and Environment Issues for Pensions Actuaries: Supplementary Information on Resource and Environment Issues and their Implications for Sponsor Covenant Assessments*

2017 Institute and Faculty of Actuaries, *Resource and Environment Issues for Pensions Actuaries: Implications for Setting Mortality Assumptions*

2018, Institute and Faculty of Actuaries, *Resource and Environment Issues for Pensions Actuaries: Considerations for Setting Financial Assumptions*

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## West Midlands Pension Fund

## EOS at Federated Hermes

### Engagement by region

Over the last quarter we engaged with **549** companies held in the West Midlands Pension Fund portfolios on a range of **1,439** environmental, social and governance issues and objectives.

#### Global

We engaged with **549** companies over the last quarter.



#### Australia & New Zealand

We engaged with **six** companies over the last quarter.



#### Developed Asia

We engaged with **71** companies over the last quarter.



#### Emerging & Developing Markets

We engaged with **54** companies over the last quarter.



#### Europe

We engaged with **123** companies over the last quarter.



#### North America

We engaged with **218** companies over the last quarter.



#### United Kingdom

We engaged with **77** companies over the last quarter.



## Engagement by theme

Over the last quarter we engaged with 549 companies held in the West Midlands Pension Fund portfolios on a range of 1,439 environmental, social and governance issues and objectives.

### Environmental

Environmental topics featured in 20.5% of our engagements over the last quarter.



- Climate Change 82.4%
- Forestry and Land Use 4.1%
- Pollution and Waste Management 7.1%
- Supply Chain Management 3.4%
- Water 3.1%

### Social and Ethical

Social and Ethical topics featured in 14.2% of our engagements over the last quarter.



- Bribery and Corruption 3.9%
- Conduct and Culture 18.5%
- Diversity 22.0%
- Human Capital Management 24.4%
- Human Rights 24.4%
- Labour Rights 6.3%
- Tax 0.5%

### Governance

Governance topics featured in 49.0% of our engagements over the last quarter.



- Board Diversity, Skills and Experience 23.1%
- Board Independence 12.9%
- Executive Remuneration 49.9%
- Shareholder Protection and Rights 11.2%
- Succession Planning 2.8%

### Strategy, Risk and Communication

Strategy, Risk and Communication topics featured in 16.3% of our engagements over the last quarter.



- Audit and Accounting 8.1%
- Business Strategy 32.1%
- Cyber Security 7.3%
- Integrated Reporting and Other Disclosure 15.4%
- Risk Management 37.2%



## West Midlands Pension Fund

## EOS at Federated Hermes

Over the last quarter we made voting recommendations at **1,737** meetings (**24,633** resolutions). At **1,047** meetings we recommended opposing one or more resolutions. We recommended voting with management by exception at **208** meetings and abstaining at **21** meetings. We supported management on all resolutions at the remaining **461** meetings.

### Global

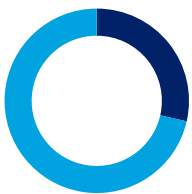
We made voting recommendations at **1,737** meetings (**24,633** resolutions) over the last quarter.



- Total meetings in favour **26.5%**
- Meetings against (or against AND abstain) **60.3%**
- Meetings abstained **1.2%**
- Meetings with management by exception **12.0%**

### Australia and New Zealand

We made voting recommendations at **21** meetings (**129** resolutions) over the last quarter.



- Total meetings in favour **28.6%**
- Meetings against (or against AND abstain) **71.4%**

### Developed Asia

We made voting recommendations at **497** meetings (**5,877** resolutions) over the last quarter.



- Total meetings in favour **39.0%**
- Meetings against (or against AND abstain) **58.4%**
- Meetings with management by exception **2.6%**

### Emerging and Frontier Markets

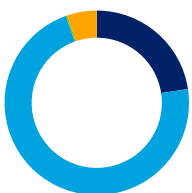
We made voting recommendations at **147** meetings (**1,801** resolutions) over the last quarter.



- Total meetings in favour **23.1%**
- Meetings against (or against AND abstain) **70.1%**
- Meetings abstained **0.7%**
- Meetings with management by exception **6.1%**

### Europe

We made voting recommendations at **367** meetings (**6,734** resolutions) over the last quarter.



- Total meetings in favour **22.6%**
- Meetings against (or against AND abstain) **71.9%**
- Meetings abstained **0.3%**
- Meetings with management by exception **5.2%**

### North America

We made voting recommendations at **502** meetings (**6,402** resolutions) over the last quarter.



- Total meetings in favour **14.9%**
- Meetings against (or against AND abstain) **56.8%**
- Meetings with management by exception **28.3%**

### United Kingdom

We made voting recommendations at **203** meetings (**3,690** resolutions) over the last quarter.

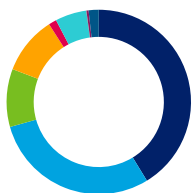


- Total meetings in favour **34.0%**
- Meetings against (or against AND abstain) **44.3%**
- Meetings abstained **9.4%**
- Meetings with management by exception **12.3%**

The issues on which we recommended voting against management or abstaining on resolutions are shown below.

**Global**

We recommended voting against or abstaining on **3,170** resolutions over the last quarter.



- Board structure **41.3%**
- Remuneration **29.4%**
- Shareholder resolution **10.2%**
- Capital structure and dividends **10.2%**
- Amend articles **1.4%**
- Audit and accounts **5.5%**
- Investment/M&A **0.0%**
- Poison pill/Anti-takeover device **0.4%**
- Other **1.8%**

**Australia and New Zealand**

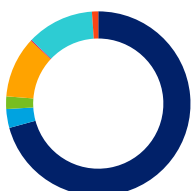
We recommended voting against or abstaining on **36** resolutions over the last quarter.



- Board structure **5.6%**
- Remuneration **61.1%**
- Shareholder resolution **2.5%**
- Capital structure and dividends **8.3%**

**Developed Asia**

We recommended voting against or abstaining on **636** resolutions over the last quarter.



- Board structure **70.8%**
- Remuneration **3.3%**
- Shareholder resolution **2.2%**
- Capital structure and dividends **10.7%**
- Amend articles **0.2%**
- Audit and accounts **11.8%**
- Poison pill/Anti-takeover device **1.1%**

**Emerging and Frontier Markets**

We recommended voting against or abstaining on **389** resolutions over the last quarter.



- Board structure **50.9%**
- Remuneration **10.8%**
- Shareholder resolution **2.3%**
- Capital structure and dividends **24.4%**
- Amend articles **3.3%**
- Audit and accounts **4.4%**
- Investment/M&A **0.3%**
- Other **3.6%**

**Europe**

We recommended voting against or abstaining on **981** resolutions over the last quarter.



- Board structure **29.0%**
- Remuneration **37.8%**
- Shareholder resolution **6.0%**
- Capital structure and dividends **15.2%**
- Amend articles **2.7%**
- Audit and accounts **4.8%**
- Poison pill/Anti-takeover device **0.3%**
- Other **4.3%**

**North America**

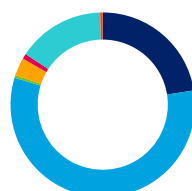
We recommended voting against or abstaining on **906** resolutions over the last quarter.



- Board structure **35.8%**
- Remuneration **38.4%**
- Shareholder resolution **25.4%**
- Amend articles **0.2%**
- Audit and accounts **0.1%**
- Poison pill/Anti-takeover device **0.1%**

**United Kingdom**

We recommended voting against or abstaining on **222** resolutions over the last quarter.



- Board structure **22.5%**
- Remuneration **57.2%**
- Shareholder resolution **0.5%**
- Capital structure and dividends **3.2%**
- Amend articles **0.9%**
- Audit and accounts **15.3%**
- Poison pill/Anti-takeover device **0.5%**

<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Pensions Committee</b> 30 September 2020
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<b>Report title</b>	Governance and Assurance	
<b>Originating service</b>	Pensions – Governance and Corporate Services	
<b>Accountable employee</b>	Rachel Howe	Head of Governance
	Tel	01902 552091
	Email	<a href="mailto:Rachel.Howe@wolverhampton.gov.uk">Rachel.Howe@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Rachel Brothwood	Director of Pensions
	Tel	01902551715
	Email	<a href="mailto:Rachel.Brothwood@wolverhampton.gov.uk">Rachel.Brothwood@wolverhampton.gov.uk</a>

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**Recommendations for noting:**

The Committee is asked to note:

1. The latest strategic risk-register and areas being closely monitored in the current environment
2. The compliance monitoring activity undertaken during the quarter
3. The Fund's Key Performance Indicators and the action taken to support service delivery

## 1.0 Purpose

- 1.1 To provide Committee with an update on the work of the Fund to deliver a well governed scheme.

## 2.0 Risk Management

### 2.1 Operational Risks

In accordance with the Fund's Operational risk management framework, the Fund continues to manage and monitor operational risks that have the potential to impact service delivery through individual service area Risk Maps which feed into the overarching Strategic Risk Register.

This quarter, there has been an increase in the number of operational risks identified, from 54 – 57. New risks identified are as follows;

- Investment Data Reporting and the timely receipt of information which feeds into the Fund's Investment Performance reporting (and includes cost transparency disclosure)
- Investment Information Systems
- Increase in pension scams and claims against the Fund (Operations).

7 risks have seen an increase in their risk scores this quarter (with some attributable to the environment we are currently operating in), 8 risks have had a reduction in score and 39 have not seen any movement. There are now 20 red risks, 36 amber and 1 green risk, compared to 20 red, 36 amber and 1 green as reported during the previous quarter.

### 2.2 Strategic Risk Register

Following the identification and assessment of individual operational risks, the Fund's Governance and Assurance Team, working with Senior Managers develop the overarching Strategic Risk Register, which highlights the themes of risk which have the potential to impact the Fund's delivery of its Service Plan objectives.

This quarter, one new Strategic risk has been identified relating to the potential impact on Fund capacity in the event of a second wave of the Covid-19 pandemic (high infection rates among Fund employees) however, the overall impact of Covid on Fund service delivery has been rated down with the Fund's response to the pandemic being managed. There are now 24 risks on the Strategic risk register, 8 of which are red and 16 are amber. Two risks have seen an increase in score, 21 have remained static and one has reduced.

The two risks which have increased this quarter relate to the increasing workloads seen by the Fund, outlined in the Pension Administration Report and to the Investment Data Reporting carried through from the operational service area risk map.

To illustrate how the operational risks feed into the strategic risk register, a risk theme column has been added to the operational risk register to link the Fund's operational risks to the 'Risk Types' included on the Strategic Risk Register.

The Strategic Risk Register is attached at Appendix A.

### 2.3 **Areas of Concern**

Horizon scanning enables the Fund to identify, evaluate and manage changes in the risk environment, preferably before they manifest as a risk or become a threat to the Fund. Additionally, horizon scanning can identify positive areas for the Fund to develop its business and services, taking opportunities where these arise. By implementing mechanisms to horizon scan the Fund is able to respond to changes or emerging issues in a coordinated manner. Any areas identified as having a potential impact on the Fund's Service Delivery are added to the Fund's "Areas of Concern".

One new area of medium concern has been highlighted this quarter relating to Employer Resilience, noting the as yet unknown impact of Covid-19 on some Fund Employers and in turn the impact on funding and sustainability.

11 areas of concern have now been highlighted, three of which are rated as high, with one increasing over the last quarter in relation to the Fund's available resource to respond to the myriad of regulatory change anticipated from current government consultations, including McCloud, £95k cap and the associate changes to LGPS and compensatory regulations. Two areas, Covid-19 and the Good Governance Review have seen a decrease in score.

The Areas of Concern are attached at Appendix B.

### 3.0 **Compliance Monitoring**

#### 3.1 Finance and Investments

Following the adoption of the investment risk and assurance framework by Committee in June, the Fund is working to develop and enhance investment compliance monitoring and will report back on this work in December.

#### 3.2 Governance - Data Protection

This quarter the Fund is reporting one data breach, a reduction of nine from the previous quarter. This quarter the Fund has undertaken a large-scale mailing activity with its employers as part of the annual Employer Health Check to support data cleansing activity and the identification of true active memberships which supports the annual production of annual benefit statements. On this occasion an employer file was sent to an incorrect employer, the recipient employer identifying the error and deleting the data.

#### 3.3 Governance – Freedom of Information (FOI) Requests

This quarter the Fund received three FOI requests, all of which have been responded to in line with statutory timescales. Two of the received requests were exempted for

commercial reasons and did not pass the Fund's Public Interest Test in favour of disclosure.

#### 3.4 Governance Subject Access Requests (SARs)

This quarter the Fund has received one Subject Access Request together with four third party requests for member information. The four third party requests for information were received from claims companies seeking information in connection with a member's decision to transfer out their pension to another provider. The increase in potential pension scams is noted on the Fund's strategic risk register and areas of concern noting the increase in these types of requests across the industry and the focus from the Pensions Regulator and Financial Conduct Authority on pension scam awareness.

### 4.0 Key Performance Indicators

4.1 The Fund's KPIs for this quarter are attached at Appendix C and note some downward trend in operational and workload performance. This is linked to the current environment in which the Fund is operating, outlined in the quarterly administration and investment monitoring reports and within the Fund's Covid Response report.

4.2 Customer complaints have reduced over the quarter to 30 June despite higher than average call volumes. In addition, the Fund's Customer Services team have received a number of compliments for the support offered to Fund members during this time. While no safeguarding issues are reported this quarter, the Customer Services team have worked with local support groups to continue to provide information to members identified as vulnerable.

### 5.0 Data Management

5.1 Committee will recall that the Fund has previously engaged with the Pensions Regulator on the production of its 2018 and 2019 annual benefit statements with no further action identified following overall improvement in delivery by March 2020.

5.2 The Fund proceeded as normal with its production of ABS, and this year is reporting a deferred production of 89% benefit statements compared to last year's production of 90% and a production of annual benefit statements of 93% which is comparable to the overall output last year of 95% (accounting for membership movement).

All statements produced were published live on members' pensions portal in advance of the statutory deadline of 31 August 2020.

5.3 The Fund continues to develop its data management strategy and data cleansing program working with employers through regular data feedback to enhance data quality and the timely production of information to members to facilitate their planning for retirement.

### 6.0 Financial implications

6.1 Poor management of the Fund's assets can result in detrimental investment returns. Effective monitoring of the management arrangements, facilitated by timely disclosure of information, is required to ensure the Fund is well placed to ensure the delivery of its investment strategy.

6.2 Failure by the Fund to meet statutory requirements of effective governance and administration could result in fines imposed by the Pensions Regulator (tPR).

## **7.0 Legal implications**

7.1 Failure by the Fund to comply with legislation and/or statutory guidance can result in enforcement action and fine from both tPR and the Courts via judicial review.

## **8.0 Equalities implications**

8.1 This report contains no equalities implications.

## **9.0 Environmental implications**

9.1 This report contains no environmental implications.

## **10.0 Human resources implications**

10.1 This report contains no human resources implications.

## **11.0 Corporate landlord implications**

11.1 This report contains no corporate landlord implications.

## **12.0 Appendices**

12.1 Appendix A - Strategic Risk Register April – July

12.2 Appendix B - Areas being monitored in the current environment

12.3 Appendix C - Key Performance Indicators – Quarter 1 monitoring

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Appendix A

West Midlands Pension Fund Strategic Risk Register				
Risk Theme	Area of Focus	Risk Description	Controls	Risk Movement this Quarter
Pandemic	Covid 19	Impact of current global health concerns across all types of risk (regulatory, operational, funding, reputation) and potentially impacting the ability of the Fund to deliver services.	The Fund has a separate risk register monitoring the impact of the pandemic and the controls in place to mitigate.	
Regulatory	Scheme benefits	Regulatory change impacting the administration of pension benefits leading to a requirement for increased administration processes, member communications and increased cost, both operational and to employers through increased contributions.	The Fund keeps abreast of development, participating in consultation and calls for evidence. The Fund is responsive to requests for information which may inform regulatory change.	
	Governance and Oversight	Greater oversight from governing bodies (together with evolving guidance from MHCLG, SAB, CIPFA, the Pensions Regulator) with, as yet, unknown reporting requirements.	The Fund keeps abreast of development, participating in consultation and calls for evidence. The Fund is responsive to requests for information which may inform regulatory change and emerging guidance.	
	Investment Pooling	Draft updated guidance expected from MHCLG - unclear whether this will place additional requirements for pooling or allow greater flexibility.	The Fund keeps abreast of developments, participating in consultation and calls for evidence. The Fund is responsive to requests for information which may inform regulatory change and emerging guidance.	
Resources	People	The Fund is unable to recruit suitably qualified and experienced employees to support the delivery of services to our members. Particular areas of difficulty are all areas of highly specialist technical skills, e.g. investments/ actuarial/ finance/ pensions technical.	This risk is assessed each year as part of annual Service plan and budget review process, aiming to ensure the Fund is adequately resourced to support service delivery and respond to identified drivers for change.	
		The Fund is unable to retain employees, resulting in loss of key skills and knowledge, or faces growing financial pressure from the salaries required to retain specialist skills. In addition, the Fund is also facing difficulties training and developing current staff at the present time due to the Covid-19 crisis.	This risk is assessed each year as part of annual Service plan and budget review process, aiming to ensure the Fund is adequately resourced to support service delivery and respond to identified drivers for change. New ways to deliver training 'virtually' are being investigated and rolled out where possible.	
		Increasing workloads put strain on key service areas due to changes in regulation and scheme rules. Increasing member and employer numbers increasing demand for services.	This risk is assessed each year as part of annual Service plan and budget review process, aiming to ensure the Fund is adequately resourced to support service delivery and respond to identified drivers for change.	
		Impact on capacity and resources in the event of a second wave of the Covid-19 Pandemic resulting in disruption to resourcing and servicing.	Critical areas / functions have been identified and succession planning is ongoing to support these areas in the event of a second wave, this includes redeployment of staff where appropriate	<b>NEW</b>
	Operational Costs	Greater demand on service areas together with greater oversight and reporting required creates budget pressures impacting the overall cost of delivering the functions of the Pension Fund	This risk is assessed each year as part of the budget setting process to ensure the Fund is adequately resourced to support service delivery; approved and monitored during the year by the Pensions Committee.	
Operational	Increasing Workloads	High volume of service change and development co-occurring with transition to working from home arrangements, impacting productivity	Employee surveys undertaken to monitor and review potential sources of inefficiency, return to office planning being undertaken to facilitate phased return over time. Increase in retirement quotes received in the first two weeks of August (c50%), resources are being flexed to try and mitigate	
	Failure by the Fund to deliver on its Service Plan objectives and priorities	impact on reputation of Fund in failing to deliver on promises made to customers together with potential impact of regulatory enforcement where external drivers are not managed.	The Fund monitors and reports on delivery against corporate priorities on a bi-annual basis to Committee and Board with activity monitored monthly through KPIs. Progress on the delivery of DTEP continues to see progress throughout the quarter	
	Cyber Security	The Fund retains a large amount of personal data and financial information which could be impacted by a cyber attack	Oversight of Council's cyber security policy and system testing; Ensuring 3rd party providers have sufficient controls in place and insurance	
	Reliance on 3rd Party Providers	The Fund is heavily reliant on a small number of 3rd parties to be able to deliver a range of key services	This risk is assessed as part of the Fund's contract management framework, it is part of a regular and ongoing review of contractor delivery on services.	
	Information and Data Quality	Employers fail to provide accurate data and financial information (in accordance with Pension Administration Strategy) in relation to scheme members leading to poor quality data, potential to impact on members benefits and accurate financial information.  The Fund is unable to respond to national and industry data disclosures.	Monitoring and oversight of data and financial information supplied by employers; employer support and communication.  The Fund is actively engaged with all stakeholders regarding the timely provision of data to facilitate its statutory reporting duty.	
Funding and Investment	Funding Management	Poor oversight of funding level; increase in liabilities; overstating employer covenants; employers falling into financial difficulties.	In addition to the annual review of the Fund's Funding Strategy, ongoing reviews of employer strength and monitoring of contributions to highlight potential difficulties.	
	Investment Management	Volatility in investment markets leading to lower than required / expected returns impacting the Fund's ability to manage its funding level resulting in higher employer costs.	The Fund sets strategic investment allocation benchmarks providing a diversified portfolio and actively manages investment risks by monitoring investment markets and performance. The Fund is also able to take a long term approach to investments and whilst may be impacted by short term volatility, longer term funding implications are not clear.	
	Responsible Investment	WMPF fails to develop or implement suitable RI policies leading to potentially decreased returns and increased external scrutiny; Fund fails to take into account potential risks from climate change impacting on the portfolio.	Regular reviews of responsible investment strategy and activities are undertaken, development of climate change strategies and monitoring. The Fund has been assessed for PRI achievement, however, there is an increase in public campaigns.	
	Investment Pooling	The fund is unable to deliver investment strategy through pooling due to lack of appropriate products; cost savings fail to be delivered; divergence from strategic objectives	The Fund works with investment pooling Partner Funds and LGPS Central Limited to develop a product development protocol which is responsive to product need and gives due consideration to costs.	
		Investment Pooling fails to meet timelines set out in statutory guidance resulting in sanctions against the Fund from Government.	The Fund works collaboratively with investment pooling Partner Funds and LGPS Central Limited to deliver investment pooling and inputs into National debate and consultations on investment pooling.	
Reputational	Customer Delivery	The Fund is unable to respond to the changing demands of our customers and/or is unable to flex its approach.	Monthly monitoring of KPIs and workload demands from the Fund's Pension Services team enables reflection and early planning to identify peaks in demand, with follow-up customer satisfaction surveys.	
	Information Management	The Fund fails to adequately protect members' data in line with Data Protection Requirements.	The Fund has a data protection framework which includes the appointment of Data Champions across the Fund's service areas.	
		The Fund fails to hold data accuracy of member information leading to an inability to deliver annual benefit statements and/or incorrect benefit calculations.	The Fund has a data management strategy which seeks to identify and action data quality issues which may lead to the inability to produce accurate benefit statements. National developments of scheme specific data reporting are being tested by the Fund within its software system.	
	Failure to act on issues	The Fund is faced with a multitude of issues that it needs to address in response to national and local change and could face poor publicity from failing to take action e.g. in relation to TPR guidelines, responsible investment activities, local/regional issues that affect local stakeholders etc.	The Fund keeps abreast of current issues that may arise; accountability of Senior Management to consider issues that might impact on the Fund's reputation.	
	Compliance and Assurance	The Fund is unable to provide assurance of its control framework or has an inadequate assurance of the controls in its processes.	The Fund undertakes quarterly compliance monitoring of key service areas. Annual Internal Audit reviews provide added assurance on identified high risk activities.	

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West Midlands Pension Fund Risk Register - Areas of Concern Q2 2020					
Risk Theme	Specific Concern	Description	Level of Concern	Action taken	Movement
Pandemic	Covid 19	Impact of current global health concerns on the ability of the Fund to deliver services.	Medium	The Fund in response to the pandemic has changed a number of processes effecting more efficient working from home. Should a second wave hit, the Fund is comfortable with its ability to respond and maintain services to members.	↓
Regulatory	Public Service Pension Schemes: Changes to the transitional arrangements to the 2015 schemes	The outcome of the court case has increased the risk of amendments to the calculation and administration of scheme benefits, introducing the potential for increased costs and contributions for employers. Both MHCLG and GAD have encouraged Fund's to make an allowance ahead of finalising the Actuarial Valuation 2019 but the remedy and how it will be applied within the LGPS may not be determined for some time, creating uncertainty and frustration across the industry with an extended period over which changes may need to be backdated.	High	The Fund as responded to the consultation released which is due to close early Autumn.	↔
	Good Governance Review	The outcome of the Scheme Advisory Board Good Governance Review suggests a greater level of oversight and reporting for LGPS Funds. The West Midlands Pension Fund already operates a high level of governance, as confirmed by the external audit conducted in 2018, however the full outcome of these requirements is not yet known.	Low	The Fund has engaged with the Scheme Advisory Board and Hymans' (the advisors appointed to support the review), feeding into the review. The Fund has already started to build out the initial requirements into its governance assurance framework	↓
	The Pensions Regulator's Code of Practice	The tPR is currently in the early stages of conducting a formal review of all of its codes of practices with the aim of issuing a single code to apply to all pension schemes, it is unlikely there will be a public sector/LGPS Specific code.	Medium	No further information is yet forthcoming on this issue.	↔
	Regulatory Disclosure	The Fund is currently undertaking its annual production of annual benefit statements. The Fund has reported its non-production for the last 2 years and an assessment will need to be made on a self report this year	Medium	Initial analysis suggests the Fund's production rates to be no worse than 2019, and note the Regulator's focus on delivering priority services with ABS a second priority due to the Covid pandemic.	↔
	Statutory Guidance	A number of statutory guidance are on the horizon in relation to the governance of investment management by LGPS Funds, including new Stewardship Code, a focus on investment governance coming from the tPR and amendments arising from the new Pensions Schemes Bill.	Medium	The Fund is engaged with relevant bodies responsible for drafting statutory guidance and has a number of these policies in place which will be reviewed in consideration of new guidance when issued.	↔
Operational	Available resource to respond to service change and increase in regulatory requirements	A number of statutory changes and amendments are on the horizon which potential change redundancy and compensation payments which may affect the calculation and application of pension benefits. The Fund will require statutory guidance on how these changes are implemented with a number proposed to come before year end (Dec).	High	The Fund is fully engaged in all consultations with senior officers sitting on national working groups to inform the statutory drafting. The Fund's Technical team will seek to implement temporary solutions through manual calculation of pension benefits to support the transitional changes.	↑
	Timely delivery of software and system support to achieve targets on service developments (DTEP)	Poor quality and/or late deliveries of system upgrades/developments leading to an inability to process member data creating backlog and/or delays.	Medium	The Fund is engaging with its software supplier through appropriate contract management and has escalated concerns within the organisation. Roadmap for resolution has been developed and will be reviewed.	↔
	Information and Data Management	The inability of the Fund to report on statutory data quality and deliver accurate Benefit Information to all eligible members. The inability of the Fund to adequately report on investments disclosure due to risks associated with manual data processing and inefficient systems architecture	Medium	The Fund has completed its run of Annual Benefit statements achieving comparable production rates with 2019. Work continues to develop investment reporting disclosures.	↓
	Employer Resilience	Noting the unknown impact of Covid 19 on some Fund employers this remains a concern going forward as it is likely that the true impact in relation to funding and sustainability will not be known for some time	Medium	The Fund has undertaken a series of engagements with Employers during this time, with the outcomes of surveys resulting in targeted engagement where identified as necessary.	NEW
Reputational	Transfer out claims	The Fund is seeing an increase in third party information requests (SARs) in light of the LGPS Hampshire case with one letter before action having been received. The potential for these cases to escalate is a concern with limited national response/positioning on how Funds should response.	High	The Fund has seen an increase in requests for information from its members since the determination of the Hampshire case and is monitoring these requests and activity across the industry where there appears to be a number targeted requests from claims companies	↔

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Corporate Priority	Frequency	Description	Target	Lead Officer	End of Quarter 1 Performance
Customer Engagement and Communication	<b>REFUNDS</b>				
	M	Notify member of Refund within 10 days of receiving required information	90%	Head of Operations	97.20%
		Refund payments processed within 5 days of receiving required information	90%		99.62%
	<b>RETIREMENTS</b>				
	M	Notification of Estimated Benefits within 15 days of retirement date	90%	Head of Operations	76.80%
		Notification of the actual benefits within 5 days of receiving member option form	90%		98.32%
		Payment of lump sum and creation of payroll record within 5 days of receiving election form	90%		96.27%
	<b>DEFERRED RETIREMENTS</b>				
	M	Issue quote letter within 30 days of the members eligible payment date or receipt of request from member	90%	Head of Operations	91.86%
		Notification of the actual benefits within 5 days of receiving member option form	90%		96.61%
		Payment of lump sum and creation of payroll record within 5 days of receiving election form	90%		92.32%
	<b>TRANSFERS IN</b>				
	M	Transfer in quotations processed within 10 days of receiving all the required information	90%	Head of Operations	100.00%
		Transfer notification of transferred in membership to be notified to the scheme member within 10 days of receiving payment	90%		100.00%
	<b>TRANSFERS OUT</b>				
	M	Transfer out quotations processed within 20 days of receiving required information	90%	Head of Operations	100.00%
		Transfer out payments processed within 20 days of receiving required information	90%		100.00%
	<b>DEATHS</b>				
	M	Acknowledgement of a death within 5 days of receiving the notification.	90%	Head of Operations	98.32%
		Notification of benefits payable to dependents will be issued within 5 days of receiving the required information	90%		94.70%
Payment of death lump sum will be made within 10 days of receipt of all the required information.		90%	100.00%		
<b>JOINERS</b>					
M	Membership record to be created within one month of receiving information from employer	95%	Head of Governance	100.00%	
<b>EMPLOYER AND MEMBER SERVICE - CALLS</b>					
M	Calls received to the customer helpline to be answered.	85%	Head of Pensions	78.66%	
M	Calls received to the employer helpline to be answered.	85%	Head of Pensions	96.47%	
Customer Engagement and Communication	<b>CUSTOMER SATISFACTION/SURVEY</b>				
	M	Customer satisfaction	90%	Head of Pensions	100.00%
	Q	Web Portal Registrations	Target 90000	Head of Pensions	97339
	<b>AVAILABILITY OF ONLINE SERVICES FOR MEMBERS</b>				
	M	Pensions Portal, Employer Portal and the external website to be available for 95% of total working hours.	95%	Head of Operations	98.78%
	<b>COMPLAINTS MONITORING - MEMBERS</b>				
	M	All complaints to be responded to within 15 working days of receipt	15 days	Head of Pensions	97.67%
	M	No of complaints to be less than 1% of total membership	<1%	Head of Pensions	<1%
<b>COMPLAINTS MONITORING - EMPLOYERS</b>					
M	All complaints to be responded to within 15 working days of receipt	15 days	Head of Pensions	98%	
M	No of complaints to be less than 1% of total employer membership.	<1%	Head of Pensions	<1%	
Governance and Risk	<b>EFFECTIVE DECISION MAKING</b>				
	6M	Training hours of Committee and Pension Board		Head of Governance	
	6M	Attendance rate of committee and pension board		Head of Governance	
<b>INFORMATION GOVERNANCE</b>					
Q	Statutory response timeliness	100%	Head of Governance	100%	
Strategic Asset Allocation and Performance	<b>INVESTMENT RETURNS/OVERALL FUND PERFORMANCE</b>				
	Q	<b>Main Fund</b> - Returns to be 0.5% above the benchmark (3 Yr. Rolling)	+/- 0.5%	Assistant Director Investments and Finance	-1.50%
Q	<b>ITA Fund</b> - Returns to match the benchmark (3 Yr. Rolling)	+ 0	Assistant Director Investments and Finance	-1.20%	
Data Management	<b>DATA QUALITY</b>				
	M	Common Data	99%>	Head of Governance	97.00%
		Scheme Specific Data	95%>		LGPS Scheme specific requirements under national development
	<b>DATA IMPROVEMENT</b>				
A	ABS produced for 100% of active member records	100%	Head of Operations	93.00%	
	DBS produced for 100% of deferred member records	100%		89.00%	
Financial management and cost transparency	<b>CONTRIBUTIONS RECEIVED</b>				
	M	<b>Main Fund</b> - Contributions received from employers and validated by accountancy statement	98%	Head of Finance	98%
		<b>ITA Fund</b> - Contributions received from employers and validated by accountancy statement	98%		100%
	<b>QUARTERLY ACCOUNTS</b>				
	Q	Days taken to prepare quarterly accounts	30 days	Head of Finance	48
<b>ACCOUNTANCY</b>					
A	Accountancy information to employers within 25 business days of year end		Head of Finance		

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<b>CITY OF WOLVERHAMPTON C O U N C I L</b>	<b>Pensions Committee</b> <b>30 September 2020</b>
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<b>Report title</b>	Amended Internal Audit Plan 2020 – 2021	
<b>Originating service</b>	Pensions Services	
<b>Accountable employee</b>	Amanda MacDonald	Client Lead Auditor
	Tel	01902 55 0411
	Email	<a href="mailto:Amanda.macdonald@wolverhampton.gov.uk">Amanda.macdonald@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Rachel Brothwood	Director of Pensions
	Tel	01902 55 1715
	Email	<a href="mailto:Rachel.brothwood@wolverhampton.gov.uk">Rachel.brothwood@wolverhampton.gov.uk</a>

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**Recommendation for noting:**

The Committee is asked to note:

1. The amended internal audit report for 2020 – 2021.

## **1.0 Purpose**

- 1.1 To provide the Committee with the revised work programme for internal audit for 2020 – 2021.

## **2.0 Background**

- 2.1 The role of internal audit is to provide the Director of Pensions, Section 151 Officer, the Pensions Committee and the Local Pensions Board with an independent and objective opinion on the Fund's risk management, internal controls and governance and its effectiveness in achieving the Fund's agreed objectives. In order to provide this opinion, we are required to review the risk management and governance process.

## **3.0 Work Plan 2020 - 2021**

- 3.1 A copy of the revised work plan for 2020 – 2021 is attached at Appendix A. This has been reviewed and discussed with the Fund's Senior Management Team in consideration of the current Covid pandemic and to focus on key areas of review to ensure good governance and assurance in the Fund's practices. The plan will continue to be reviewed throughout the remainder of the year noting potential strains on resources during this time.

## **4.0 Financial implications**

- 4.1 Internal audit is a key part of the Fund's governance and financial control framework, and seeks to provide assurance that the Fund's systems, processes and controls are operating effectively and in support of the Fund's overall aims and objectives.

## **5.0 Legal implications**

- 5.1 This report contains no direct legal implications.

## **6.0 Equalities implications**

- 6.1 This report contains no equalities implications.

## **7.0 Environmental implications**

- 7.1 This report contains no environmental implications.

## **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 None.

**11.0 Schedule of appendices**

11.1 Appendix A - West Midlands Pension Fund Internal Audit Plan 2020 -2021 (revised September 2020)

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## Appendix A - West Midlands Pension Fund Internal Audit Plan 2020 - 2021

Audit Area	Audit	Risk Rating
Governance	GDPR arrangements To ascertain that regulations have been fully embedded within Fund procedures.	High
Governance	Risk Management To provide assurance that revised risk management arrangements and reporting are robust and fully reflect Fund operations. The review will include two audits: <ul style="list-style-type: none"> <li>• Governance and Administration risks.</li> <li>• Investment risks</li> </ul>	High
Operations	Cyber Security To review Fund procedures to ensure compliance with the Pension Regulator's expectations and industry standards.	High
Pensions Administration	Guaranteed Minimum Pension Project – Reconciliations A review of the reconciliation process.	High
Pensions Administration	Covenants To ensure the Fund have a robust framework to monitor and adjust covenants in accordance with the triennial valuation.	High
Operations	Transfer Outs To review the controls and processes for members who select to transfer their pension out of the Fund.	Medium
Investments	Investments review Management arrangements for investments retained by the Fund	Medium
<b>Other Related Internal Audit Work</b>		
Follow up Reviews	To review the implementation of agreed actions from the previous financial year (extended review for the Finance audits undertaken)	
Counter Fraud	To oversee the Cabinet Office's National Fraud Initiative exercise on behalf of the Pension Fund and any other work relating to counter fraud as requested by management.	
Contingency and Consultancy	Special projects, advice and assistance as and when required	
Pensions / Board reports	The preparation of committee reports and attendance at committee	
Management	The management of the internal audit function	

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<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Pensions Committee</b> 30 September 2020
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<b>Report Title</b>	Pensions Administration Report from 1 April to 30 June 2020	
<b>Originating service</b>	Pension Services	
<b>Accountable employee</b>	Amy Regler Tel Email	Head of Operations 01902 55 5976 <a href="mailto:Amy.Regler@wolverhampton.gov.uk">Amy.Regler@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Rachel Brothwood Tel Email	Director of Pensions 01902 55 1715 <a href="mailto:Rachel.Brothwood@wolverhampton.gov.uk">Rachel.Brothwood@wolverhampton.gov.uk</a>

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**Recommendation for decision:**

The Committee is recommended to:

1. Approve the write-offs detailed in section 14 of this report.

**Recommendations for noting:**

The Committee is asked to note:

1. The applications approved by the Director of Pensions and the Chair or Vice-Chair of Pensions Committee for admission to the West Midlands Pension Fund.
2. The impact of COVID19 on the workload volumes for pension administration.
3. The update on the progress of the Fund's Digital Transformation Programme.

## 1.0 Purpose

- 1.1 To inform Committee of the routine operational work undertaken by the pensions administration service areas during the period 1 April to 30 June 2020. This includes members and employers of the Main Fund and the former WMITA Pension Fund, following the merge of the West Midlands LGPS funds, effective from April 2019.

## 2.0 Background

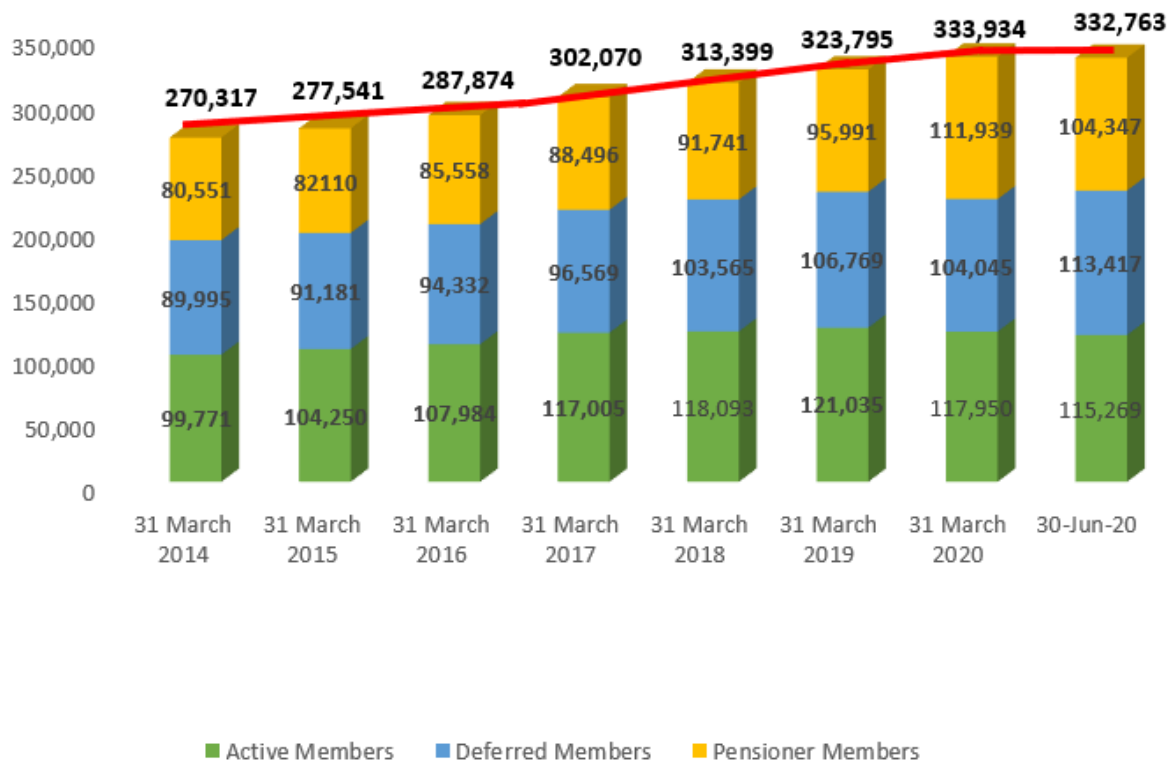
- 2.1 The Fund provides a pension administration service covering employer, customer and member services, data processing, benefit operations, payroll and systems/technical support. A report is provided to Committee on a quarterly basis to assist monitoring of the activity and performance of these functions during that period. Data management is covered in a separate report.

## 3.0 Scheme Activity

### 3.1 Membership movement – Main Fund

- 3.1.1 The total number of scheme member records in the Fund at 30 June 2020 stands at 332,763, with an overall decrease since March 2020 of 1,171. The reduction in active membership during this period is linked to a fall in the number of new joiners, with a reduction of c50% in June 2020 compared to June 2019, and ongoing processing of early leavers. The long-term trend over a 12-year period in membership continues to illustrate a move towards a more mature profile whereby, in general, pensioners and deferred memberships continue to rise.

	Membership as at 31 March 2020	Net Movements during the period	Membership as at 30 June 2020
Active Members	117,950	-2,681	115,269
Deferred Members	111,939	1208	113,417
Pensioner Members	104,045	302	104,347
<b>Total Members</b>	<b>333,934</b>	<b>-1,171</b>	<b>332,763</b>



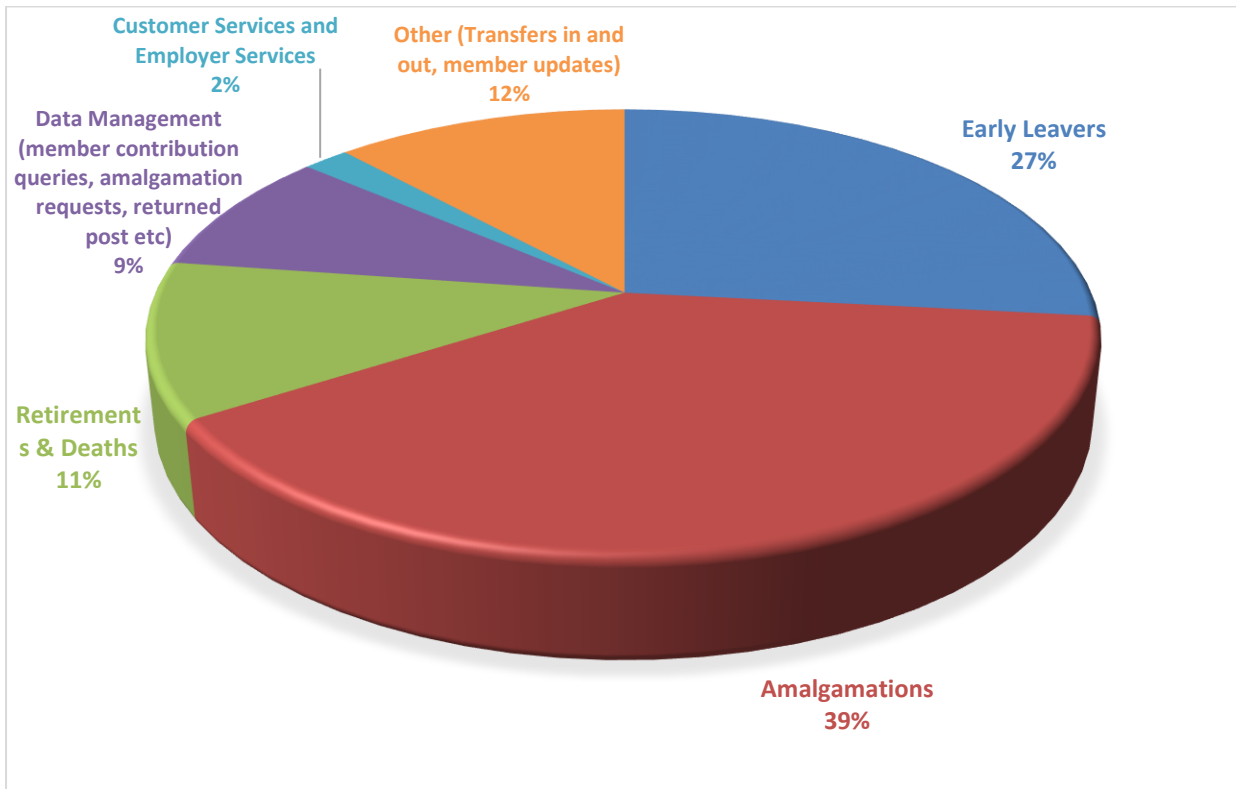
### 3.2 Workflow statistics

3.2.1 The process analysis statistics show details of overall workflow within the Pensions Administration Service during the period 1 April 2020 to 30 June 2020. During the period covered by this report, 32,421 administrative processes were commenced, and 33,018 processes were completed.

3.2.2 On 30 June 2020 there were 45,038 items of work outstanding. This represents a net reduction of 396 items outstanding compared to 31 March 2019 (45,434). Of the 45,038 items of work outstanding, 4,803 items were pending as a result of information awaited from a third-party e.g. scheme members, employers or transferring authorities and 40,235 processes are now either proceeding to the next stage of the process or through to final completion.

3.2.3 The overall impact of COVID-19 to date has seen the overall volume of incoming work and processes completed reduce compared to the same period last year, despite increases in member death notifications. In increase in volume of work (by 35%) in this area has impacted the normal processing times. The Fund is monitoring workloads on a weekly basis and ensuring resource is reallocated as far as possible to maintain service delivery and mitigate the impact on timescales and performance relative to KPI target. A summary of the processes started and completed is detailed in Appendix A.

3.2.4 The total number of processes outstanding remains high but continues to stabilise and can be broken down into the following key categories:



As shown in the graph above, most of the outstanding work is managing the movement of members between employments, where they have the option to amalgamate their records, and those members who leave the scheme before their retirement date. Since June 2019, the fund has seen c60% increase in this type of casework. Work has been focussed on reducing the volume of outstanding benefit processes for early leavers and this continues to reduce, with a 19% reduction since June 2019.

The Fund continues to review the volumes of incoming work and put in place plans to address high volume areas. This includes looking to increase the number of processes which could be completed in bulk and further analysis and review of the management of queries with employers to increase efficiency in processing.

3.2.5 A detailed analysis of the key processes completed 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 B.



## **4.0 Digital Transformation Programme**

4.1 The aim of the programme is to support the Fund to transform its administration services using information and technology to drive processing efficiencies and cost savings, whilst improving the service we provide to our members and responding to increasing volumes of benefit processing work.

4.2 Since the June 2020 report to Committee, the programme has seen some progress with the implementation of its key projects. An update on key development projects are detailed below:

### **4.2.1 Deferred Retirement Quotes Online**

As previously reported to Committee, 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, and has been working with our software provider to develop functionality to enable members to self-service and perform a retirement estimate online. In April, this was made available to members, and a total of 6803 estimates have been run by members, on demand, over the four months to the end of July.

The Fund has undertaken scoping of Phase two of this project, which will enable members to run a formal retirement quote and select their retirement options online, and it is anticipated this will be available by the end of the year.

### **4.2.2 Employer Hub**

The platform for exchanging data with our employers is the employer portal, which is key to ensuring efficient and secure exchange. The development work aims to improve the reporting functionality, user experience through design, availability of performance monitoring information and enable earlier issue resolution. Since June, a series of system demonstrations and user tests have been provshared with pilot employers and well received. The system is scheduled to undergo security testing by a third party provider prior to the planned go live from November.

### **4.2.3 Employer Web Trays**

This functionality enables queries with data to be raised with employers via the web portal with the process being sent to the employers' web-tray for action. This development supports the flow of information and assists in monitoring queries and resolution, providing insight to the development of employer communications and coaching material and supporting faster resolution. The functionality was moved into the live environment in August, for the pilot employer. This was a successful transition and the Fund is now planning the transition of further employers in the Autumn.

## **5.0 Key Performance Indicators (KPIs)**

- 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.
- 5.2 During the period the Fund did not achieve the KPI for Retirements, Notification of Estimated Benefits. This is due to an increase in the number of notifications received from employers the last two weeks in March and the transition of staff to homeworking, which saw a reduction in output. An improvement was seen in June and this has continued in subsequent months.
- 5.3 Further information on achievement of target KPIs by process by month over the reporting period is included in Appendix C.

## **6.0 Customer services**

- 6.1 An overview of our front-line customer contact activity is shown in Appendix D. This outlines the variety and volume of support provided by the Fund to address members' pension queries. An indication of the statistics for the previous year are included within the charts as a comparative measure.
- 6.2 The most popular queries to our contact centre remain as follows:
- Customers following up on an existing Fund process
  - Requests for Pensions Portal support
  - Enquires about accessing pension benefits
  - Request for support with a Fund Letter/Form
  - Members updating their personal details
- 6.3 Calls were lower throughout April to June, however, written enquiries and change of address processes have increased. We continue to explore ways in which efficiencies can be identified to manage the customer contact received. As detailed in the Customer Engagement Report, a number of mailings have been issued during the period, and these have been issued in a phased delivery to members, smoothing the impact on the contact centre and reducing call queues/written response times, allowing us to better serve our customers and reduce waiting times.
- 6.4 The email form on the Fund's website, which requests all of the necessary security information at the first point of contact, has continued to have a noticeable impact on email volumes and improve customer experience, and this has now replaced the customer services email address on the Fund's letterhead, and as a result, even more members are using the form and receiving a more efficient service.
- 6.5 The Fund's 'Google Mybusiness' profile is being utilised to respond to customer questions and reviews, whilst Google Posts allow the Fund to advertise key information such as coronavirus service updates, pension pay dates and pension increase information, allowing us to keep our members informed and also help them self-serve.

6.6 Customer feedback is key to understanding our customers' journeys, highlighting strengths and any gaps in the service delivered to our customers to ensure continual improvement to the services offered. Some service enhancements made during the period include:

- Revising the retirement payment letter to include additional guidance on income tax
- Revising the retirement quote letter to include more information on AVCs
- Improving the guidance notes on the sign in page of the Pensions Portal

6.7 During the quarter, the customer satisfaction surveys were placed on hold whilst we re-allocated all available resources to front line services, allowing the Fund to support as many members as possible whilst working from home. All surveys were issued in bulk in July, and the data will be shown in next quarter's committee report.

## **7.0 Complaints**

7.1 The Fund has a complaint monitoring framework, which enables regular monitoring and reporting of the volumes and key trends for the key performance indicator. Where a complaint highlights an improvement area, this is investigated and monitored to help shape future services and improve overall customer satisfaction going forward. This mirrors the process undertaken for general customer feedback as outline within the Customer Engagement Update.

7.2 The number of complaints received by the Fund is proportionally low compared to the number of scheme members, with 43 complaints received for the last quarter (less than 1%). During the reporting period 48% of complaints were upheld. Two areas most commonly raised issues during the period relate to processing timescales and regulation principles. We are enhancing the information available to members on our website and in our wider member services to increase awareness of common issues stemming from specifics within the LGPS scheme rules.

7.3 Over the last three years the Fund has developed services in several areas (from letters wording to workflow practices) based on the feedback received from members, improving overall service to members.

## **8.0 IDR (Internal Dispute Resolution Procedure) casework**

8.1 For 2019/2020, two cases remain on-going and are related to medical appeals.

8.2 In 2020/2021, six cases have been referred to Stage one of the procedure against the Fund. One case has been partially upheld and two cases have not up-held, the other three are still under investigation.

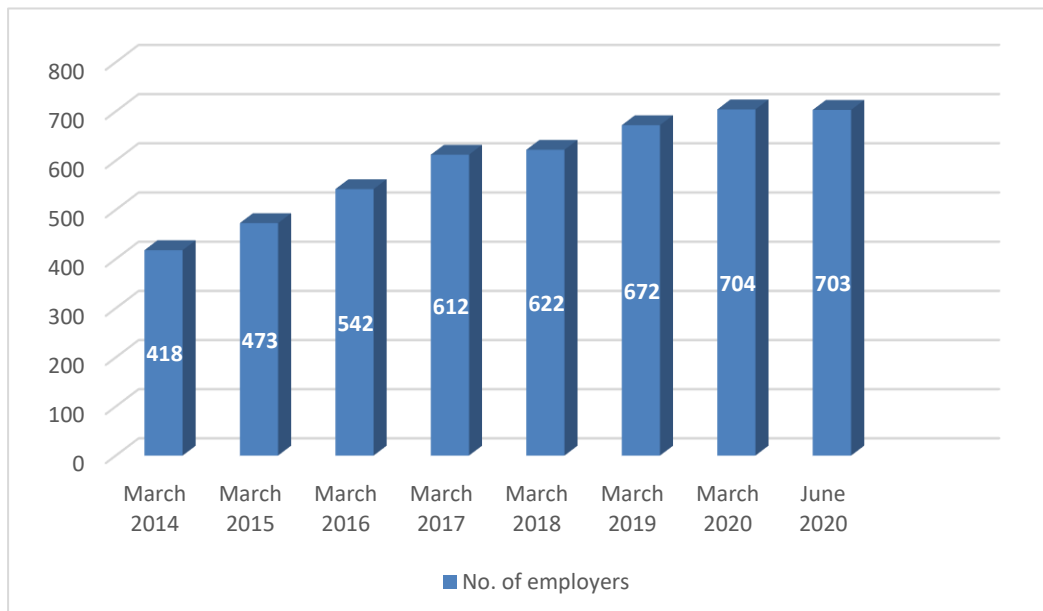
8.3 One case has progressed to Stage two of the procedure against the Fund, and this case is still under investigation. There are currently no Stage two appeals against employer decisions being investigated.

## 9.0 Death grant

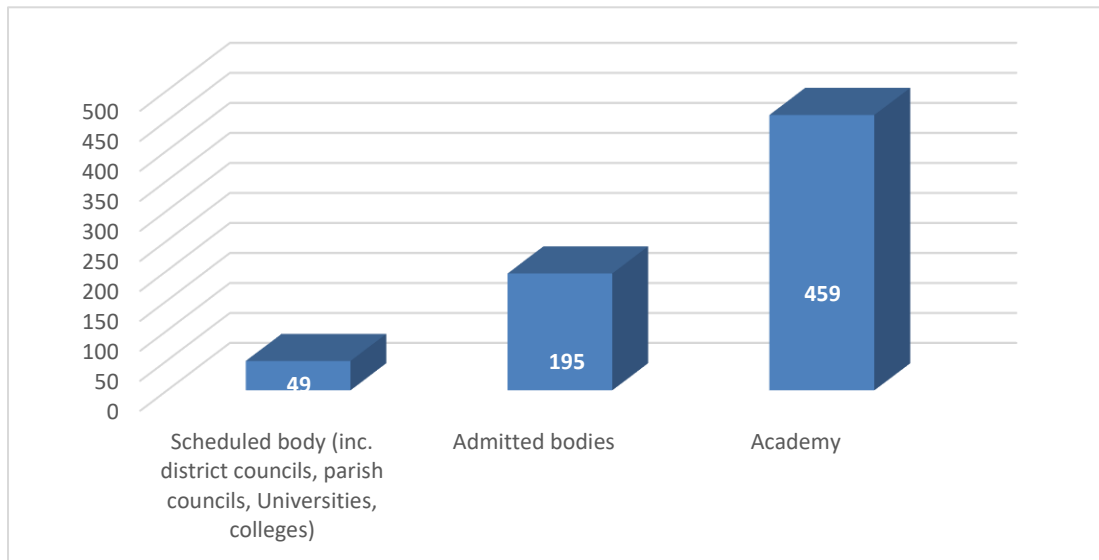
9.1 In this financial year no new cases have been referred to the Legal Department for consideration. Cases are being reviewed on a case by case basis in line with the agreed policy and case matrix. The Fund has introduced a death grant escalation panel where complex cases are discussed with senior managers.

## 10.0 Employer membership

10.1 The Fund has seen a slight drop in employer numbers this reporting period, with overall lower number of applications and terminations, and a number of applications in process but requiring the confirmation of pass through arrangements, currently taking additional time to action. This is expected to revert to an upward trend in employer numbers in the next reporting period. The number of employers registered with the Fund as at 30 June 2020 is 703 a 67% increase since March 2014 as shown in the graph below.



10.2 The employer base is categorised into the following employer types:



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

- 86 admission agreements
- 14 academies
- 54 employer terminations

### 11.0 Application for admission body status

11.1 Organisations must satisfy one or more of the admission criteria before they can be admitted to the Main Fund following Pensions Committee approving the applications. Sometimes a decision is required which is not compatible with the cycle of Pensions Committee meetings. In these circumstances, Pensions Committee has delegated responsibility for approving such applications to the Director of Pensions in consultation with the Chair or Vice Chair of Pensions Committee.

11.2 There have been 21 approvals requested from Committee regarding applications for admission to the West Midlands Pension Fund which have been approved by the Director of Pensions and either the Chair or the Vice Chair of Pensions Committee, which are detailed in Appendix E.

### 13.0 Pensions in payment

13.1 The gross annual value of pensions in payment to June 2020 was £564.35m, £16.0m of which (£8.2m for pensions increase and £7.8m for added year's compensation) was recovered from employing authorities and other bodies as the expenditure was incurred.

13.2 Monthly payroll details were:

Month	Number	Value (£)
April 2020	86,596	39,540,787
May 2020	86,460	39,587,498
June 2020	95,847	40,623,198

The June figure includes pensioners paid on a quarterly basis.

**14.0 Write-off policy decisions**

A write-off relates to pensions overpaid to members, after following the debt recovery policy, these cases become uneconomical to pursue or the estate has insufficient funds to recover. In general, an overpayment is generated by late notification of death of members.

A write-on relates to monies due to the members estate in order to make pension payments up to date of death. After correspondences, the legal representative is untraceable or does not wish to claim the funds.

14.1 Write-off and Write On analysis

The following write-offs and write on's of pension payments are reported in line with the Fund's policy:

Individual Value	Write Off		Write On	
	Number	Total	Number	Total
Less than £100	1	£64	7	£267
£100 - £500	36	£7,535	3	£493
Over £500	5	£10,289	0	£0
<b>TOTAL</b>	<b>42</b>	<b>£17,888</b>	<b>10</b>	<b>£760</b>

Of the cases where the payment has been written off:

- 33 cases are where the Fund has not received a response or are unable to trace the next of kin
- 6 cases are where there is no money in the estate to make the repayment
- 2 cases where the next of kin is now deceased
- 1 case of overpayment of pension

Of the cases where the payment has been written on:

- 9 cases where the Fund has received no response from the next of kin
- 1 case where the next of kin did not want to receive the payment

## 15.0 Transfer Out Cases

- 15.1 During the period 1 April to 30 June 2020, 298 transfer values were issued to members considering transferring their benefits out of the scheme (in the previous year, 1 April 2019 to 30 June 2019, 363 transfer values were issued to members).
- 15.2 In total 29 transfer payments made during the period 1 April 2020 to 30 June 2020 resulting in a total amount transferred of £1,588,166 (in the previous year 1 April 2019 to 30 June 2019, a total of £3,613,957 was transferred out). This amount is broken down as follows:

Value of Transfer Payments	Number of Transfer Payments
0 to £30,000	21
£30,001 to £100,000	3
£100,001 to £200,000	4
£200,001 to £300,000	0
£300,001 to £400,000	0
£400,001 to £500,000	0
Above £500,001	1
<b>Total</b>	<b>29</b>

- 15.3 In light of recent industry concerns regarding the potential for increased pensions scams during this time, the Fund has implemented additional steps and measures within the processes for transfer out requests which includes an enhanced level of manager review before payment of funds is actioned. Overall there has been a decrease in the number of transfer out requests, however, this is being monitored in consideration of the extension of lockdown and furlough scheme where individuals might be experiencing financial constraints and are being provided with information about transfer and the options for release of pension.

## 16.0 Financial implications

- 16.1 The report contains financial information which should be noted.
- 16.2 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. The Fund's actuary will initially, and at each triennial valuation or on joining intervaluation, set an appropriate employer's contribution rate based on the pension assets and liabilities of the individual employer.

## 17.0 Legal implications

- 17.1 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.

## 18.0 Equalities implications

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

**19.0 Environmental implications**

19.1 The report contains no direct environmental implications.

**20.0 Human resources implications**

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

**21.0 Corporate landlord implications**

21.1 The report contains no direct corporate landlord implications.

**22.0 Schedule of background papers**

22.1 None.

**23.0 Schedule of appendices**

23.1 Appendix A: Process Summary

23.2 Appendix B: Detailed process analysis

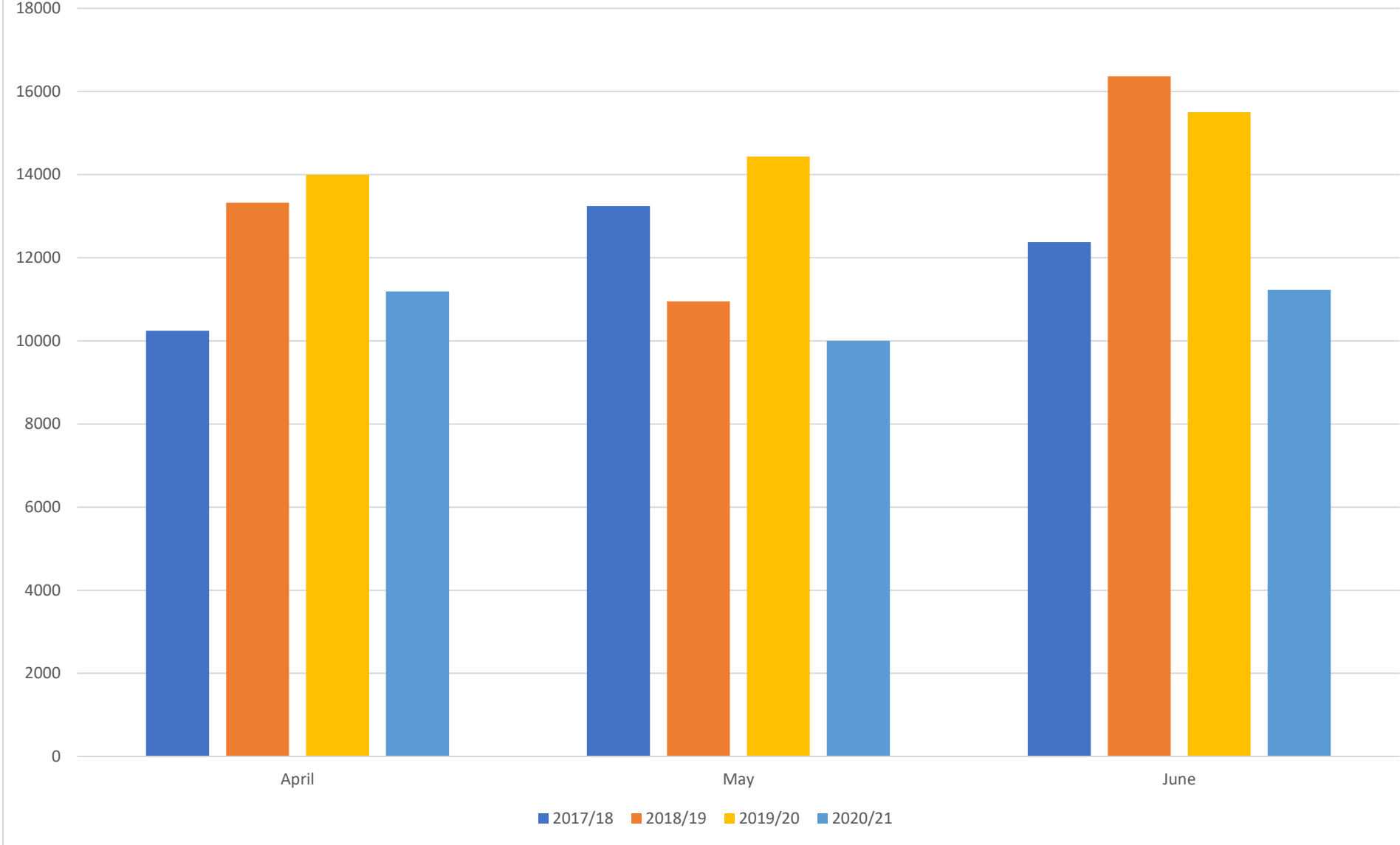
23.3 Appendix C: Key performance indicators (KPIs)

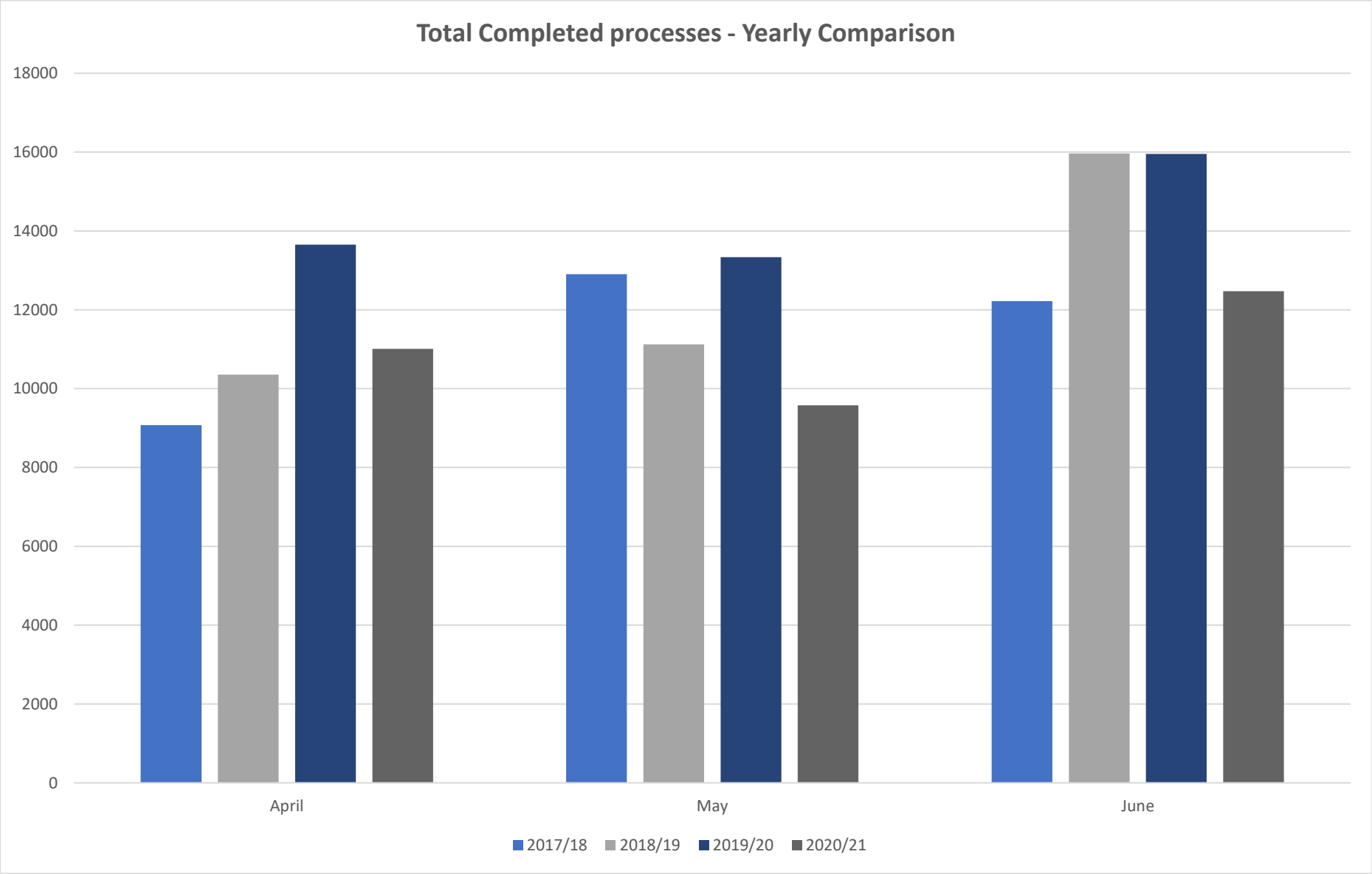
23.4 Appendix D: Customer service statistics

23.5 Appendix E: Admitted Body Applications



Total Processes started - Yearly comparison





**Pension Committee Statistical Report  
Detailed Process Analysis**

2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	April	May	June	YTD
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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	19939	1677	1099	741	3517
Changes in circumstances eg change in hours	18,759	15,303	12,385	11,273	6,391	8,752	6,370	5386	5725	6658	347	311	519	1177
Deferments	5,939	7,818	5,741	6,728	5,664	8,340	8,178	8629	15934	11994	974	688	642	2304
Active Retirements (Employer retirements)	3,317	3,950	2,475	2,279	2,351	2,775	2,593	2676	2280	2112	159	135	121	415
Deferred Retirements	3,332	2,970	2,971	2,726	2,301	3,421	3,552	4429	4814	5071	553	306	363	1222
Deaths of members	295	262	287	285	230	379	399	470	429	441	41	38	50	129

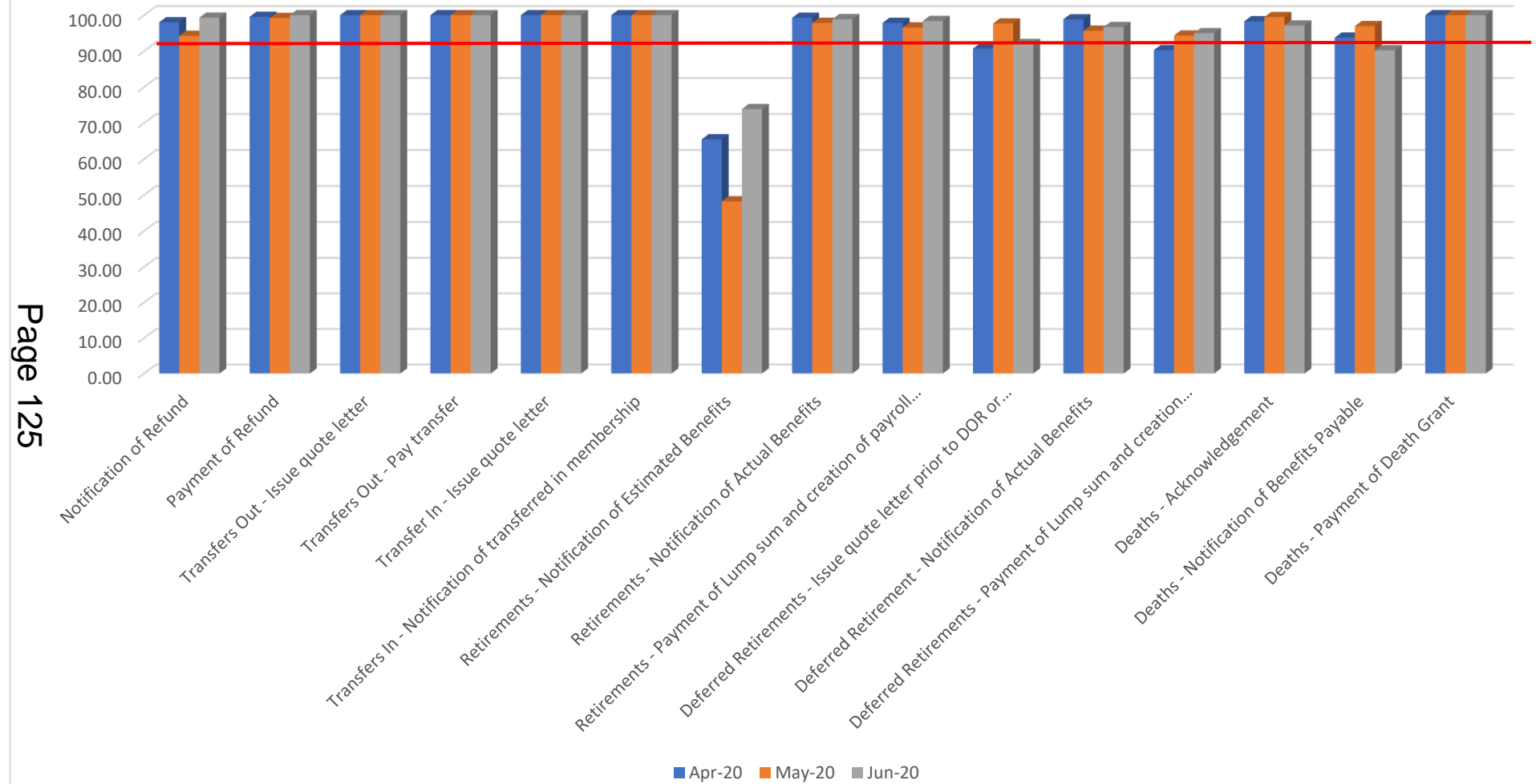
**Pensioner members**

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	1953	102	130	165	397
Changes of Address	2,420	2,681	2,131	1,732	1,733	2,237	2,589	3004	2628	2423	168	291	204	663
Changes of Bank	2,927	2,531	2,783	3,420	3,281	1,573	2,272	2214	1957	1874	107	132	117	356
Deaths of pensioners	2,085	2,145	2,101	2,546	2,454	1,702	2,813	2919	2793	2650	493	291	328	1112

Payroll														
Actual number paid	792,724	837,189	870,804	895,018	913,864	888,954	915,275	945,196	979,819	1,019,295	86,596	86,460	95,847	268,903

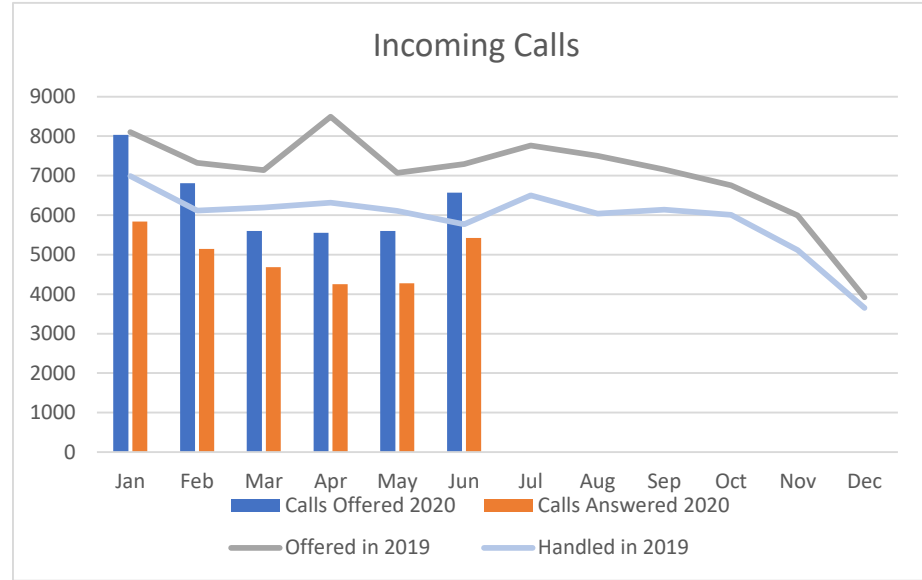
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### KPI's - Benefit Operations



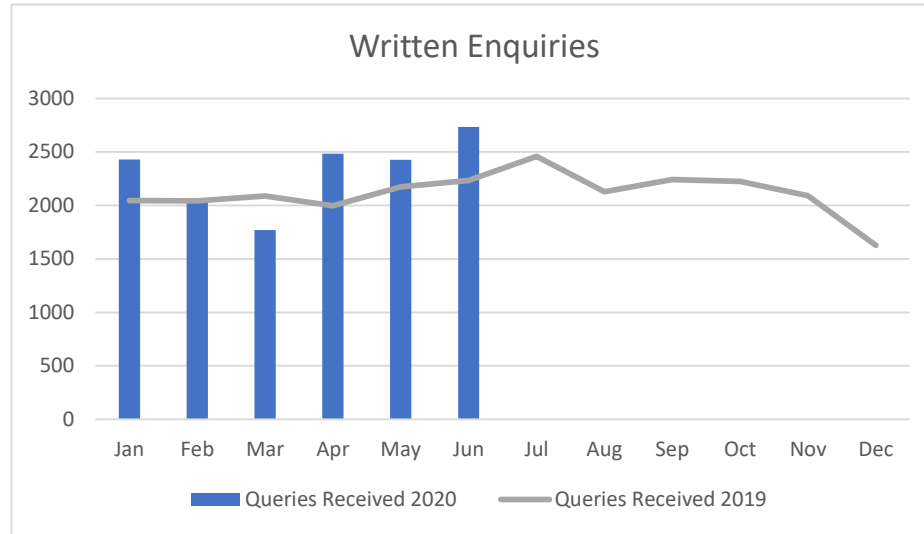
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### Appendix D: Customer Services Statistics April - June 2020



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Calls Offered 2020	8031	6812	5603	5552	5601	6572	6574	2835	0	0	0	0
Calls Answered 2020	5842	5149	4682	4252	4273	5426	5664	2367	0	0	0	0
Offered in 2019	8106	7325	7140	8494	7070	7294	7764	7503	7157	6753	5995	3920
Handled in 2019	6991	6120	6193	6315	6105	5773	6498	6042	6139	6010	5113	3651
Answer Rate (Target 85%)	73%	76%	84%	77%	76%	83%						

**Appendix D: Customer Services Statistics  
April - June 2020**

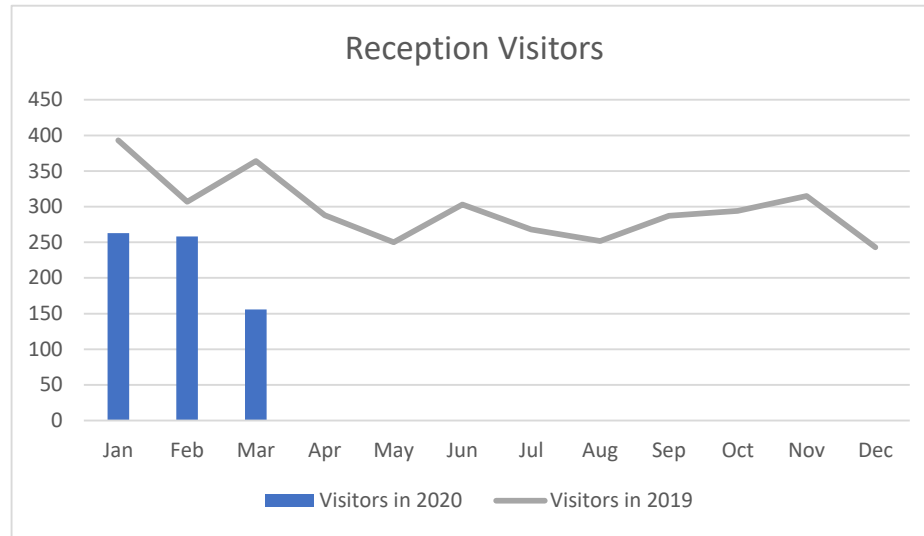


Queries Received 2020  
Queries Received 2019

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Queries Received 2020	2431	2039	1770	2485	2427	2734	2904	0	0	0	0	0
Queries Received 2019	2046	2044	2087	1997	2173	2234	2459	2129	2241	2224	2091	1627



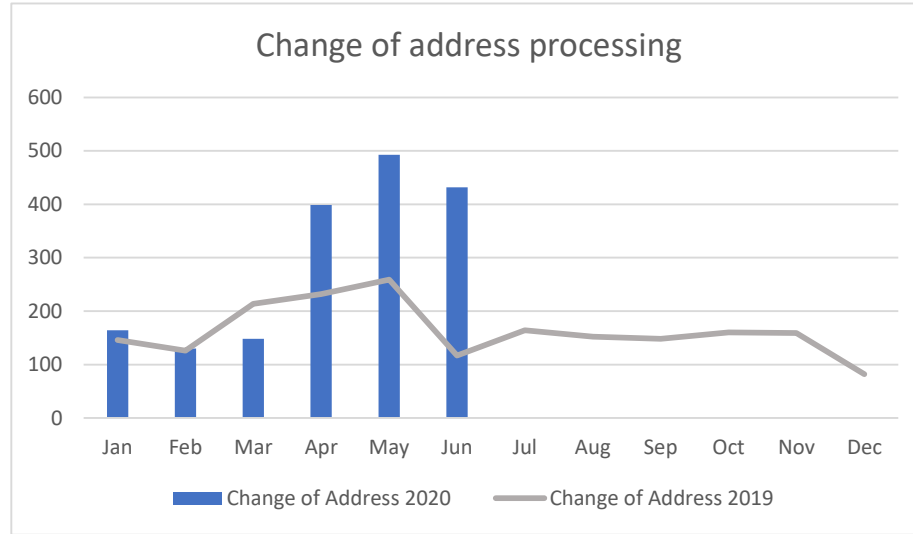
**Appendix D: Customer Services Statistics  
April - June 2020**



Visitors in 2020  
Visitors in 2019

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Visitors in 2020	263	258	156	0	0	0	0	0	0	0	0	0
Visitors in 2019	393	307	364	288	250	303	268	252	287	294	315	243

### Appendix D: Customer Services Statistics April - June 2020



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Change of Address 2020	164	130	148	399	493	432	420	443	0	0	0	0
Change of Address 2019	146	126	214	232	259	117	164	152	148	160	159	82

\*Increase seen in 2020 is seen due to targette mailings asking members to update their details on the portal and additional bulk mailings for DBS

**Application for admission body status**

Employer name	Guarantee Status (Agreement)	No. of employees (Scheme members) Agreement type	Status (Approved/pending approval)
ABM Catering Limited (Kings Heath Primary School)	Birmingham CC	1 (1) Closed	Pending approval
ABM Catering Limited (Raddlebarn Primary School)	Birmingham CC	3 (3) Closed	Pending approval
Alliance in Partnership Ltd (Saint John Wall Catholic School)	Birmingham CC	Awaiting confirmation (Awaiting confirmation) Closed	Pending approval
Aspens-Services Ltd (Pegasus Primary School)	Summit Learning Trust	3 (3) Closed	Pending approval
Aspens-Services Ltd (St James Church of England Primary School)	Birmingham CC	4 (4) Closed	Pending approval
Baileys Catering Limited (Woodthorpe Junior & Infant School)	Birmingham CC	3 (2) Closed	Pending approval
Bespoke Cleaning Services Ltd (Walsall College)	Walsall College	13 (13) Closed	Pending approval
Caterlink Limited (Cockshut Hill School)	Summit Learning Trust	8 (Awaiting confirmation) Closed	Pending approval
Compass Contract Services (UK) Ltd (Moor Green Primary Academy)	REAch2 MAT	2 (Awaiting confirmation) Closed	Pending approval
Compass Contract Services (UK) Ltd (St Francis and St Clare MAC)	St Francis and St Clare MAC	29 (Awaiting confirmation) Closed	Pending approval
Coombs Catering Partnership Ltd (Court Farm Primary School)	Birmingham CC	2 (2) Closed	Pending approval
Coombs Catering Partnership Ltd (Cotteridge/Kings Norton)	Birmingham CC	Awaiting confirmation (Awaiting confirmation) Closed	Pending approval

Coombs Catering Partnership Ltd (Redhill Junior & Infant School)	Birmingham CC	3 (3) Closed	Pending approval
Fit For Sport Ltd (Blue Coat Federation)	Blue Coat Federation	Awaiting confirmation (Awaiting confirmation) Closed	Pending approval
Mellors Catering Services Ltd (CORE Education Trust)	CORE Education Trust	Awaiting confirmation (Awaiting confirmation) Closed	Pending approval
Miquill Catering Limited (Bushbury Hill Primary)	Wolverhampton CC	3 (2) Closed	Pending approval
Miquill Catering Limited (Elston Hall MAT)	Elston Hall Multi Academy Trust	13 (13) Closed	Pending approval
Pendergate Ltd (Yew Tree Primary School)	Tudor Grange Academies Trust	2 (2) Closed	Pending approval
Premier Support Services Ltd (Lady Pool Primary School)	Birmingham CC	9 (2) Closed	Pending approval
SIPS Education Ltd (Sladefield Primary School)	Birmingham CC	5 (3) Closed	Pending approval
Compass Contract Services (UK) Ltd (DRG Ignite Mat)	DRB Ignite MAT	13 (Awaiting confirmation) Closed	Pending approval

<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Pensions Committee</b> 30 September 2020
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<b>Report Title</b>	Customer Engagement Update	
<b>Originating service</b>	Pension Services	
<b>Accountable employee</b>	Simon Taylor Tel Email	Head of Pensions 01902 554276 <a href="mailto:Simon.taylor2@wolverhampton.gov.uk">Simon.taylor2@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Rachel Brothwood Tel Email	Director of Pensions 01902 551715 <a href="mailto:Rachel.brothwood@wolverhampton.gov.uk">Rachel.brothwood@wolverhampton.gov.uk</a>

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**Recommendation for decision:**

The Committee is asked to approve:

1. The updated Customer Engagement Strategy.

**Recommendations for noting:**

The Committee is asked to note:

1. The engagement activity and customer support provided aligned to the Covid-19 restrictions.
2. The high-level overview of planned activity and changes made to the annual Customer Engagement Plan.

## 1.0 Purpose

- 1.1 To provide Committee with an update of the Fund's customer engagement activity from 1 April 2020 to 30 June 2020 and to cover future planned customer engagement activity in the context of the Fund's 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.

## 3.0 Member engagement

- 3.1 In accordance with the postponement of face-to-face engagement, the Member Service team re-launched its member support from the end June 2020 onwards via member webinars and followed up with individual telephone consultations as required. The webinars are a bitesize session of the "LGPS & You" presentation and last approximately 35 minutes. During this reporting period **4** webinars were delivered to **52** attendees. Webinars were continued to be delivered throughout July & August which are covered in section 6.1 of this report. The team is now delivering telephone consultations daily in replacement of member face-to-face one-to-ones.
- 3.2 Through the "Be Pension Smart & Take Control of your benefits" campaign the Fund continues to encourage members to manage their account online using the portal. During this reporting period registrations increased by **5,573**.
- 3.3 The Fund produced **95,455** Deferred Benefit Statements in June in order to update members of the current value of their benefits. We notified **41,936** members for whom we hold email addresses, that their statement was online, along with signposting to further support.
- 3.4 The Fund's Customer Services Team and Employer Services Team have maintained opening hours on the respective helplines during the Covid-19 outbreak. Further details of volumes and associated service levels are provided in the Pensions Administration report, with good levels of customer satisfaction retained during this period.
- 3.5 A short-term communication campaign, "Your pension is safe, we hope you are too" was rolled-out at the start of the Covid-19 pandemic to reach out to members and provide reassurance, FAQs, toolkits, guidance and assistance. The Fund emailed 56,003 active members and 30,396 pensioner members for whom we hold valid email addresses.
- 3.6 Following the merger from Equitable Life Assurance Society to Utmost Life & Pensions and based on advice which the Fund had received, **276** members who held additional voluntary contributions (AVCs) were written to in May notifying them of the switch in investment fund which took place on 1 July 2020.

- 3.7 As a result of the Covid-19 pandemic, certain AVC funds were impacted due to market-falls. The Fund emailed **2,582** members who held AVC savings with Prudential to inform them of the possible impact on some funds and to provide further guidance and to signpost relevant information.
- 3.8 Following a process of public consultation undertaken by the Ministry of Housing, Communities & Local Government (MHCLG), regulations were laid before parliament providing the merger of the former West Midlands Integrated Transport Authority (WMITA) Pension Fund into the West Midlands Pension Fund (WMPF) with effect from 1 April 2019. The Fund notified **275** active members, **555** deferred members and **3,400** pensioners of this change and to provide reassurance that there was no direct impact on their benefits
- 3.9 Over **95,000** "Be Pension Smart" newsletters were sent to pensioner members, containing a range of important information including 2020 Pensions Increase and pensioner pay dates.
- 3.10 Customer feedback is key to understanding our customer's journey, highlighting our strengths and any gaps in the service we deliver so that we can continually improve the services we offer. Some service enhancements already made include:
- Revising the retirement payment letter to include additional guidance on income tax
  - Revising the retirement quote letter to include more information on AVCs
  - Improving the guidance notes on the sign in page of the Pensions Portal
- 3.11 Since 30 June 2020 the Member Services Team is now delivering bitesize LGPS & You webinars, **28** member webinars have been delivered to **744** attendees during July & August, these were followed by **281** individual member telephone consultations.
- 3.12 **84,715** Annual Benefits Statements were produced by the statutory deadline of the 31 August 2020. The Fund issued **54,334** emails to member who have a valid email address to notify them that the statement is online along with various other beneficial support.

## **4.0 Employer engagement**

### **4.1 Employer Peer Group**

- 4.1.1 Due to the inability to meet face-to-face, the Fund hosted the June 2020 Employer Peer Group session via Microsoft Teams. The meeting was positive with all 12 employer representatives present. The content for the meeting included:
- Covid-19, including Employer Resilience survey and development of associated action plan, changes adopted by the Fund and suggestions for further future adaptations
  - Review of intended member and employer webinars
  - Consideration of Employer Mid-year Review content and access
  - Fund developments including Employer Hub, Web trays and Financial Statements

4.1.2 Following previous feedback from the group the Fund also held our first technical group session at the end of the meeting. The technical group was attended by 5 of the Peer group attendees who each raised queries for discussion which they were able to resolve through discussion with each other. These sessions will continue to be held after each meeting of the Peer Group going forward.

## 4.2 **Employer Webinars**

4.2.1 In a similar vein to the member webinars and acknowledging the need to evolve employer engagement in line with remote working requirements, the Employer Services team has delivered a total of 16 webinar sessions over the course of the last 5 months to 244 individuals from over 45 organisations, some of whom the Fund has never previously engaged with in respect to employer coaching.

4.2.2 Feedback from the sessions has been overwhelmingly positive, with 100% of respondents confirming they were either satisfied or very satisfied with the content and delivery. The following sessions have been delivered to date:

- New Starter inductions
- Pay and service
- Monthly Data Collection
- Refunds
- Deferrals
- Retirements
- TUPE Tenders and Pass through
- Pay and Service
- Employer Hub Demonstrations

## 4.3 **Employer Performance Meetings**

4.3.1 Utilising the virtual working arrangements currently in place, the Employer Services team have continued to hold performance meetings with various employers throughout the period. Employer performance is assessed in line with the Fund's Pension Administration Strategy (PAS).

4.3.2 During the period the Fund has held feedback and 11 performance meetings with 14 employers (5 larger employers and one Multi Academy Trust representing 9 employers within the Fund) and has also held discussions with a major payroll provider who acts on behalf of 74 employers within the Fund.

## 4.4 **Employer System Developments: Hub and Webtrays**

4.4.1 In advance of the Hub Pilot group commencing external testing during September three demonstration webinars were delivered by the Employer Services team to members of the Peer Group plus any employers volunteering to take part in the pilot group. A number of internal Fund teams also attended by way of training.



4.4.2 The sessions were well attended, and feedback was positive with many employers commenting that the new system looked better and appeared easier to use. Further engagement will take place directly with employers taking part in the pilot group closer to the testing window.

4.4.3 The employer webtrays are now live for one of the Funds major employers following adjustments made on receipt of feedback from the external testing stage. Engagement is now underway with members of the Employer Peer group who have requested inclusion in the second phase of roll out together with one of the major payroll providers

## **5.0 Internal engagement**

5.1 Recognising the importance of ensuring internal stakeholders are kept up to date on the Fund's progress and associated developments during the Covid-19 outbreak, particularly with increased remote working, the Fund has increased the contents of the monthly catch up to provide more sign posting and wellbeing support which is available to staff across the City.

5.2 To increase internal communication across the Fund and provide insight on the wider pensions industry, a new quarterly internal newsletter has been produced and sent to Fund staff in August, named the "Pensions Post".

## **6.0 Customer Engagement Strategy**

6.1 Outside of bespoke issues or new developments, the Fund's ongoing customer engagement is largely structured around the Customer Engagement Strategy and associated Customer Engagement Plan. Whilst the immediate focus for customer engagement has largely been around Covid-19 related matters, there has continued to be a range of engagement aligned to business as usual. The Customer Engagement Strategy has been reviewed, primarily to focus upon changes which need to be made in light of the Covid-19 pandemic, with the revised version provided in appendix A.

6.2 As confirmed, and appended to the June 2020 report, the Fund reviewed and updated the Customer Engagement Plan. Given the immediate restrictions and the likely requirement for social distancing measures for some time, but also recognising the planning required, the Fund has decided to cancel all face-to-face engagement until the end of December with a further review at that point. In place of this face-to-face engagement (roadshows, one-to-ones etc.) the Fund intends to continue to roll-out a series of webinars and facilitate other digital engagement methods where appropriate (more details provided in the future activity section below).

## **7.0 Future engagement**

7.1 Both Active & Deferred "Be Pension Smart" newsletters are in the final review ready to send to all Active & Deferred members over the next couple of months.

- 7.2 Given the annual roadshows cannot be delivered this year due to restrictions on providing face to face support, the Member Services Team has contacted all employers offering them and their staff a virtual roadshow for 2020, several employers have responded, further information will be covered in the next reporting period.
- 7.3 By way of follow up to the Employer Resilience Survey issued during the previous period, the Fund intends to use the bi-annual employer survey (due for issue during the autumn) to explore further the operational, financial and funding challenges on the horizon and in particular those which might impact on mid to longer-term covenant.
- 7.4 Increased engagement will take place with Employers with regards to the developments underway with respect to both the Employer Webtrays and Employer Hub. Communication plans and roll-out timetables for both are currently in the planning stages with the systems and Employer Services teams
- 7.5 Following the Consultation issued by MHCLG on 16 July 2020 regarding the impact of the proposed changes as a result of the McCloud judgement, the Fund issued a note to all its employers signposting the proposals and confirming the details for providing a response to the consultation. The Fund will be publishing a Special Employer Brief during the next period covering the McCloud remedy in more detail; to include the arrangements for data collection, information on the process and supporting documentation.

## **8.0 Financial implications**

- 8.1 The report contains no direct financial implications

## **9.0 Legal implications**

- 9.1 The report contains no direct legal implications.

## **10.0 Equalities implications**

- 10.1 The report contains no direct equalities implications.

## **11.0 Environmental implications**

- 11.1 The report contains no direct environmental implications.

## **12.0 Human resources implications**

- 12.1 This report contains no direct human resources implications.

## **13.0 Corporate landlord implications**

- 13.1 The report contains no direct corporate landlord implications.

#### **14.0 Schedule of Background Papers**

14.1 Member Frequently Asked Questions on LGPS and COVID-19  
(<https://www.wmpfonline.com/covid19faq>)

14.2 Employer Frequently Asked Questions on LGPS and COVID-19  
(<https://www.wmpfonline.com/CHttpHandler.ashx?id=17676&p=0>)

#### **15.0 Appendices**

15.1 Appendix A: Customer Engagement Strategy

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# CUSTOMER ENGAGEMENT STRATEGY 2020 SEPTEMBER 2020

Appendix A



West Midlands Pension Fund

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## THE AIM OF THIS ENGAGEMENT STRATEGY

### Raising Awareness and Aiding Understanding

The Customer Engagement Strategy sets out how we will engage, consult and involve our customers as we seek to put our customers at the heart of everything we do. 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 processes which are informed and prioritised according to the needs of our customers.

The strategy aims to inform our customers of the opportunities for them to engage and contribute towards the way we develop and deliver our services whilst emphasising that engagement sessions are not just about delivering information, but about enabling members and employers to work with the Fund to shape our services to be fit for the future.

We measure effectiveness through frequent surveys, feedback and internal reports to ensure we're improving customer satisfaction, engagement and relationships, and creating efficiencies within ongoing development and digital transformation.



## INTRODUCTION

West Midlands Pension Fund (WMPF) is one of the UK’s largest pension funds, managing and administering the pension interests of over 330,000 members and more than 700 scheme employers.

As a public service pension scheme, WMPF’s main focus is on providing a high quality service to its members to enable their planning for a comfortable retirement and our ability to assist them depends on our ability to manage and deliver a service that is responsive to their needs.



### Our Awards and Accreditations



#### Investors in People (IIP) - Gold Award

The Investors in People accreditation is much more than a business assessment. Investors in People aids in embedding excellence in an organisation and recognising the value and achievement of its people. Achieving ‘Gold’ status recognises our organisational excellence and is testament to the fact that everyone is fully engaged in our vision.



#### Customer Service Excellence

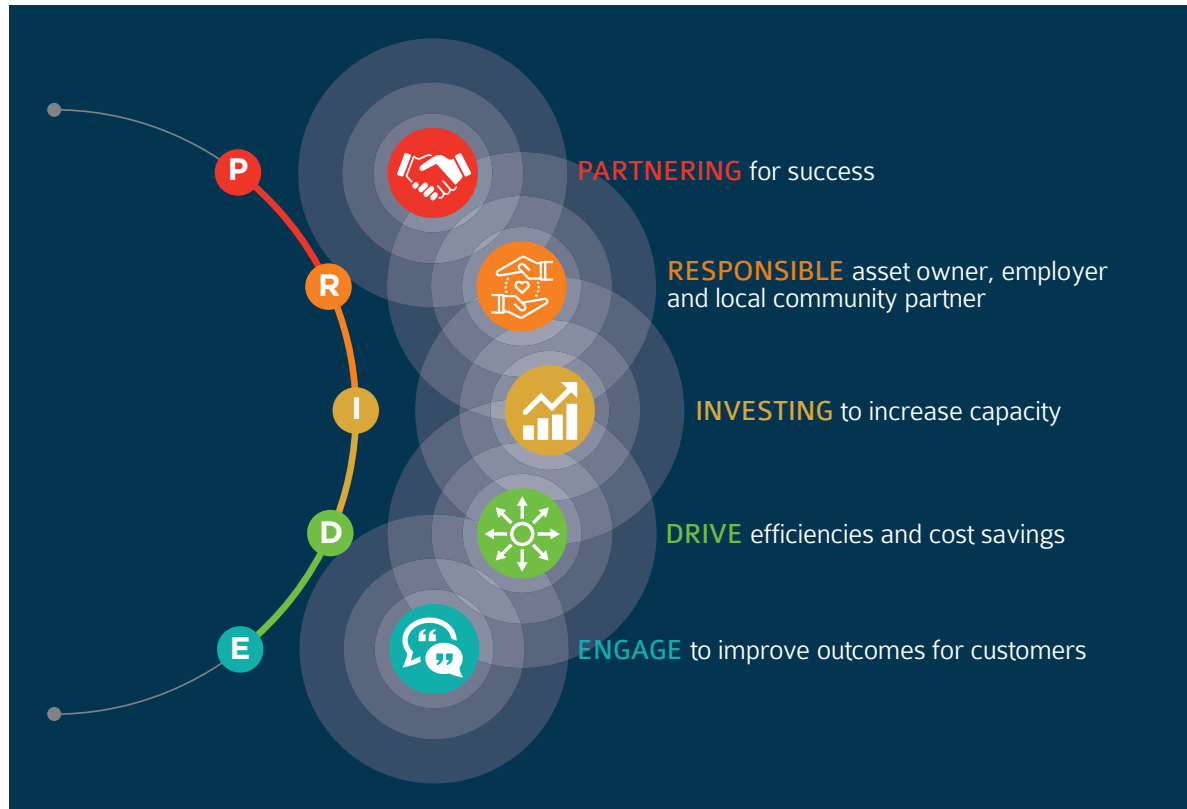
The Government wants public services for all that are efficient, effective, excellent, equitable and empowering – with the citizen always and everywhere at the heart of public service provision. With this in mind, Customer Service Excellence was developed to offer public services a practical tool for driving customer-focused change within their organisation. The West Midlands Pension Fund have been holders of this accreditation continually since 2008.



## AIMS AND OBJECTIVES

### Our Aims and Objectives

Our five objectives outline how we propose to deliver our main aim of contributing together for our member’s future.



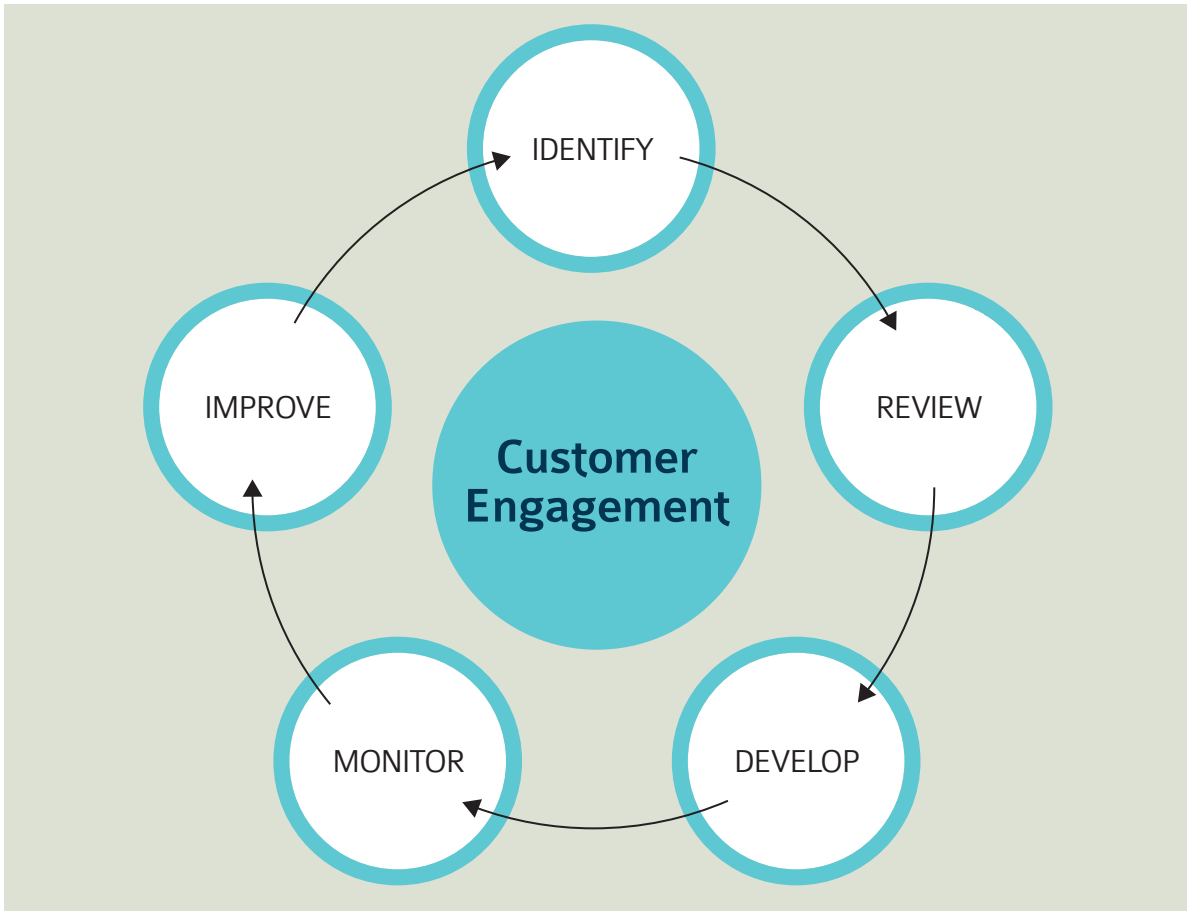
## OUR VALUES AND BEHAVIOURS

Strong values and behaviours have always been at the heart of the Fund and we believe that our passion, motivation, fairness and drive to stay connected resonates through the entire Fund which helps to shape the environment we work in and the work we do.

Place our customers first	Ensure ownership, responsibility and accountability	Have trust, mutual respect and professional integrity
Build long-term working relationships to deliver team and Fund objectives, raise the profile of the Fund	Learn from our experiences and share knowledge to get things right first time	Value our colleagues

## ENSURING THE ONGOING DEVELOPMENT OF OUR SERVICES

Ultimately, engaging with our customers helps the Fund to understand customer feedback, review and monitor service effectiveness, analyse performance, and develop and deliver a service that is focused on the requirements of our customers.



By taking the time to engage with our customers about the services we deliver, we aim to fully understand the use of our services and our customers' expectations in order to keep up to date with customer experience and changing needs. The Fund regularly reviews our performance to help maintain, build and develop partnerships with our stakeholders, utilising opportunities for service improvements and efficiency.

Effective customer engagement ensures the Fund is able to support our customers through significant events, equipping them with the knowledge to make decisions.

**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 CUSTOMERS AND STAKEHOLDERS

The Fund aims to have an inclusive and consistent approach to its customer engagement, we seek opportunities to reach out to representatives across the employer and member base to ensure a valued service is delivered.



### Members

The Fund has over 330,000 members and recognises that good customer engagement ensures we provide clear and concise information at the times when it's most important to assist our members in making the right decisions to help to secure their future pension benefits.



### Employers

The Fund has more than 700 employers including local authorities, the education sector (higher education, further education and academies), housing associations, private and voluntary sector organisations. In recognising the range of employers we have, the Fund tailors its engagement to ensure it delivers for differing employer needs.



### Partner organisations and trade unions

Being one of 88 Local Government Pension Scheme funds in England and Wales, we recognise the value in engagement with our partner organisations, be it other LGPS funds or the wider industry. The Fund has representatives from our trade unions sitting on Pensions Committee where they are invited to engage and debate issues relevant to our members. Five trade union representatives currently sit as member representatives on the Fund's Local Pensions Board.



### Statutory bodies

While being a service provider to our customers, the Fund is also a service user of national policy, guidance and legislation and engages at a national level on behalf of its customers, responding to consultation, ensuring the Fund continues to deliver outcomes for employers and members.

The City of Wolverhampton Council delegates responsibility for the administration and management of the Fund to the Pensions Committee. The Fund's Pensions Committee is predominantly made up of elected members and the Local Pensions Board is made up of an equal number of employee and employer representatives.

The Fund has in place a statutory Local Pensions Board whose role is to assist in the good governance of the scheme by ensuring compliance with statutory and regulatory duty. The Local Pensions Board consists of an equal number of employer (six) and member (six) representatives.

The Fund frequently engages with a variety of other supporting partners including the LGPS Scheme Advisory Board and other national bodies to ensure we receive industry insight and maintain best practice.

## THE PENSION JOURNEYS

### Members' Pension Journey

The Fund manages over 330,000 membership records (including active, deferred, pensioner and beneficiary). The Fund recognises that the journey of our customers can span a significant portion of their lifetime and vary between generations, as life events such as changing jobs or changing working hours, impact on pension benefits and options.



### Keeping up to date on your journey

**Pensions Portal:** Use the Pensions Portal to access to your Fund account information.

**Newsletter:** Annual newsletters from the Fund providing you with essential information about your pension benefits.

**Benefit statements:** Benefit statements are uploaded to the Pensions Portal, [check your Pensions Portal account](#) today!

Please [contact the Fund](#) if you couldn't find what you need.

## Employers’ Pension Journey

The Fund has more than 700 employers varying from local authorities and academies to charities and contracting bodies.

Our engagement strategy ensures the delivery and improvement of our services for all our employers whether they are just starting their journey with the Fund or going through a transition.



## HOW CAN YOU ENGAGE WITH THE FUND?

The Fund's aim is to ensure relevant information is available to its members in a timely manner and presented clearly. To ensure effective engagement, activities are developed in consideration of the knowledge, range of personal circumstances and contact method preferences.



The West Midlands Pension Fund has dedicated Customer Services team and Member Services team; both are specialist support functions of pension officers who have extensive knowledge and expertise of the Local Government Pension Scheme and are committed to supporting members by providing information on a wide range of pension matters.

**Contact via My Pension Portal**  
Using dedicated member Pensions Portal to send questions securely to the Fund and view your responses.

**Call the Fund's Dedicated Customer Services Team on 0300 111 1665**  
The Fund helpline is open Monday to Thursday – 8.30am to 5.00pm and 8.30am to 4.30pm on Fridays (the Fund offices are closed on bank holidays). Best time to call: the phone lines are usually less busy before 10.00am and between 3.00pm - 4.00pm.

**Write to the Fund**  
West Midlands Pension Fund  
PO Box 3948  
Wolverhampton  
WV1 1XP

**Email the Customer Services Team at**  
<https://wmpfonline.com/emailus>

The Fund aims to process your email as quickly as possible; however, during busy periods, this can take up to ten working days.

Please note that the email address above is for Member Support only. If you are a scheme employer, please click here for the Employer Services contact information.

**Visit [www.wmpfonline.com](http://www.wmpfonline.com)**  
Our website is kept up to date with the latest scheme and Fund information.

Members can access information in different formats, including booklets and videos as well as page text. If you require a copy of any information in a different format, we will be more than happy to facilitate this. Please contact us with your request at [www.wmpfonline.com/contactus](http://www.wmpfonline.com/contactus).

**Pre-Retirement**

**Roadshow Events**  
The Fund's Member Services team attend various employment locations across the West Midlands offering face-to-face services and appointments to the Fund members to discuss their retirement benefits, including AVC and APC options.

**Presentations**  
As well as roadshows and bespoke employer events, the Fund attends various corporate inductions for employees who are new to their employer outlining the benefits and rules which govern their membership of the LGPS.

**Bespoke Employer Events**  
These events are hosted for individual employers who are going through business change that affects individuals and can include retirement seminars, redundancy, TUPE, as well as information for high earners.

**Drop-in Sessions**  
The Fund has a dedicated reception to welcome members of the Fund who want to talk to the officers about their retirement benefits on a one-to-one basis.

**Member Newsletters**  
These are issued to members on an annual basis to keep them informed and updated about changes to the scheme which could impact on their pension benefits.

**Statutory Disclosures**  
These relate to changes in legislation or to the legal duty the Fund has to inform members about changes to the rules which govern their pension.

**Deferred Members**  
The Fund offers engagement specific for deferred members which includes regular mailings and correspondence encouraging deferred members to stay in contact through updating their details on Pensions Portal.

**Webinars**  
The Fund offers pre-retirement webinars to members which include outside working hours events as we appreciate there is not always time in the day to attend face-to-face support.


**Retirement**

**Pensioner Workshops**  
These are hosted by the Fund to learn from members' experiences of going through the retirement process. They also offer an opportunity to educate the pensioners of the Fund on the self-service options available to them to keep the Fund updated on their personal information via the Pensions Portal.

**Pensioner Mailings and Newsletters**  
The Fund produces regular payslips for members on a monthly, quarterly and annual basis (depending on how a member is paid). In addition, with every April payslip the Fund issues a P60 to all pensioners.

Together with the P60 the Fund issues a pensioner newsletter which outlines opportunities for pensioner members to become involved in the work of the Fund and details any changes to their pension benefits, payment dates, etc.

**For Overseas Members**  
The Fund recognises the importance of keeping these members informed; all correspondence and mailings as noted above are issued to the overseas members, the majority of which choose to receive their information via email, to ensure they receive it immediately it is issued.



The Fund has a dedicated Employer services team who are on hand to assist with enquires about Fund and employer responsibilities. The team offers support to a variety of employer types and can be contacted on the following email address: [wmpfemployerliaison2@wolverhampton.gov.uk](mailto:wmpfemployerliaison2@wolverhampton.gov.uk)

Alternatively, you can call the Fund’s dedicated employer helpline on **0300 111 6516**.


**Employer Coaching and Webinar Sessions**  
The Fund offers regular coaching sessions to employers which vary in topic from what it means to be an employer in the Fund, to training on Fund processes, including submitting financial information and monthly return files for reconciling the Fund’s membership.  
For more information about the sessions or to book yourself a place on one of the sessions, please visit our website or email the team at: [wmpfemployerliaison2@wolverhampton.gov.uk](mailto:wmpfemployerliaison2@wolverhampton.gov.uk)

**Employer Peer Group**  
This is a group of employer representatives who meet on a quarterly basis and discuss new initiatives and changes to the scheme processes and policies. The group provide valuable feedback to help shape the Fund’s services.

**Employer Survey**  
Every year, the Fund issues an employer survey seeking feedback on the services provided and the services employers want to see provided for the forthcoming year. This serves as a valuable education piece for the Fund enabling us to review the services we offer and ensure they deliver for our employers addressing their issues and requirement.

**Employer Briefing Note**  
On a quarterly basis, the Fund issues an employer briefing note which details changes in legislation, Fund processes and informs employers about upcoming events.

**Employer Events (Mid-Year Review and Annual General Meeting)**  
The Fund hosts employer events on a bi-annual basis and invites all employers to attend a half-day session to learn about the LGPS industry which includes topical presentations and interaction sessions.




Self-service helps members access secure self-service platforms and interact with organisations on a real-time basis. Members can follow the link to 'My Pensions Portal' to access their pension record.

In addition, the Fund continues to work with employers developing our services and online forms through the employer portal providing them an opportunity to self-serve also.

**Pensions Portal**  
In 2017, the Fund launched its new Pensions Portal, an online self-service platform for members. The portal allows members to run retirement quotes (active members), upload documents and change their personal information. Through the Fund’s digital transformation program, the aim is to provide for online services and updates to a member as their journey through the retirement cycle progresses.

**Employer Portal**  
The Fund has an employer portal, whereby employers can action and upload information (including monthly submission files). The aim being to facilitate efficiency in working practices, thereby improving the service received by our members.  
The Fund is due to roll out its new Employer Hub over the next 12 months and will be engaging significantly with all employer regarding this.



The Fund has a number of dedicated teams such as Data team, Finance team and Governance team work closely with different stakeholders, including Pensions Committee and Pensions Board, to ensure compliance with scheme regulations and other legislation.

**Pension Committee and Pensions Board Members**  
The Fund has a tailored training and development program for Trustees and Pensions Board members which assist them to meet their statutory requirement of having 22 hours training each year.

## CUSTOMER SAFEGUARDING

In the UK, the NHS defines safeguarding as 'protecting people's health, wellbeing and human rights, and enabling them to live free from harm, abuse and neglect'.

It is our responsibility to appropriately safeguard individuals, and it is a fundamental part of how we engage to improve outcomes for customers.

Where there is a safeguarding concern, we will engage with the customer and work closely with the relevant authorities to investigate and resolve issues raised.

For this process to be effective, we need to ensure that staff are suitably trained to be able to identify safeguarding concerns and to know how to deal with them should they arise. Staff receive regular safeguarding training, and we have appointed a Designated Safeguarding Lead, in addition to an Internal Safeguarding Board.

We are committed to maintaining confidentiality at all times, and expect all staff to comply with data protection law. Information will not be shared unless it is required, and, in these instances, it will be shared with the relevant authorities in the right way and at the right time to ensure that any potential risk is reduced or avoided.

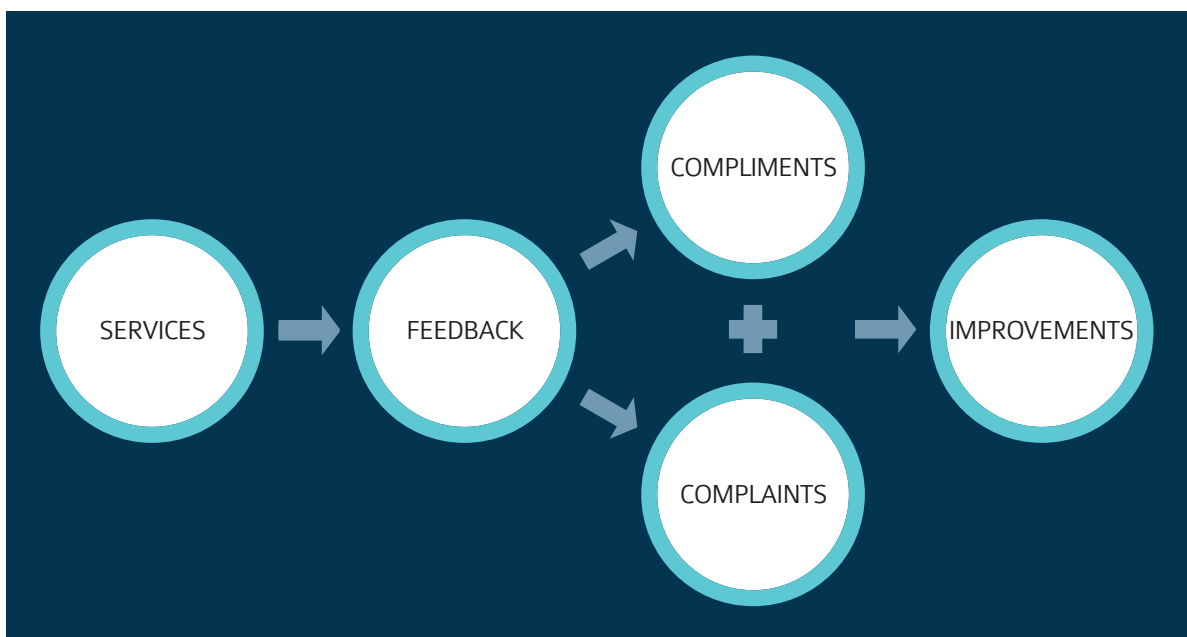
## SERVICE DELIVERY REVIEW

The Fund aims to deal with our customers fairly, promptly and to give them the best possible service in accordance with our standards and timescales. The Fund monitors the quality of our service and reports on how well we have lived up to the expectations of our customers.

To achieve our aim, we seek the reviews of our customers to help inform us on how well we are performing and any improvements we could make. We also aim to encourage feedback and comments regarding different communication channels in order to identify improvements and changes.

Please take a moment to share your views with us using this [online survey](#).

If you have any questions or requests that are personal to your account, you can use online, secure messaging to ask us a question within the Pensions Portal or you can call us on **0300 111 1665**.





## Compliments

Receiving praise for providing good customer service helps teams and individuals to improve and share areas of best practice. Your compliment will be sent to the line manager and the colleague(s) concerned, and we then share these within the organisation using our compliments register.

## Feedback/Suggestions

Customer feedback is key to understanding our customer's journey, highlighting our strengths and any gaps in the service we deliver so that we can continually improve the services we offer. To help us understand our customer's journey, we have introduced a range of 'post-event' surveys that invite members to share their experiences with a range of Fund processes. Surveys are continuing to expand and include:

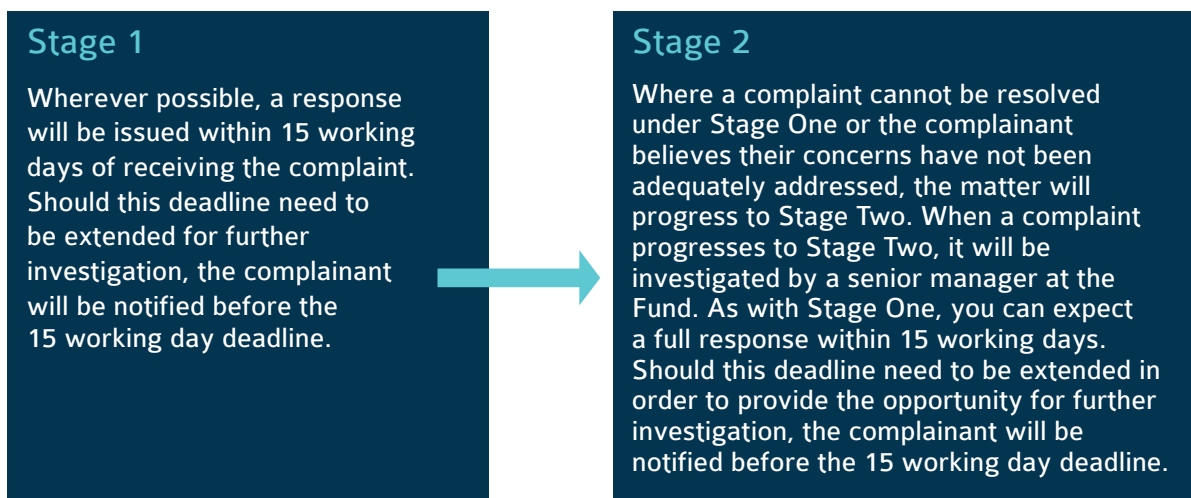
- New Joiner Surveys
- Retirement Surveys
- Transfer Surveys
- Customer Services Surveys
- Website Surveys

If you would like to provide feedback on the service you have received, please visit [www.wmpfonline.com/feedback](http://www.wmpfonline.com/feedback)

## Complaints

If something has gone wrong, we want to know so that we can put it right as quickly as we can for you. Where possible, the Fund will always try to resolve your complaint at the first point of contact. There will be times where we are unable to resolve a complaint raised at the first point of contact and where this occurs, the formal complaints process will begin, and the matter will be formally logged as a complaint.

The Fund has a two-stage complaints process:



### **Internal Dispute Resolution Procedure (IDRP)**

Where there is a pension dispute, the Fund has implemented a two-stage process in line with the Pension Regulator's Code of Practice.

The first stage requires members to complain to whoever they feel is at fault for a first instance decision. This might be their employer or the Fund itself. If the member is not satisfied with the outcome, or they haven't had a response within a reasonable time period, they may progress their dispute to stage two which involves the Fund's review of the decision.

Members wishing to use these processes must complete Form A which can be downloaded at [www.wmpfonline.com/memberforms](http://www.wmpfonline.com/memberforms).

A summary of the process followed by an employer and the Fund can be found using the following links:

[Decision of an employer](#)

[Decision of the Fund](#)

The full process is detailed in the following document: [Internal Dispute Resolution Procedure](#)

The Customer Engagement Strategy is subject to the Fund's programme of continual review and development to ensure the activities and opportunities we present achieve our aims and objectives. To measure this success, the Fund will focus on the following outputs:

- Improving our communication and accessibility of online services.
- Maintaining and improving Fund performance for processing member benefits.
- Reduction in outstanding data queries for employers.
- Improvement in timely and accurate submission of information to the Fund and to increase provision of Annual Benefit Statement and Deferred Benefit Statement to members.

Through our engagement activities, we report back on the successes or challenges of our engagement which have led to service development and improvements, reporting on a quarterly basis to our Pensions Committee our key performance indicators (KPIs) on customer service.

## MEMBERS' FEEDBACK

"I have had brain surgery and struggle with eyesight. The staff were magnificent. I went from being scared to confident because each time I phoned they put me at ease and made me feel cared for"

**Member calling helpline – July 2020**



"Despite the difficulties of lockdown. I found it easy to contact you and get the information I needed"

**Member calling helpline – July 2020**



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"You also encouraged me to ask questions throughout the session and ensured I understood what was being said – taking the time to go over particular areas that were complex and to my delight, all my queries were addressed"

**Fund member following a face-to-face consultation**



"Excellent service. I was going to refuse my offer and hadn't considered all the information well enough. I had a call back which I am so thrilled that I did now. The lady was so helpful"

**Member calling helpline – July 2020**



## EMPLOYERS' FEEDBACK

"Can I say I have received a number of comments from attendees who said the presentation was outstanding"

**Fund employer following a LGPS & You presentation for staff**



"Always welcoming and listen to what we say"

**Employer event attendee – February 2020**



"Many thanks for the retirement briefing session. It was really helpful and clear (which is quite an achievement with pensions)"

**Fund employer following a Pre-Retirement presentation delivered to staff**



## THE FUND'S FOCUS IN LINE WITH THE SERVICE PLAN

The Fund's focus is:

<p><b>ENHANCING MEMBER COMMUNICATION</b> and ensuring sound financial management through investment and funding strategy.</p> 	<p><b>DATA IMPROVEMENT</b> in line with The Pensions Regulator's expectations of data quality and the delivery of benefit statements.</p> 	<p><b>DIGITAL TRANSFORMATION</b> including service development that assists employers processing of monthly submissions.</p> 
<p><b>ENGAGE WITH EMPLOYERS</b> on the submission of data and ideas for future development.</p> 	<p><b>INCREASE REGISTRATIONS</b> for Pensions Portal and encourage self-service of our members.</p> 	<p><b>CONTINUED ENGAGEMENT</b> with other funds and other key stakeholders on member communication and other initiatives.</p> 
<p><b>WORK WITH OUR TRADE UNIONS</b> to shape and deliver our services ensuring they deliver for our members.</p> 	<p><b>INVEST</b> in our Pensions Committee and Pensions Board members to ensure they are able to meet their statutory duty on knowledge and understanding.</p> 	<p><b>INVEST</b> in the Fund workforce to ensure our employees are trained and developed in their specialised area able to respond to and support our customers and employers with their queries.</p> 

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Last updated:	March 2020
Next review:	September 2021

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