CITY OF WOLVERHAMPTON COUNCIL	**Pensions Board** 20 October 2020

Time	2.00 pm	**Public Meeting?**	NO	**Type of meeting**	Pensions

Venue Online Meeting

Membership

Employer Representatives
Jacqueline Carman
Cllr Jasbir Jaspal
Paul Johnson
Ian Martin
Joe McCormick (Chair)

Member Representatives
Sharon Campion (Unison)
Cllr Hazel Malcolm
Stan Ruddock (Unite)
Adrian Turner (Unison: Vice Chair)

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

Information for the Public

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

Contact Kirsty Tuffin
Tel/Email kirsty.tuffin@wolverhampton.gov.uk 01902 552873
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Agenda

Part 1 – items for Discussion

Item No. *Title*

1 **Apologies for absence**

2 **Declarations of Interest**

3 **Minutes of the Previous Meeting** (Pages 3 - 10)
[For approval].

4 **Matters arising**

5 **Annual Governance** (Pages 11 - 14)
[To approve Annual Governance matters of the Local Pensions Board in line with the good governance requirements of the Pensions Regulator (TPR) and the Scheme Advisory Board (SAB)].

6 **Customer Engagement Update** (Pages 15 - 38)
[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].

7 **Response to Covid-19** (Pages 39 - 44)
[To receive an update on the Fund's response to the current global pandemic and the steps being taken to mitigate service delivery impact].

8 **Pensions Administration Report from 1 April to 30 June 2020** (Pages 45 - 58)
[To receive an update on the routine operational work undertaken by the pension's administration service areas during the period 1 April to 30 June 2020].

9 **Regulatory Update** (Pages 59 - 64)
[To receive an update on key developments currently impacting the regulatory environment in which the Fund operates].

10 **Governance and Assurance** (Pages 65 - 78)
[To receive an update on the work of the Fund to deliver a well governed scheme].

11 **Annual Report and Accounts** (Pages 79 - 114)
[To receive an update on the preparation, approval and audit of the Statement of Accounts and the Annual Report for the year ending 31 March 2020 and the latter's publication on the Fund's website].

12 **Investment Governance** (Pages 115 - 146)
[To receive an update on investment related matters].

Agenda Item No: 3

CITY OF WOLVERHAMPTON COUNCIL	**Pensions Board** Minutes - 9 July 2020

Attendance

Members of the Pensions Board

Employer Representative
Jacqueline Carman
Paul Johnson
Ian Martin
Joe McCormick (Chair)

Member Representative
Sharon Champion
Stan Ruddock
Adrian Turner (Vice-Chair)

Employees

Rachel Brothwood	Director of Pensions - West Midlands Pension Fund
Jill Davys	Assistant Director - Investments and Finance – West Midlands Pension Fund
Peter Farrow	Head of Audit Services
Rachel Howe	Head of Governance and Corporate Services - West Midlands Pension Fund
Lauren Pote	Governance Support Officer – West Midland Pension Fund
Hayley Reid	Regulatory Governance Manager – West Midlands Pension Fund
Amy Regler	Head of Operations – West Midlands Pensions Fund
Simon Taylor	Head of Pensions - West Midlands Pension Fund
Kirsty Tuffin	Democratic Services Officer

Part 1 – items for discussion

Please note: The Pension Board meeting scheduled for 28 April 2020 was cancelled due to Covid-19. The 09 July 2020 meeting took place virtually but was not broadcast live via the City of Wolverhampton Council website however, the agenda pack discussed at the meeting was open to the press and public. A review will take place for the proceedings for the meeting scheduled on 20 October 2020.

Item No. *Title*

1 **Apologies for absence**
Apologies were received from Councillor Jasbir Jaspal.

2 **Declarations of interest**
There were no declarations of interest submitted.

3 **Minutes of the Previous Meeting**
That the minutes of the previous meeting held on 21 January 2020 be approved as a correct record.

4 **Matters arising**
There were no matters arising.

5 **Annual Governance Report**
Rachel Howe, Head of Governance and Corporate Services, presented the report on the Annual Governance matters of Local Pensions Board in line with the good governance requirements of the Pensions Regulator and the Scheme Advisory Board (SAB).

The Board were advised that changes made to the Pensions Board Terms of Reference, as per appendix A of the report, had been highlighted in blue. Changes had been made to ensure regulatory updates had been clearly incorporated and. The Pensions Board were asked to approve the nomination from the GMB Trade Union for the vacant member representative seat and to approve the deferment of the appointment of the employee representative nomination till October 2020. The Board were also asked to confirm the continuation of the roles of the Chair and Vice-Chair, in light of the current situation and in line with the arrangements for Pensions Committee.

Resolved:
1. That the revised Terms of Reference for the Local Pensions Board be approved.
2. That the continuation of the roles of the current Chair and Vice-Chair of the Local Pension Board until October 2020, noting the current environment, be approved.
3. That the nomination from the GMB Trade Union for the vacant member representative seat and the deferment of the completion of appointment to the vacant employer representative seat until October 2020 be approved.
4. Confirmed the following dates and time of the meetings of the Local Pension Board:
   Pensions Board – 2pm
   9 July 2020
   20 October 2020
   26 January 2021
   27 April 2021
5. Approved the Local Pension Board work-plan for the 2020-2021 municipal year.
6. That the Local Pension Board Conflicts of Interest policy be approved.
7. That the Training Policy developed for members of the Fund's governing bodies which was approved by the Pensions Committee on 17 June 2020 be noted.
8. That the publication of the national Scheme Advisory Board (SAB)'s annual report be noted.

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

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

The Board 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', three 'substantial' and no recommendations had been made. The Internal Audit Plan 2020-2021 had suggested possible audits to be completed in 2020-2021, outlined in the report and Pensions Board would be kept updated.

In response to a question from Paul Johnson, Peter Farrow, Head of Internal Audit confirmed that action had been taken in relation to the Treasury Management recommendation with satisfactory controls in place.

Resolved:

1. That the internal audit report for 2019 – 2020 be noted.
2. That the internal audit plan for 2020 – 2021 be noted.
3. That it be agreed that the Pensions Board be kept up to date on future audit reviews.

7 **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 risks rated red had been the cause of external factors outside the Fund's control.

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 Fund's Investment Risk and Assurance Framework developed as part of the Fund's Internal Controls Framework be noted.
4. That the compliance monitoring activity undertaken during the quarter be noted.

8 **Business Performance and Service Plan Update**

Rachel Howe, Head of Governance and Corporate Services, presented the report on how the Fund delivered 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.

9 **Annual Report and Accounts 2019 - 2020**

Jill Davys, Assistant Director, Investments and Finance presented the report on the preparation, approval and audit of the Statement of Accounts and the Annual Report for the year ending 31 March 2020.

The Board were advised that the Net Assets of the Fund had slightly dropped at the end of the financial year – 31 March 2020 to £15.3 billion but had increased back to £15.7 billion in June 2020in reflection of market recovery. In response to a question asked by the Board it was advised that it was unclear at this stage what the impact of market volatility on the Fund's assets would be longer term. More regular monitoring of the Fund's asset allocation and portfolio positioning was currently in place and would continue.

Resolved:

1. That the draft Statement of Accounts for West Midlands Pension Fund (incorporating the merger with the West Midlands ITA Pension Fund (WMITA Pension Fund) have been prepared and certified by the Section 151 Officer as required by regulations be noted.
2. That Subject to audit by the Fund's external auditors, Grant Thornton, the final version and audit opinion, together with the draft Annual Report will be reported to the Pensions Committee in September 2020 and the Local Pensions Board in October.
3. That the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 have extended the statutory accounting deadlines for completion of draft and final Statement of Accounts be noted.
4. That it be agreed that a further report on the Statement of Accounts be provided to the Pensions Board in October 2020.

10 **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 and future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy.

The Board were advised that an employer resilience survey had been conducted and the findings could be found in appendix B of the report. The Board were also informed that calls to customer services had changed in nature since Covid-19 and customer services employees had been provided with support and training to enabling them to be responsive to the different nature of calls being received to include increased rate of handling bereavement and loneliness.

Resolved:

1. That the postponement of review and potential revision to the Pensions Administration Strategy (PAS) and the associated consultation, as approved by Pensions Committee, be noted.
2. That the engagement activity and customer support provided in the context of 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

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

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

In response to a question from the Board, the Head of Operations confirmed that the Fund was monitoring deaths reported as Covid-related as certificates were received and that these had accounted for around 10% of overall deaths notified in the period.

Resolved:

1. That the pensions administration activity and that performance targets were met across the key benefit operations processes during the reporting period be noted.
2. That the impact of COVID19 on the workload volumes for pension administration be noted.
3. That the update on the progress of the Fund's Digital Transformation Programme be noted.
4. That the updated the Administering Authority Discretions Policy for 2020.

12 **Data Management**

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

The Board were advised that work on the Annual Benefit Statements (ABS) 2020 would commence that week and figures would be available within a couple of weeks, ahead of the 31 August deadline.

Resolved:

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

13 **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.

The Board were advised that following request to MHCLG, the Fund had been granted an extension to the timescale for finalising the WMITA Pension Fund 2019 valuation and associated report until 30 June 2020. The Board noted that the Main Fund funding level had increased by 13% over the three years to the 2019 actuarial valuation at 31 March 2019 and the total contributions expected to be paid to the Fund over the three years from April 2020 slightly increased overall compared to those payable following the 2016 actuarial valuation.

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 revised Funding Strategy Statement implemented for the Fund following consultation as part of the 2019 actuarial valuation be noted.
3. That the ongoing activity to oversee changes in employer funding arrangements and wider review of outcomes of the 2019 actuarial valuation be noted.

14 **Investment Governance**

Jill Davys, Assistant Director, Investments and Finance, presented the report on investment related matters including review of the Fund's Investment Strategy, the ongoing development of LGPS Central Investment Pool and the Fund's responsible investment activities.

In response to a question raised, the Board were advised that WMPF investment under the stewardship of the LGPS Central pool was around 80% of Fund assets with 40% of assets directly invested in LGPS Central Ltd sub-funds.

In presenting the Responsible Investment Framework, the Board note that the Fund had reviewed and set four overarching themes for engagement with a continued focus on Human Rights and Climate Change.

Resolved:

1. That the revised Investment Strategy Statement in place for the Fund following review in conjunction with the 2019 actuarial valuation, consultation and approval in March 2020 be noted.
2. That the Fund's updated Responsible Investment Framework incorporating updated Stewardship themes for the next three years, approved in June 2020, be noted.
3. That the Fund's Investment Risk and Assurance Framework, approved in June 2020, be noted.
4. That the update on investment governance matters including those in relation to responsible investment and investment pooling be noted.

15 **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 Board were provided with assurance of the Fund's service delivery and its ability to pay pension benefits when they fall due. The Board were advised of the steps that would be taken to ensure the ongoing safety of the Fund's employees in the preparation for re-opening of the Fund's office space. Members of the Pensions Board gave praise for the work of the Fund's employees during the current crisis.

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.

16 **Any Other Business**

Rachel Brothwood, Director of Governance, advised the Board that LGPS consultation on remedy for the McCloud ruling was expected to commence within a few weeks and once identified the Fund would be reaching out to employers to confirm additional data and information where required for implementation. It was noted that review and change to member benefits would apply automatically across the Scheme, member did not need to apply or make individual representation. The Board were asked to contact Officers if they wished to undertake any additional training not already signposted to them.

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Agenda Item No: 5

CITY OF WOLVERHAMPTON COUNCIL	**Pensions Board** 20 October 2020

Report Title	Annual Governance	
Originating service	Pension Services	
Accountable employee	Rachel Howe Tel Email	Head of Governance and Corporate Services 01902 55 2091 Rachel.Howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 55 1715 Rachel.Brothwood@wolverhampton.gov.uk

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Recommendations for decision:

The Pensions Board is recommended to:

1. Appoint the Chair and Vice Chair for the remainder of the municipal year.

2. Convene an Appointments Panel to receive nominations for an employer representative the year 2020-2021.

1.0 Purpose

1.1 To seek approval for Annual Governance matters of the Local Pensions Board in line with the good governance requirements of the Pensions Regulator (TPR) and the Scheme Advisory Board (SAB).

2.0 Background

2.1 The Local Pensions Board is a statutory Board created by the Public Services Pensions Act 2013 and governed by the Pensions Regulator's (TPR) Code of Practice 14.

2.2 The Act set out the legal requirements for creating a local pensions board including how persons should be appointed and the proportion of membership, requiring equal numbers of employer and member representatives with a minimum of 2 of each.

3.0 Nominations of the Chair and Vice Chair

3.1 At its meeting on 9 July the Board, in consideration of the uncertain environment relating to the Covid pandemic, agreed to defer the annual appointment of the Chair and Vice Chair, instead reconfirming the appointment of the current Chair (Joe McCormick) and Vice Chair (Adrian Turner) until October 2020. Noting that the continuation of these appointments would benefit the Fund during this period of change and uncertainty with such deferring of annual appointments being a consistent approach across the majority of Local Authorities in the region.

3.2 The current operating environment remains uncertain due to the ongoing pandemic and lockdown restrictions. The Scheme is also currently experiencing review and regulatory change, set to impact both members and employers of the Fund.

3.3 The cycle of nominations for Chair, seek to appoint an alternating employer and member representative each year. Given the delayed process for 2020/21 any new appointment to Chair will remain in post until June 2021 (7 months) when the annual cycle of nominations will commence once again.

3.4 To allow a fair proportion of time as Chair, it is proposed that the current appointments continue for the remainder of the year. This would allow for consistency in the Board during these uncertain times and would afford the incoming nominee a full term as Chair. This approach is consistent with the Pensions Committee where no new nominations have been received throughout Autumn, following the deferment of Annual Councils from May.

4.0 Local Pension Board Appointments 2020-21

4.1 Employer Representatives

4.1.1 At their meeting on 21 January the Board agreed to instigate the nominations process and form an appointments panel in line with the terms of reference for the Local Pension Board. In accordance with the appointments process the employer vacancy was advertised amongst the Fund's employer group during March 2020. However, due to the Covid-19 pandemic the process was suspended in April 2020.

4.1.2 The appointments process was subsequently restarted in September 2020 and the employer vacancy has again been advertised among the Fund's employer group with applicants asked to submit applications by 30 September 2020.

4.1.3 The Board are again requested to form an appointments panel which in accordance with the Terms of Reference agreed on 9 July should consist of the Chair and Vice-Chair together with the Director of Pensions and the Head of Governance and Corporate Services. The panel will consider applicants for employer representatives and their capacity to sit as a member of the Board (which may include a formal interview process).

4.2 Member Representatives

4.2.1 The Board will recall that at their meeting on 9 July they approved GMB's nomination for the vacant member representative seat. Unfortunately, GMB have subsequently withdrawn their nomination. The Fund will continue to liaise with GMB regarding a nominee.

4.2.2 The Fund is also in the process of contacting Unite for a further nomination, following confirmation received in October 2020, that Michael Foxall would be standing down from the Board.

5.0 Financial implications

5.1 The cost of the Local Pensions Board is contained within the Fund's Governance budget approved by the Committee at its March meeting.

5.2 A failure to comply with statutory requirements and/or guidance could result in a fine imposed by the Pensions Regulator.

6.0 Legal implications

6.1 The requirement for a Local Pensions Board is set out in the Public Service Pensions Act 2013. It is a statutory body with statutory responsibilities. Failure by an LGPS Fund to comply with the statutory requirements could result in a fine or legal notice being imposed.

7.0 Equalities implications

7.1 The Board's terms of reference, role profile and job description have all been drafted in consideration of the Equality duty. There are no implications.

8.0 Environmental implications

8.1 There are no direct environmental implications.

9.0 Human resources implications

9.1 There are no direct human resources implications.

10.0 Corporate landlord implications

10.1 There are no direct corporate landlord implications.

11.0 Schedule of background papers

11.1 Public Service Pensions Act 2013
http://www.legislation.gov.uk/ukpga/2013/25/contents

11.2 The Pension Regulator's Code of Practice 14
https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes

11.3 Scheme Advisory Board Statutory Guidance for Local Pensions Board
http://lgpsboard.org/images/Guidance/LGPS_Board_Guidance_FINAL_PUBLISHED v1%201clean.pdf

11.4 Local Pensions Board – Pension Bard Governance – 9 July 2020
https://wolverhampton.moderngov.co.uk/documents/s147996/Local%20Pensions%20Board%20Annual%20Governance%20Report.pdf

12.0 Schedule of appendices

12.1 None.

Agenda Item No: 6

CITY OF WOLVERHAMPTON COUNCIL	**Pensions Board** 20 October 2020

Report Title	Customer Engagement Update	
Originating service	Pension Services	
Accountable employee	Simon Taylor Tel Email	Assistant Director (Pensions) 01902 55 4276 Simon.taylor2@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 55 1715 Rachel.brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Pensions Board are recommended to note:

1. The engagement activity and customer support provided aligned to the Covid-19 restrictions.

2. The updated Customer Engagement Strategy.

3. The high-level overview of planned activity and changes made to the annual Customer Engagement Plan.

1.0 Purpose

1.1 To provide the Board 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 Services team re-launched its member support from the end of 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 and 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 1st 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** induvial 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 survey

4.1.1 By way of follow up to the April 2020 Employer Resilience Survey, the Fund has issued our bi-annual employer survey 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. Results should be available towards the end of October with a summary provided in the next Board report.

4.2 Employer Peer Group

4.2.1 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

4.2.2 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 five of the Peer Group attendees who each raised queries for discussion, which they were able to resolve through conversation with each other. These sessions will continue to be held after each meeting of the Peer Group going forward.

4.3 Employer Webinars

4.3.1 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 five months to **244** individuals from over **45** organisations, some of whom the Fund has never previously engaged with in respect of employer coaching.

4.3.2 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
- Deferments
- Retirements
- TUPE Tenders and Pass through
- Pay and Service
- Employer Hub Demonstrations

4.4 Employer Performance Meetings

4.4.1 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).

4.4.2 During the period the Fund has held **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.

4.5 Employer System Developments: Hub and Webtrays

4.5.1 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.

4.5.2 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.

4.5.3 The employer Webtrays have now gone 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 employees in August, titled 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 July 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 Increased engagement will take place with employers regarding 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.

7.4 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 Schedule of appendices

15.1 Appendix A: Customer Engagement Strategy

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CUSTOMER ENGAGEMENT STRATEGY 2020
SEPTEMBER 2020

Appendix A

West Midlands Pension Fund

CONTENTS

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.

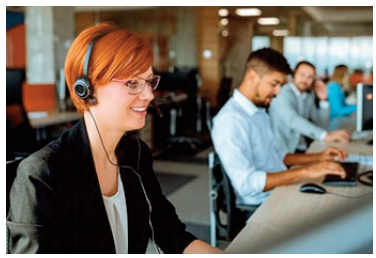
The strategy aims to inform our customers of the opportunities for them to engage and contribute towards the way we develop and deliver our services whilst emphasising that engagement sessions are not just about delivering information, but about enabling members and employers to work with the Fund to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

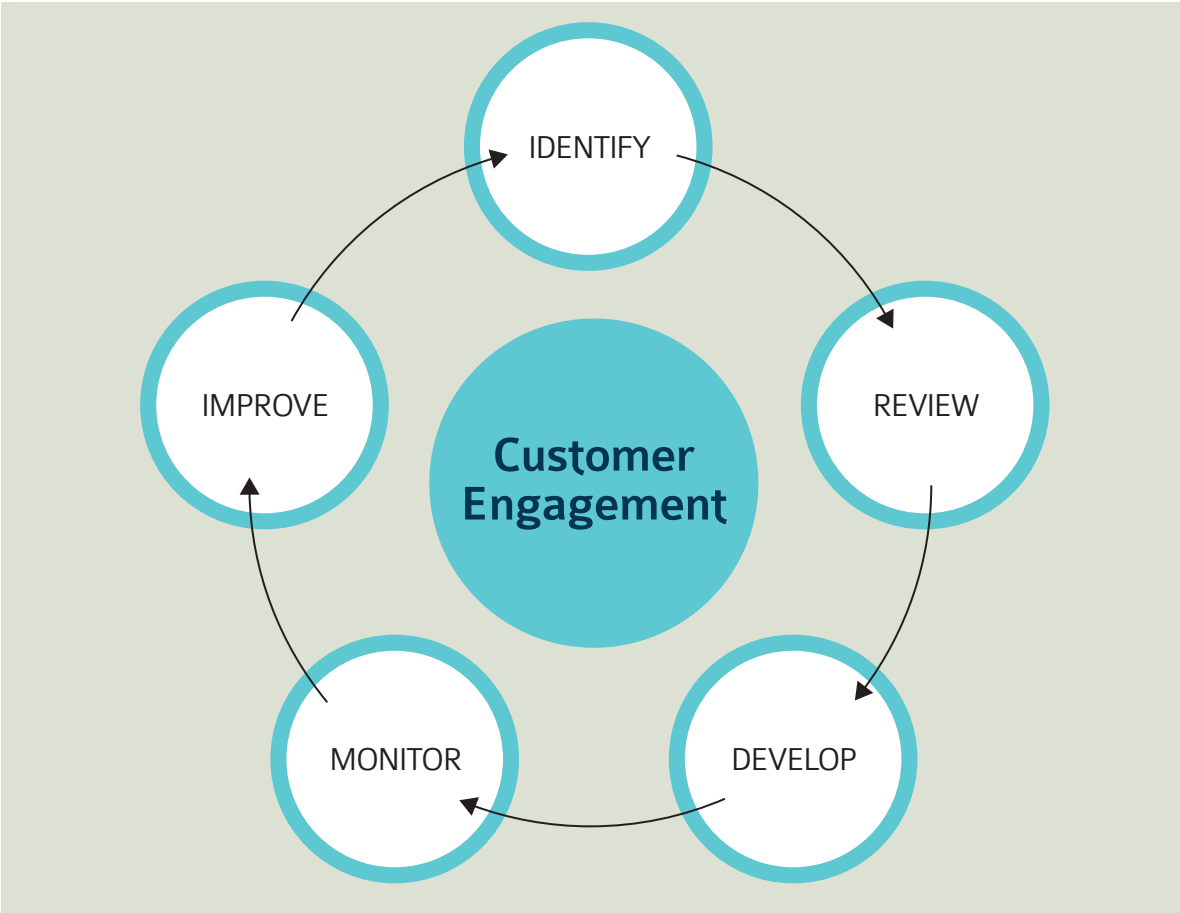
OUR VALUES AND BEHAVIOURS

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 is of an equal number of employee and employer representatives.

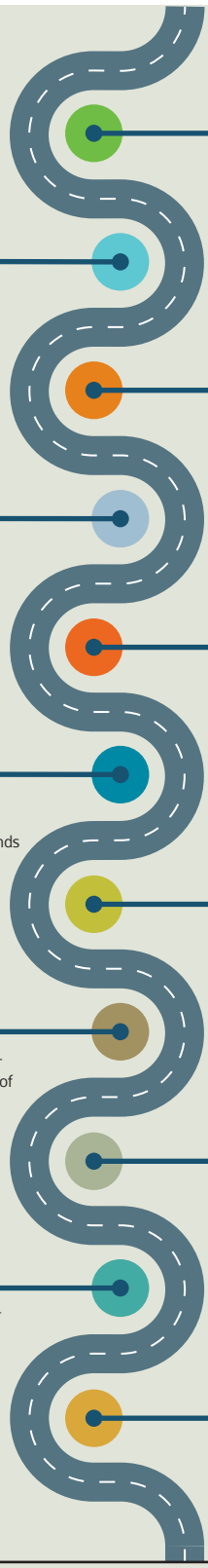
The Fund has in place a statutory Local Pensions Board whose role is to assist in the good governance of the scheme by ensuring compliance with statutory and regulatory duty. The Local Pensions Board consists of an equal number of employer (six) and member (six) representatives.

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.



New joiner

There are a number of benefits of joining our scheme, please click here to view our key features.

Change jobs/promotion

If you change jobs your workplace pension still belongs to you. If you do not carry on paying into the scheme, the money will remain invested and you'll get a pension when you reach the scheme's pension age.

You can join another workplace scheme if you get a new job.

Please click "Thinking of transferring in a previous pension" for more information on this process.

Marriage status

Life events such as a change in marital status can have an effect on the pension benefits due. For more information, click the links below:

- How is a partner's pension worked out? (death in service)
- How is a partner's pension worked out? (death of a deferred member)
- How is a partner's pension worked out? (death after retirement)
- Pensions and divorce/dissolution

Pensions Portal

As a member of the scheme, you can register to use the Fund's Pension Portal to:

- Access your pension record
- View your annual statement, your pension payslips and your P60
- Calculate retirement quotes (active members)
- View and amend your personal information
- Upload documents

For more information, including Pensions Portal guidance notes, please click here.

Leave of absence

During paid leave, you and your employer carry on making pension contributions.

During unpaid leave, you may be able to make contributions if you want to.

Please click "Leave of Absence" for more information on this process.

Leaving: Redundancy

If you are aged 55 or over, your main benefits are payable immediately without any early retirement reductions if your employer makes you redundant or you are retired on the grounds of business efficiency.

Please contact us for more information on this process.

Leaving: Voluntary retirement

You can voluntarily retire and draw your pension benefits at any age on or after age 55 and before age 75.

Please see "Voluntary Retirement" for more information on this process.

Leaving: Flexible retirement

From age 55, if you reduce your hours or move to a less senior position, and your employer agrees, you can draw some or all of the pension benefits you have built up.

Please see "Flexible Retirement" for more information on this process

Leaving: Ill-health retirement

If you have to leave work due to illness, you may be able to receive immediate payment of your benefits.

Please see "Ill-health retirement" for more information on this process.

Death

If you would prefer to contact the Fund direct to notify us of your bereavement, please call our Customer Services team on **0300 111 1665** or email www.wmpfonline.com/contactus

Tell Us Once is a service allows the bereaved person to inform central and local government services of the death at one time rather than having to write, telephone or even attend each authority individually.

Please click "Notify Us of a Death" for more information on this process.

Beneficiary

As a member of the Local Government Pension Scheme (LGPS) you have the peace of mind that should anything happen to you, comprehensive benefits are paid out of the Scheme to your beneficiaries.

Please log onto the Pension Portal to update your nominees for possible payment of any death grant on the event of your death

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.

Application

- **Admission Body**
  Please click "Admission Body" for more information
- **Academies**
  Please click "Academies" for more information

Employer coaching and webinar sessions

Coaching sessions are available for all employers to assist the development of knowledge and understanding of the Fund, the web portal facility, Fund administration requirements and a Fund employer's role and responsibilities. These sessions are free of charge and ordinarily take place in our office in Mander House when circumstances allow. They are complemented by a suite of bite-size interactive webinars on a range of topics. Please click www.wmpfonline.com/article/13893/Events for more details

Discretionary policy statement

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

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

Please click "Guides and sample documents" for more information.

Monthly data collection (MDC)

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

How to upload your file:

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

Please see "Monthly Data Submissions" for more information on this process.

Actuarial valuation

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

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

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

For more information please refer to the Fund's Funding Strategy Statement and the 2019 Actuarial Valuation results.

Pension Administration Strategy and Employer Engagement Roadmap

The PAS sets out the roles and responsibilities of employers and the Fund and is complemented by the Engagement Roadmap which details the methods of engagement and routes of escalation for the Fund.

Employer support

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

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

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

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

Please contact us if you couldn't find what you need:
Dedicated helpline: 0300 111 6516
Email the team: wmpfemployerliaison2@wolverhampton.gov.uk

Financial data collection

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

Termination

Please refer to the Fund's policy regarding this by clicking here.

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
Our website is kept up to date with the latest scheme and Fund information.

Members can access information in different f ormats, 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.

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

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

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 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 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.

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.

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 regrading 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.

Our Customer Engagement Plan is appended to this document highlighting the various events and locations where Fund stakeholders can engage with the Fund. Click Customer Engagement Plan for more information.

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.

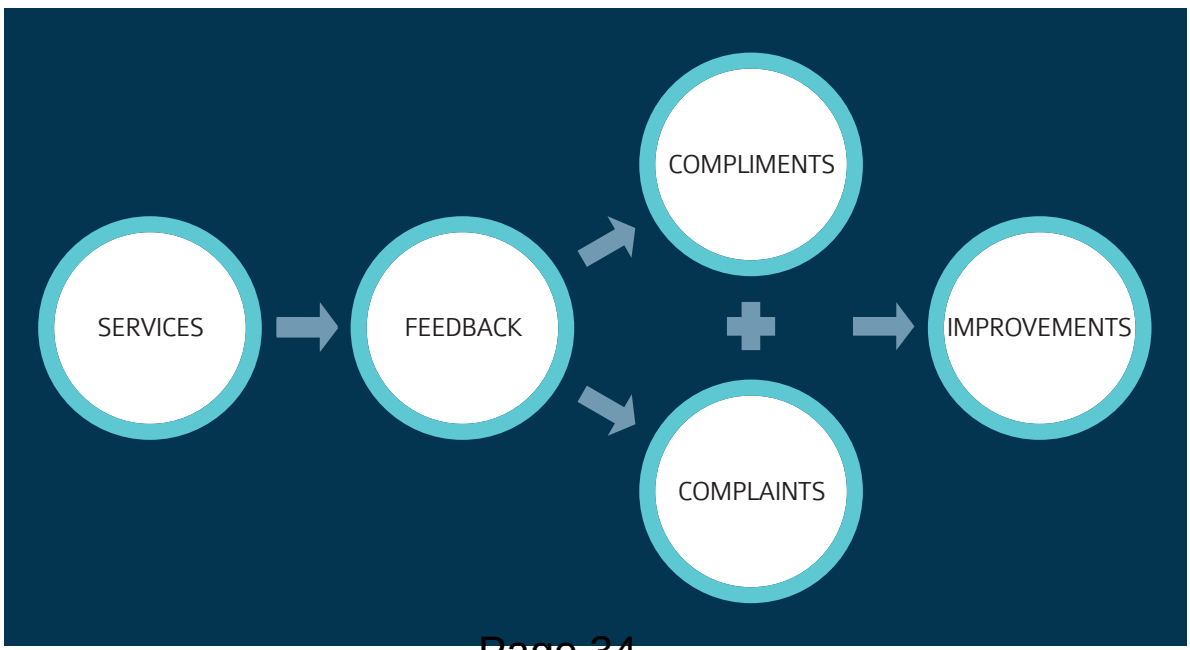
SERVICE DELIVERY REVIEW

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

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:

Stage 1

Wherever possible, a response will be issued within 15 working days of receiving the complaint. Should this deadline need to be extended for further investigation, the complainant will be notified before the 15 working day deadline.

Stage 2

Where a complaint cannot be resolved under Stage One or the complainant believes their concerns have not been adequately addressed, the matter will progress to Stage Two. When a complaint progresses to Stage Two, it will be investigated by a senior manager at the Fund. As with Stage One, you can expect a full response within 15 working days. Should this deadline need to be extended in order to provide the opportunity for further investigation, the complainant will be notified before the 15 working day deadline.

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.

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

"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

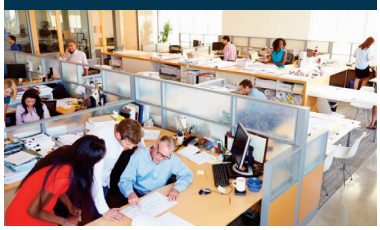
The Fund's focus is:

ENHANCING MEMBER COMMUNICATION and ensuring sound financial management through investment and funding strategy.

DATA IMPROVEMENT in line with The Pensions Regulator's expectations of data quality and the delivery of benefit statements.

DIGITAL TRANSFORMATION including service development that assists employers processing of monthly submissions.

ENGAGE WITH EMPLOYERS on the submission of data and ideas for future development.



INCREASE REGISTRATIONS for Pensions Portal and encourage self-service of our members.

CONTINUED ENGAGEMENT with other funds and other key stakeholders on member communication and other initiatives.

WORK WITH OUR TRADE UNIONS to shape and deliver our services ensuring they deliver for our members.

INVEST in our Pensions Committee and Pensions Board members to ensure they are able to meet their statutory duty on knowledge and understanding.

INVEST 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.

West Midlands Pension Fund
PO Box 3948
Wolverhampton
WV1 1XP

Last updated:	March 2020
Next review:	September 2021

Agenda Item No: 7

CITY OF WOLVERHAMPTON COUNCIL	**Pensions Board** 20 October 2020

Report title	Response to Covid-19	
Originating service	Pension Services	
Accountable employee	Rachel Howe Tel Email	Head of Governance 01902 55 2091 Rachel.Howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 55 1715 Rachel.Brothwood@wolverhampton.gov.uk

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Recommendation for noting:

The Pension Board is asked to note:

1. The steps taken by the Fund in response to the Covid-19 pandemic and the ongoing considerations on service delivery impact.

1.0 Purpose

1.1 To provide an overview of the Fund's response to the current global pandemic and the steps being taken to mitigate service delivery impact.

2.0 Background

2.1 Following the announcement from Government on 23 March 2020 that the UK enter a period of Lockdown to help mitigate the spread of Coronavirus, the Fund, in conjunction with the City of Wolverhampton Council, instructed all employees to work from home putting into effect its Business Continuity Plan.

2.2 Since that time, all employees (with the exception of skeleton staff) have continued to work from home providing ongoing service delivery to Fund members and employers.

3.0 Ongoing response

3.1 The Fund continues to be responsive to the Covid Pandemic with the flexing of resource where possible to support service delivery, the primary focus remaining on paying pension benefits when they fall due and on protecting the well-being of Fund employees.

3.2 The Fund continues to offer 1-2-1 services for members through telephone or video calls with this service being highly valued during the ongoing uncertain times. In conjunction with this, the customer contact centre has remained open to support member queries with call volumes seeing an initial increase at the start of the pandemic, they have returned to more normal volumes more recently. More noticeable however, is the length of time taken on each call with individuals, attributable to the inefficiencies in network connections while working at home noting the Fund's Pension Administration System is not web based instead running on council networks.

3.3 As outlined in the Pension Administration report, the Fund has seen some impact on its workload across the Operations service areas which is born out of a combination of the network delays experienced while working at home, and the increased work volumes experienced at the start of the period, most notably in deaths and the payment of death benefits. Following engagement with employees, a number of main drivers for current service delivery impact have been identified.

- Home networks with slower internet speeds than ordinarily available in the office noting the Fund's Pension Administration software is a network based system, not a web based one
- Working on single screen laptops (where dual screens are ordinarily used in the office)
- The limited ability to turn to a colleague for a 'quick chat' on more complex issues together with the connected ability to develop junior colleagues placing more reliance on individual key persons.
- The ongoing resource needs of the Fund and our ability to recruit, induct and train new hires

3.4 With the timing of increased return to office-based workplaces and the potential for a second wave somewhat unknown, the Fund was keen to support the ongoing agile working arrangements providing additional IT equipment to those employees who had requested it to support their service delivery. Communications were issued to colleagues reminding of the use of Microsoft Teams for informal catch ups to support shared learning.

4.0 Covid Risk Register

4.1 In line with the Fund's response to the pandemic it developed it's Covid Risk Register which provided focus for the Senior Management Team on the immediate impact of the pandemic and the responses required to mitigate the risk on service delivery. Five months on and the majority of risks identified in the Covid Risk Register are now considered to have transitioned into the Fund's main risk management processes, the only exception being the ongoing impact on Service Delivery attributable both to the current inefficiencies in working from home arrangements, and due to the increased work volumes and volatilities born out of the pandemic (increased membership movements including retirement and deaths).

4.2 The Covid Risk Register has therefore been amended to note only those risks which remain attributable to the Covid pandemic and is supported by the Covid assurance log which notes the changes to processes and working practices implemented to support agile working protocols.

5.0 Second Wave Planning

5.1 One of the ongoing risks to the Fund is the potential for a second wave of the pandemic and the Fund has undertaken a review of its business continuity plan to assess its response to a second lockdown.

5.2 Since March, the Fund has seen a negative impact on performance with a number of industry standard KPI's not being achieved compared to the same period in 2019 (when all staff worked in the office). Combined with homeworking and reliance on individuals home networks, the Fund has seen a significant increase and volatility in key casework volumes which are impacting the Fund's ability to process the payment of benefits within normal timescales. The projected impact of continued working from home in the event of a second lockdown would mean that by the close of the year the Fund would not have returned to normal processing timescales with continued negative impact on performance, and the potential for a backlog in casework to continue to grow.

5.3 Due to the skills and knowledge required to undertake these processes, it would not be possible to support service delivery with temporary resource, it is therefore a priority focus for the Fund to recruit and develop employees into the teams to support this element of service delivery. The Fund has flexed resource where possible and is utilising additional hours to minimise the impact on our customers, but this is not considered to be a sustainable solution.

6.0 Supporting our People

6.1 In response to the findings of the employee survey and the noted challenges for employees in delivering the same level of output from home, the Fund commenced planning and development of proposals for a return to the office working environment. Having completed the initial risk assessment in line with Government guidance on working in offices, plans were actioned to support a safe working environment and included the facilitation of social distancing, one-way flows, good hygiene protocols and individual risk assessments of employees before returning to the office. The outcome of this assessment saw the overall capacity of the office reduce by just over 50% from 180 available work stations to 84.

6.2 Considerations for officers' return was supported by individual service area business cases, noting overall impact on service delivery as the key driver, together with individual employee well-being (where this has been raised as a concern in responses to the employee survey). In addition, consideration was given to the Fund's ability to recruit to vacant positions and how new employees may be supported in their development in the virtual working office.

6.3 Before starting phased return to the office during September, a number of communications were issued to Fund employees including an FAQ, an employee video highlighting the new office protocols in support of Covid management and one to one conversations to support completion of the individual risk assessments enabling any concerns to be taken into account in that persons return.

6.4 Following engagement with City of Wolverhampton Council's HR and the Trade Unions (who attended the office for a site visit to view the arrangements put in place) the Fund transitioned some of its employees back to site on 7 September.

6.5 In addition, the Fund recommenced its recruitment programme at the end of August, with a number of successful appointments. Since September the Fund has appointed eight new persons, together with commencing six Graduate placements across all service areas. Training and induction of new colleagues has been prepared in consideration of social distancing requirements.

6.6 Following the announcement from Government on 22 September that working from home should be supported where possible (over a return to the office), the Fund conducted a review of its decision to enable officers to return to the office together with a review of the arrangements in place to support employee health and safety. Noting the impact on workloads and our members it was determined that the payment of pension benefits is an essential service and that office working should continue to be supported for those service areas most impacted by workload performance.

6.7 All arrangements remain under close review by the Fund's Senior Managers with regular engagement undertaken with Fund employees to support the ongoing arrangements.

7.0 Supporting our Pension members

7.1 Given the ongoing uncertainty of the pandemic and the potential for a second wave, the Fund remains closed to external visitors (except contractors required to perform essential services). Face-to-face meetings with members and employers continue to be unsupported with alternative methods of contact being developed. As outlined in the Customer Engagement Report, the Fund's Communications and Events Officer has continued to develop the suite of videos available on the Fund's website to support members' understanding of their pension benefits, together with the annual issuance of member newsletters. The Fund also produced Annual Benefit Statements in advance of the 31 August deadline which included guidance notes to support members' understanding of their benefits and retirement options.

7.2 In addition, the Fund's Customer Services team continue to be alert to member vulnerabilities and safeguarding concerns. While no safeguarding referrals have been made this quarter, a number of members have had follow up correspondence from the Fund providing information on local support and friendship groups where individuals have commented on their feelings of isolation and loneliness while on calls to the Fund.

8.0 Financial implications

8.1 The Fund built flexibility into its service development budget to support the issuance of additional IT equipment to employees working from home. Some flexibility was built in to the Fund's operational budget for service development and there may be some changes from change in format of service delivery however, the overall impact will continue to be monitored through the quarterly budget review process.

8.2 In response to increased investment market volatility the Fund regularly assess its cash requirements and its ongoing ability to meet liability payments as they become due with no issues highlighted this quarter.

9.0 Legal implications

9.1 The Fund has a duty to pay pension benefits as they fall due, failure to do so may result in challenge from both the regulator and national bodies.

9.2 The Fund has a duty as an employer to protect its employees providing a safe environment for them to work, following health and safety regulations and new guidance, as this emerges. Any proposed return to the office was considered in consultation with employees, City of Wolverhampton Council and the relevant Trade Unions.

10.0 Equalities implications

10.1 Equality Impact Assessments will be undertaken and reviewed as part of the planned phase return to the office taking into account any individual requirements as identified in individual risk assessments.

11.0 Environmental implications

11.1 There are no direct environmental implications.

12.0 Human resources implications

12.1 The Fund has a duty to provide a safe environment for all employees and has worked with City of Wolverhampton HR team to assess and determine any steps to return to the office. All proposals have undergone consultation with relevant Trade Unions.

13.0 Corporate landlord implications

13.1 There are no direct corporate landlord implications.

14.0 Schedule of background papers

14.1 None.

15.0 Schedule of appendices

15.1 None.

This report is PUBLIC
(NOT PROTECTIVELY MARKED)

Agenda Item No: 8

CITY OF WOLVERHAMPTON COUNCIL	**Pensions Board** 20 October 2020

Report Title	Pensions Administration Report from 1 April to 30 June 2020	
Originating service	Pension Services	
Accountable employee	Amy Regler Tel Email	Head of Operations 01902 55 5976 Amy.Regler@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 55 1715 Rachel.Brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Pensions Board is recommended to note:

1. The pensions administration activity and the impact of COVID19 on the workload volumes for pension administration.

2. The update on the progress of the Fund's Digital Transformation Programme.

1.0 Purpose

1.1 To inform the Board 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 merger of the West Midlands LGPS funds, effective from April 2019.

2.0 Background

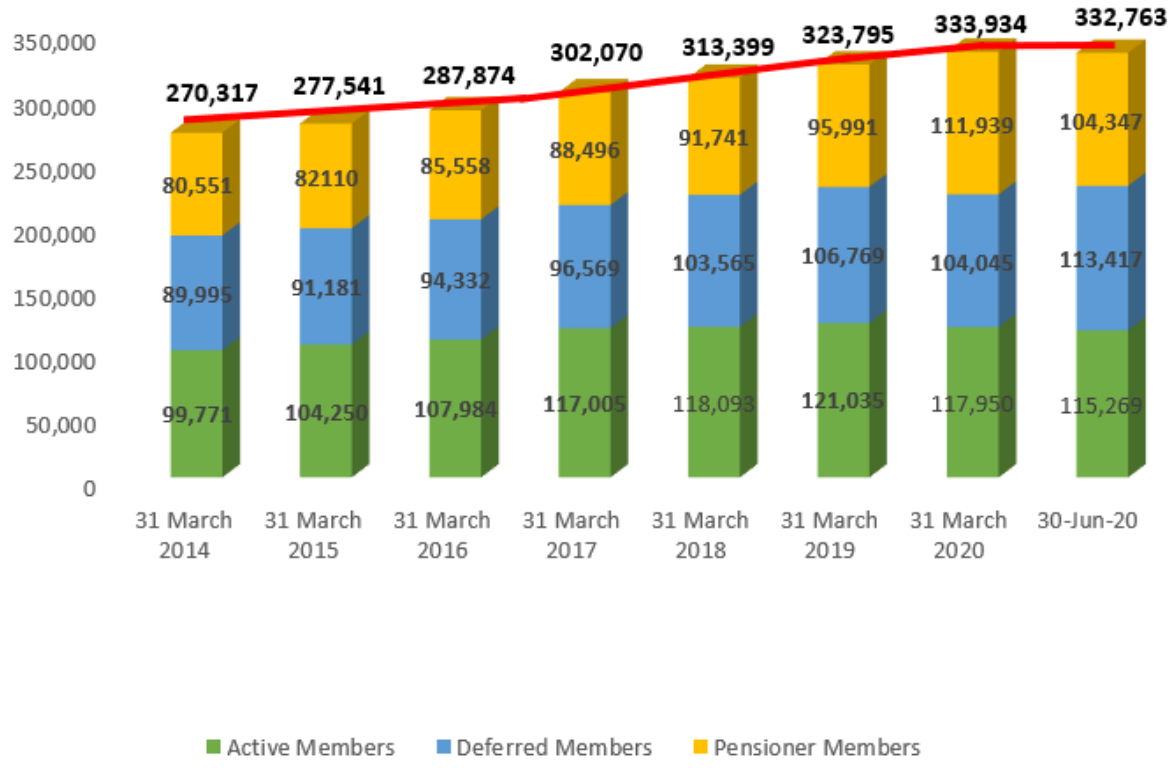
2.1 The Fund provides a pension administration service covering employer, customer and member services, data processing, benefit operations, payroll and systems/technical support. A report is provided to the Board on a quarterly basis to assist monitoring of the activity and performance of these functions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

3.0 Scheme Activity

3.1 Membership movement

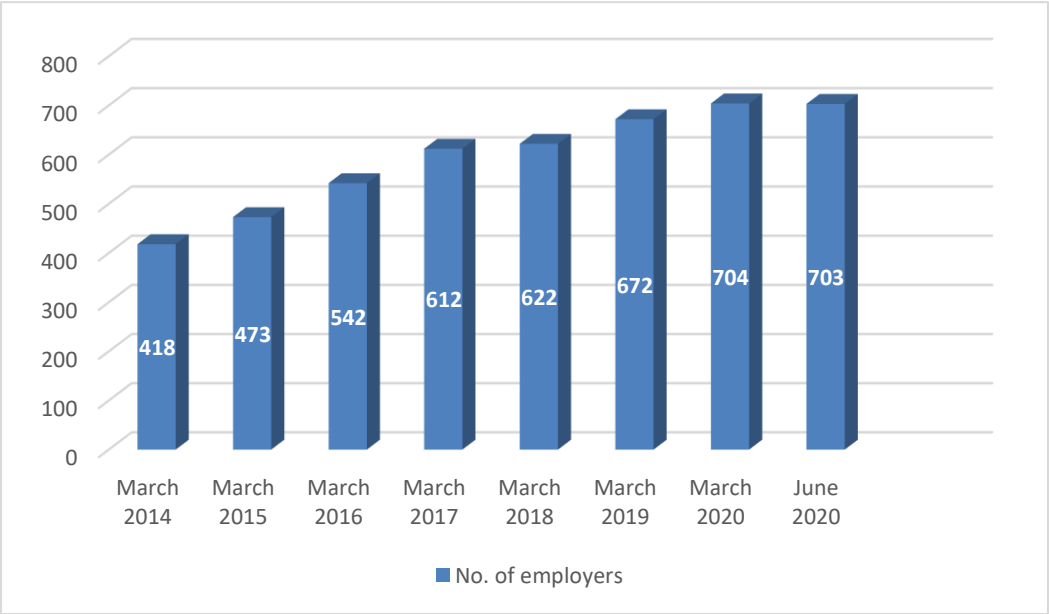
3.1.1 The total number of scheme member records held by the Fund at 30 June 2020 stands at 332,763, with an overall decrease since March 2020 of 1,171. The reduction in active membership during this period is linked to a fall in the number of new joiners, with a reduction of c50% in June 2020 compared 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
Total Members	**333,934**	**-1,171**	**332,763**

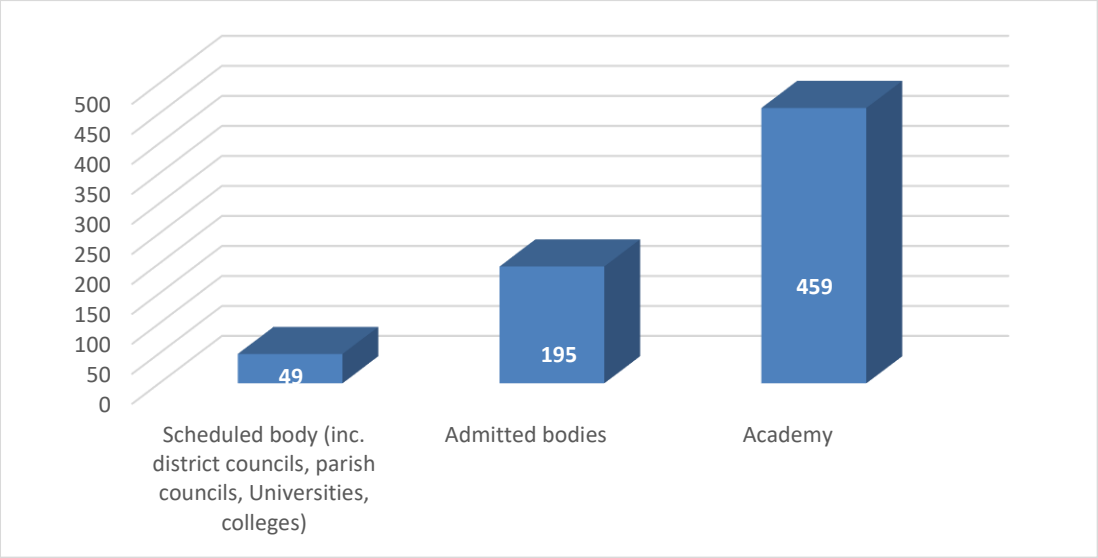


3.2 Employers

3.2.1 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.



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



3.2.3 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

3.3 Workflow statistics

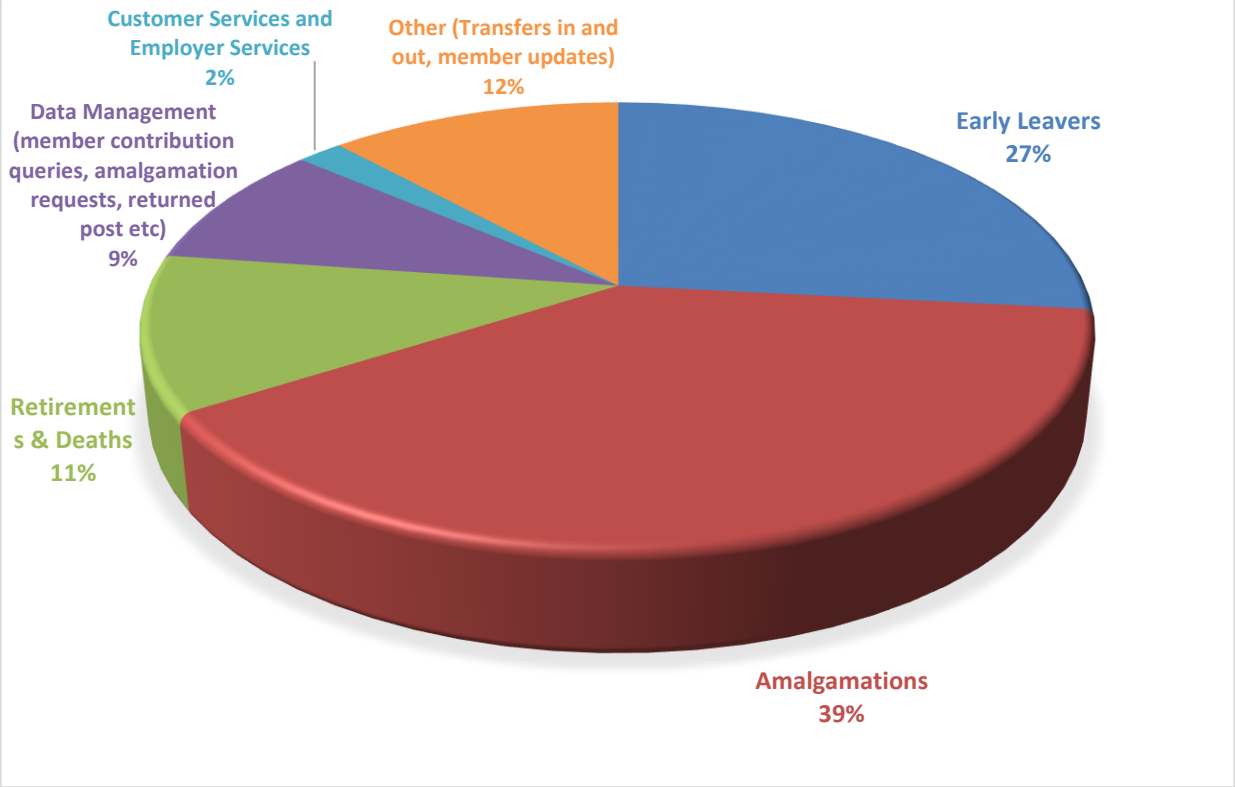
3.3.1 The process analysis statistics show details of overall workflow within the Pensions Administration Service during the period 1 April 2020 to 30 June 2020. During the period covered by this report, 32,421 administrative processes were commenced, and 33,018 processes were completed.

3.3.2 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 2020 (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.

3.3.3 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.

3.3.4 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.

3.3.5 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, 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 over 6,800 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 shared with pilot employers which were 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 Pensions in payment

6.1 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.

6.2 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.

7.0 Financial implications

7.1 The report contains financial information which should be noted.

7.2 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 inter-valuation, set an appropriate employer's contribution rate based on the pension assets and liabilities of the individual employer.

8.0 Legal implications

8.1 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.

9.0 Equalities implications

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

10.0 Environmental implications

10.1 The report contains no direct environmental implications.

11.0 Human resources implications

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

12.0 Corporate landlord implications

12.1 The report contains no direct corporate landlord implications.

13.0 Schedule of background papers

13.1 None.

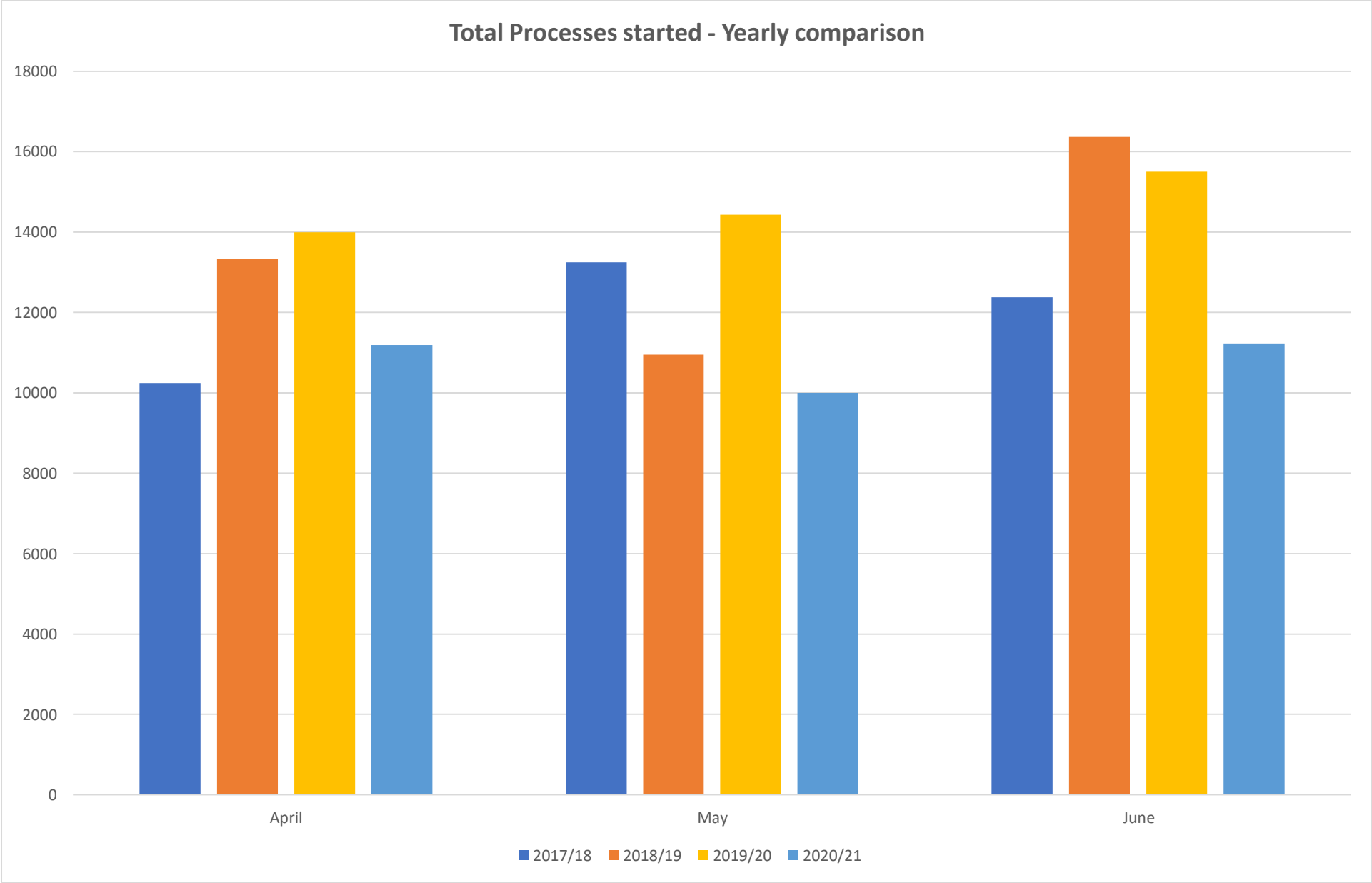
14.0 Schedule of appendices

14.1 Appendix A: Process Summary

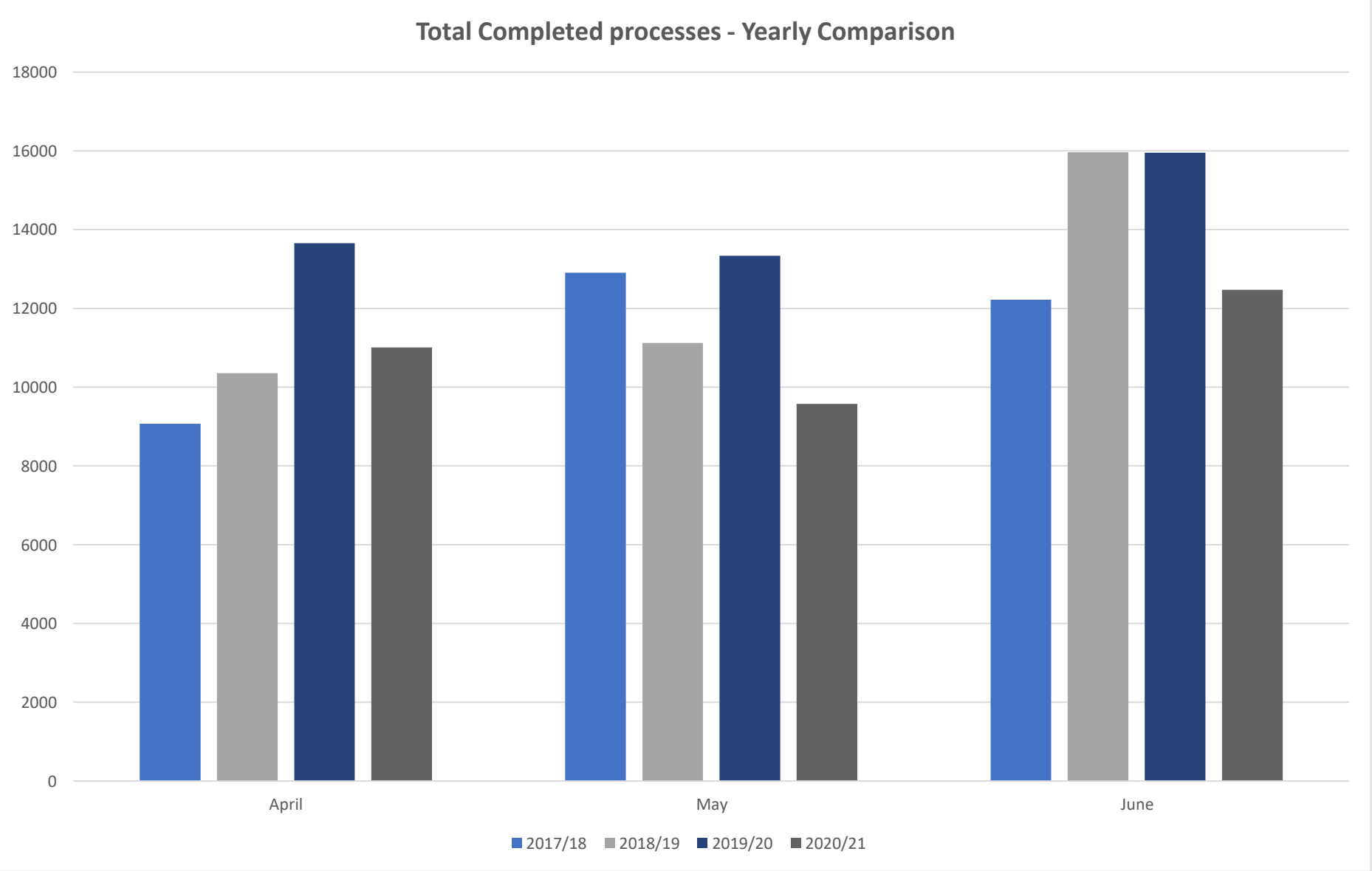
14.2 Appendix B: Detailed process analysis

14.3 Appendix C: Key performance indicators (KPIs)

Appendix A


Total Processes started - Yearly comparison
18000
16000
14000
12000
10000
8000
6000
4000
2000
0
April
May
June
2017/18
2018/19
2019/20
2020/21

Appendix A


Total Completed processes - Yearly Comparison
18000
16000
14000
12000
10000
8000
6000
4000
2000
0
April
May
June
2017/18
2018/19
2019/20
2020/21

Appendix B

Pension Committee Statistical Report
Detailed Process Analysis

Active & Deferred members

Process type	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	April	May	June	YTD
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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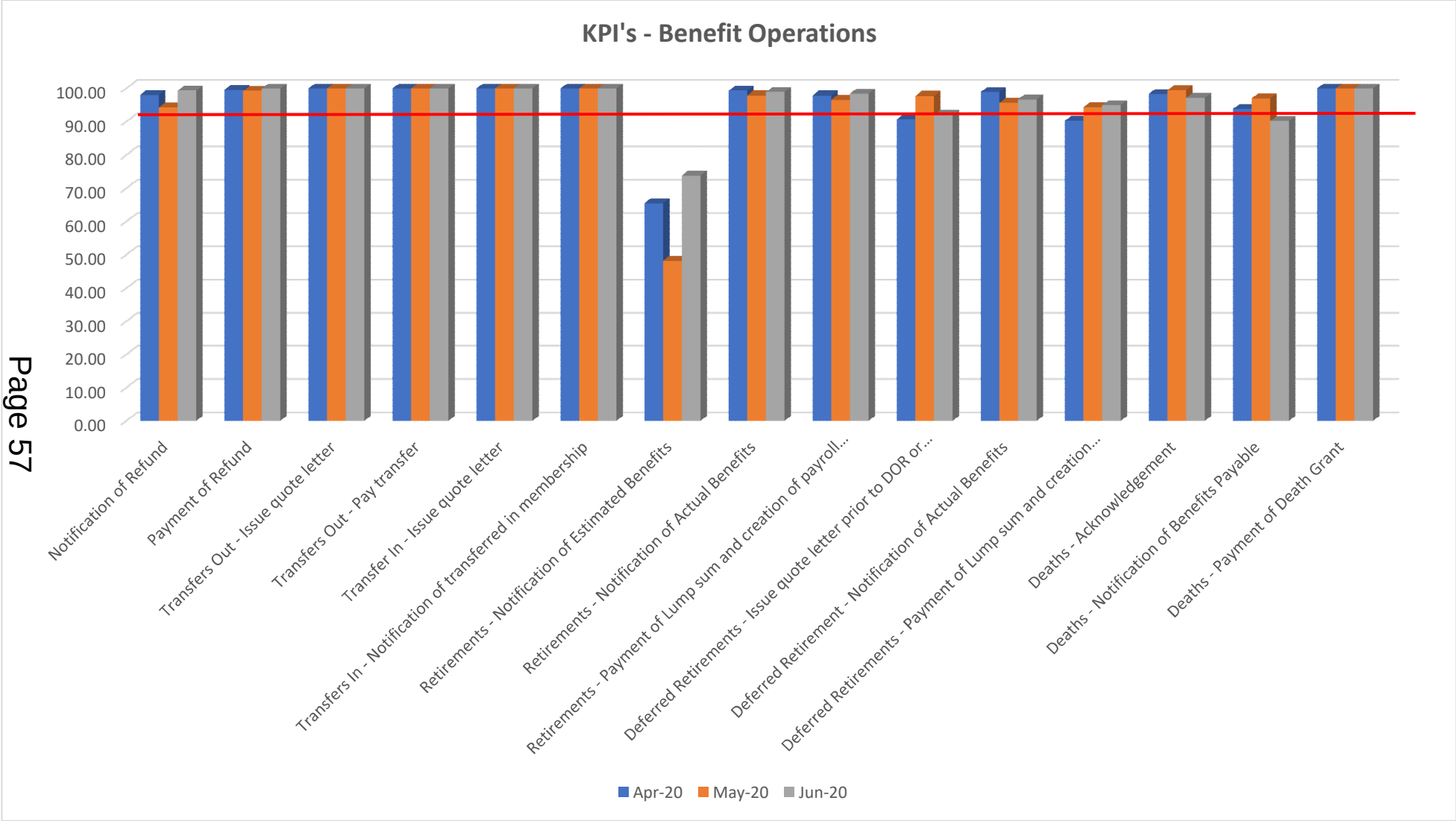
Appendix C


KPI's - Benefit Operations
100.00
90.00
80.00
70.00
60.00
50.00
40.00
30.00
20.00
10.00
0.00
Notification of Refund
Payment of Refund
Transfers Out - Issue quote letter
Transfers Out - Pay transfer
Transfer In - Issue quote letter
Transfers In - Notification of transferred in membership
Retirements - Notification of Estimated Benefits
Retirements - Notification of Actual Benefits
Retirements - Payment of Lump sum and creation of payroll...
Deferred Retirements - Issue quote letter prior to DOR or ...
Deferred Retirement - Notification of Actual Benefits
Deferred Retirements - Payment of Lump sum and creation...
Deaths - Acknowledgement
Deaths - Notification of Benefits Payable
Deaths - Payment of Death Grant
Apr-20
May-20
Jun-20

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Agenda Item No: 9

CITY OF WOLVERHAMPTON COUNCIL	**Pensions Board** 20 October 2020

Report title	Regulatory Update	
Originating service	Governance and Corporate Services (Pensions)	
Accountable employee	Rachel Howe Tel Email	Head of Governance and Corporate Services 01902 552091 Rachel.Howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 551715 Rachel.Brothwood@wolverhampton.gov.uk

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Recommendation for noting:

The Pension Board is asked to note:

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

1.0 Purpose

1.1 To provide the Local Pensions Board with an update on key developments currently impacting the regulatory environment in which the Fund operates.

2.0 Regulatory Updates

2.1 McCloud

2.1.1 On 16 July 2020, MHCLG released their consultation to the McCloud remedy for the LGPS in England and Wales, this is a 12-week consultation which closed on 8 October 2020. The key feature of the proposed remedy is that the final salary scheme underpin, is to be extended to include all members, in respect of service up to 31 March 2022, thereby eradicating the age discrimination created by the changes to the scheme in 2014.

2.1.2 The Fund's consultation response was circulated to all employers a week before the deadline and posted on the Fund's website.

2.1.3 Key points of the remedy proposed within the consultation are outlined below;

- The scope for the application of the underpin has been amended to remove an age-related element and apply retrospectively.
- The underpin will be calculated under a two-stage process, with amendment of benefits for any members impacted not taking place until crystallisation date.
- There are pensions taxation implications in the event of the new underpin resulting in a member's actual benefits exceeding annual allowance.
- An underpin calculation will be required for death in service and survivor benefits.
- Aggregations of member benefits will be re-opened for a twelve-month period.

2.1.4 Initial scoping undertaken by the Fund suggests that around 23% of our membership (c75,000) (which includes active, deferred, transferred out and pensioner members) will be in scope of the remedy. This means that for these members, there will be a requirement for the Fund to calculate the revised LGPS underpin to test and ensure there is no detrimental effect. However, in order to do this, the Fund's employers will be required to provide the necessary data (additional working hours and pay data) to enable the calculation to be undertaken. Work is being undertaken at a national level to develop a standard data template and enable, as far as possible, a more standard approach across the Scheme.

2.2 Public Sector Exit Payments (£95k) Cap and connected legislation

2.2.1 Government first announced plans to cap exit payments in the public sector in 2015 with the underlying objective to reduce public expenditure by placing a financial limit on the termination payments of public sector employees. The exit cap is set at a total of £95,000 and includes in the definition of 'exit payments' redundancy payments (including

statutory redundancy payments), severance payments, pension strain costs and other payments made as a consequence of termination of employment.

2.2.2 Following consultation, the Restriction of Public Sector Exit Payments Regulations 2020 passed through Parliament this month and are now expected to come into effect during October. Supporting directions and statutory guidance to enable implementation are (at time of writing) still to be published. The short timescale for implementation has caused concern amongst the public sector with little or no notice for individuals, employers and pension funds to prepare for the changes (which includes a need to amend administration software systems to enable the amended calculation of benefits where necessary as a result of the limit). Further, concerns about the exit payments capturing long serving, average salaried workers do not appear to have been included in the considerations on drafting the regulations and due to the nature of Local Government Pension Schemes and rules governing the protections of pensions through TUPE, there is also the added complexity of the exit payment regulations not applying (in full or in part) to all Fund employers (as not all are public sector organisations).

2.2.3 To add to the complexity of the exit payment regulations, running alongside the implementation of the payment restrictions is existing legislation governing the local government pension scheme which provides for a statutory entitlement to full benefits for a member who is made redundant from age 55. These conflict with the restrictions in the exit payment regulations with no clear indication on which takes precedence.

2.2.4 MHCLG are in the process of consulting on Local Government exit pay reform which would seek to remedy the conflict in the two regulations by affording options to members on exit which could include deferring pension benefits or taking an actuarially reduced benefit at the point of redundancy.

2.2.5 The issue being for LGPS Funds (and their employers) is that the exit pay reform regulations will not come into effect before the exit payment regulations do, and there will be a period of time where the exit payment regulations may prevent employers from making strain costs on exits (to pay for the pension benefits to the members are entitled) but when members will be statutorily required to receive (and the Fund required to pay) full benefits.

2.2.6 The Fund is aware that The Scheme Advisory Board has sought to obtain legal advice on these issues and is awaiting further guidance on how they will be administered.

2.3 **Employer Flexibilities Regulations**

2.3.1 On 26 August 2020 MHCLG published their response to proposals on review of employer contributions and flexibility on exit payments. Regulations have also been published and came into force on 23 September 2020 with supporting MHCLG guidance expected to follow shortly.

2.3.2 The response centres around two key areas, potential review of employer contributions and the spreading of exit payments upon the cessation of a participating employer within the Scheme. On the former the response proposes regulatory change to enable

Administering Authorities the power to review employer contributions in between statutory actuarial valuations in the event of one of the following;

- A significant change in the level of liabilities of an employer.
- A significant change in the covenant of a participating employer.
- An employer may request a review of contributions from the Fund.

2.3.3 The Fund are currently awaiting guidance to clarify and confirm expectations for the use of these flexibilities within the LGPS but noting individual administering authorities will be required to develop their own policy as part of the Funding Strategy Statement (FSS) and consult ahead of implementation.

2.4 **The Pensions Regulators 2020 – 21 Corporate Plan**

2.4.1 The Pensions Regulators (tPR) 2020 – 21 Corporate Plan has been revised in order to respond to the challenges presented by the Covid-19 pandemic and reflect how the pension's landscape has changed. Although priorities have shifted to reflect areas of industry facing most acute challenges, tPR have noted that the plan demonstrates it's desire to and ongoing commitment to 'tighten its regulatory grip' through its clear, quick and tough approach.

2.5 **Good Governance Review**

2.5.1 The Scheme's Advisory Board's Good Governance review is ongoing. Phase 3 of the review was discussed at the Scheme Advisory Board meeting on 3 February 2020 and an implementation group was established. However, due to the ongoing Covid-19 pandemic the implementation group was subsequently stood down. Work is now continuing on stage to recommendations and papers are due to be discussed at the Scheme Advisory Board meeting on 2 November 2020.

3.0 Financial implications

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

3.2 The changes to be brought in by Regulatory change have the potential to impact Fund resource considerably and its ability to delivery services to target. Consideration is underway as to the potential resource implications and need.

4.0 Legal implications

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

5.0 Equalities implications

5.1 There are no equalities implications.

6.0 Environmental implications

6.1 There are no environmental implications.

7.0 Human resources implications

7.1 There are no human resources implications.

8.0 Corporate landlord implications

8.1 There are no corporate landlord implications.

9.0 Schedule of background papers

9.1 McCloud Consultation; https://www.gov.uk/government/consultations/consultation-on-the-proposed-response-to-mccloud

9.2 Restricting Exit Payments Consultation: https://www.gov.uk/government/consultations/restricting-exit-payments-in-the-public-sector

9.3 The Restriction of Public Sector Exit Payments Regulations 2020: https://www.legislation.gov.uk/ukdsi/2020/9780348210170

9.4 Reforming Local Government Exit Pay Consultation; https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/916615/Reforming_local_government_exit_pay_consultation.pdf

9.5 Partial Government Response; review of employer contributions and flexibility on exit payments: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/911792/Government_response_Exit_payments_and_review_employer_contributions.pdf

9.6 The Local Government Pension Scheme (Amendment) (No.2) Regulations 2020; https://www.legislation.gov.uk/uksi/2020/893/regulation/1/made

9.7 The Pensions Regulator Corporate Plan: https://www.thepensionsregulator.gov.uk/en/document-library/corporate-information/corporate-plans/corporate-plan-2020-21

9.8 Hymans Good Governance in the LGPS; https://www.hymans.co.uk/insights/research-and-publications/publication/good-governance-in-the-lgps-phase-2-report/

10.0 Schedule of Appendices

10.1 None.

Agenda Item No: 10

CITY OF WOLVERHAMPTON COUNCIL	**Pensions Board** 20 October 2020

Report title	Governance and Assurance	
Originating service	Pensions – Governance and Corporate Services	
Accountable employee	Rachel Howe Tel Email	Head of Governance and Corporate Services 01902 552091 Rachel.Howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902551715 Rachel.Brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Pension Board 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.
4. The revised Internal Audit work-plan for 2020-21.

1.0 Purpose

1.1 To provide the Board 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).

Seven risks have seen an increase in their risk scores this quarter (with some attributable to the environment we are currently operating in), eight risks have had a reduction in score and 39 have not seen any movement. There are now 20 red risks, 36 amber risks and one green risk.

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 as outlined in the Covid report.

There are now 24 risks on the Strategic risk register, eight 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 can 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. The Fund recently issued an Employer Survey to gage impacts and to help identify support from the Fund to employers during these uncertain times. A follow up survey shall be issued shortly.

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.

Over the most recent quarter, the Fund's areas of focus and concern continue to be on the increasing number of consultations and the short time frame for implementation in consideration of concurrent changes in regulation, together with the inconsistency arising from regulatory changes and the uncertainty it creates for the Fund, our employers and members. For our stakeholders, Climate Change continues to grow in interest with the Fund engaging with local campaign groups on our work in this area.

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 the Pensions Committee in June, the Fund is working to develop and enhance investment compliance monitoring and will report back on this work in January.

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 The Board 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 Internal Audit Workplan 2020-21

A copy of the revised Internal Audit work plan for 2020 – 2021 is attached at Appendix D. 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

7.0 Financial implications

7.1 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.

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

8.0 Legal implications

8.1 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.

9.0 Equalities implications

9.1 There are no direct equalities implications.

10.0 Environmental implications

10.1 There are no direct environmental implications.

11.0 Human resources implications

11.1 There are no direct human resource implications.

12.0 Corporate landlord implications

12.1 There are no direct corporate landlord implications.

13.0 Schedule of Background papers

13.1 None.

14.0 Schedule of Appendices

14.1 Appendix A - Strategic Risk Register April – July.

14.2 Appendix B - Areas being monitored in the current environment.

14.3 Appendix C - Key Performance Indicators – Quarter 1 monitoring.

14.4 Appendix D - Revised Internal Audit Work-Plan.

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 dure 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	**NEW**
	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-coinciding 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 of 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 faciliate 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 fpr 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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Appendix B

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 frustraition 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 poicies 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 targetted requests from claims companies	↔

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Appendix C

Corporate Priority	Frequency	Description	Target	Lead Officer	End of Quarter 1 Performance
Customer Engagement and Communication	**REFUNDS**				
	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%
	RETIREMENTS				
	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%
	DEFERRED RETIREMENTS				
	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%
	TRANSFERS IN				
	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%
	TRANSFERS OUT				
	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%
	DEATHS				
	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%
	JOINERS				
	M	Membership record to be created within one month of receiving information from employer	95%	Head of Governance	100.00%
	EMPLOYER AND MEMBER SERVICE - CALLS				
	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	**CUSTOMER SATISFACTION/SURVEY**				
	M	Customer satisfaction	90%	Head of Pensions	100.00%
	Q	Web Portal Registrations	Target 90000	Head of Pensions	97339
	AVAILABILITY OF ONLINE SERVICES FOR MEMBERS				
	M	Pensions Portal, Employer Portal and the external website to be available for 95% of total working hours.	95%	Head of Operations	98.78%
	COMPLAINTS MONITORING - MEMBERS				
	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%
	COMPLAINTS MONITORING - EMPLOYERS				
	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	**EFFECTIVE DECISION MAKING**				
	6M	Training hours of Committee and Pension Board	Head of Governance		
	6M	Attendance rate of committee and pension board	Head of Governance		
	INFORMATION GOVERNANCE				
	Q	Statutory response timeliness	100%	Head of Governance	100%
Strategic Asset Allocation and Performance	**INVESTMENT RETURNS/OVERALL FUND PERFORMANCE**				
	Q	**Main Fund** - Returns to be 0.5% above the benchmark (3 Yr. Rolling)	+/- 0.5%	Assistant Director Investments and Finance	-1.50%
	Q	**ITA Fund** - Returns to match the benchmark (3 Yr. Rolling)	+ 0	Assistant Director Investments and Finance	-1.20%
Data Management	**DATA QUALITY**				
	M	Common Data	99%>	Head of Governance	97.00%
		Scheme Specific Data	95%>		LGPS Scheme specific requirements under national development
	DATA IMPROVEMENT				
	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	**CONTRIBUTIONS RECEIVED**				
	M	**Main Fund** - Contributions received from employers and validated by accountancy statement	98%	Head of Finance	98%
		ITA Fund - Contributions received from employers and validated by accountancy statement	98%		100%
	QUARTERLY ACCOUNTS				
	Q	Days taken to prepare quarterly accounts	30 days	Head of Finance	48
	ACCOUNTANCY				
	A	Accountancy information to employers within 25 business days of year end		Head of Finance	

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Appendix D

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: • Governance and Administration risks. • Investment risks	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 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

Other Related Internal Audit Work	
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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Agenda Item No: 11

CITY OF WOLVERHAMPTON COUNCIL	**Pensions Board** 20 October 2020

Report title	Annual Report and Accounts 2019/20	
Originating service	Pension Services	
Accountable employee	Darshan Singh Tel Email	Head of Finance 01902 55 5768 darshan.singh@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 55 1715 rachel.brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Pension Board is recommended to note:

1. The Statement of Accounts for West Midlands Pension Fund (WMPF) for the year ending 31 March 2020 was audited and completed by this year's statutory deadline of 30 November 2020.

2. The 2019/20 Statement of Accounts incorporates the merger with the West Midlands ITA Pension Fund (WMITA).

3. Grant Thornton's Audit Findings Report for West Midlands Pension Fund.

4. The draft Annual Report for WMPF was considered by Pensions Committee on 30 September and is now subject to audit by the Fund's external auditors, Grant Thornton.

1.0 Purpose

1.1 The purpose of this report is to update the Board on the preparation, approval and audit of the Statement of Accounts and the Annual Report for the year ending 31 March 2020 and the latter's publication on the Fund's website.

2.0 Background

2.1 Local Government Pension Scheme (LGPS) funds are ordinarily 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) respectively.

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 In preparing their Annual Report and accounts, Funds must have regard to proper practice and to any guidance which has the effective standing of 'statutory guidance'. These are:

- for the Statement of Accounts, 'The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20' (CIPFA) ('the Code');
- for the Annual Report, 'Preparing the Annual Report: Guidance for Local Government Pension Scheme Funds' (CIPFA).

2.3 As well as being published in the Fund's own Annual Report, its accounts must be included in the Statement of Accounts of the Administering Authority (in this case, the City of Wolverhampton Council). It is important to note that the transactions and balances of the Fund remain completely separate and are not combined with those of the respective Administering Authority.

2.4 This year, the draft accounts were required to be certified by the Section 151 Officer on or before 31 August following the year end. The certification was provided by the City of Wolverhampton Council's Director of Finance and the draft Statement of Accounts was then published on 22 June 2020.

3.0 Accounts Closure and Preparation of the Annual Report

3.1 Despite extraordinarily challenging circumstances this year which have created new and unanticipated conflicting pressures, the Fund succeeded in preparing its draft Statement of Accounts (incorporating merger with the WMITA Pension Fund) in time to allow the external audit to follow as much as possible, the timetable outlined in Grant Thornton's Audit Plan as presented to Committee in March.

3.2 An Annual Report has been prepared which includes the finalised version of the Statement of Accounts.

4.0 Draft Annual Report 2019/20

4.1 The draft Annual Report has been issued to all Local Pensions Board and Pensions Committee members. The contents of the Annual Report are as follows:

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

4.2 The Annual Report provides a thorough review of the Fund's activities during the year and notes some particular successes including:

- Maintaining the cost of administration, oversight and governance per member within budget (£26.75 versus £31.67).
- The conclusion of the triennial actuarial valuation which highlighted, following a period of strong investment performance, an improved funding level of 94% at 31 March 2019 (compared to 81% in 2016).
- Transitioning a further £370m worth of assets to pooled funds launched by the LGPS Central investment pool and taking the total in purpose-built funds to £6.4bn (c40% of the Fund's assets).
- The Fund's response to Covid-19, in identifying and responding early to risks and enabling 98% of employees to continue to perform their roles during lockdown; retaining services including customer services fully and safely open off site.
- Playing a key role through both the Local Authority Pension Fund Forum (LAPFF) and the United Nations Principles for Responsible Investment (PRI) in advancing the responsible investment agenda.

5.0 Statement of Accounts 2019/20

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

expand on items in the primary statements or provide further information about the Fund.

5.2 During 2019/20, the market value of the Fund as reported in its Accounts fell by £426 million. The reasons for this were:

	Increase/(Decrease) in Fund £m
Investment income receivable	178
Net assets of WMITA transferred into the Fund	492
Sub-total net increases	**670**
Net falls in the value of investments	(724)
Net contributions receivable/benefits payable	(271)
Management expenses charged to the Fund	(92)
Net transfers of members out of the Fund	(9)
Sub-total net decreases	**(1,096)**
Total decrease in the Fund value	**(426)**

5.3 It is worth noting that the balance of contributions and benefits is negative in 2019/20 – the £271 million shown in the table above – this is because most of the Council bodies had already paid three years Future Service and Past Service Deficit contributions in advance in 2017/18. The balance between the two is likely to be positive in 2020/21 as in April 2020, Councils have again paid significant amounts of contributions in advance following the results of the March 2019 triennial Actuarial Valuation.

The figure for contributions receivable also includes £19.2 million paid by employers to cover early retirement strain costs, reflecting the additional contributions received as a result of employer staffing decisions taken during the year.

5.4 Net assets of the Fund at 31 March 2020 stood at £15.3 billion, down from £15.7 billion at 31 March 2019. This comprised investment assets of £14.9 billion, an insurance contract valued at £229m and working balances of £122 million.

5.5 The Fund has taken the option under the CIPFA code to disclose the present value of all Fund employer pension liabilities in a note to the accounts. This value, calculated on an IAS 19 basis, stood at £23.1 billion at 31 March 2020. This is an increase on the 31 March 2019 figure of £22.4 billion as it includes WMITA liabilities of £0.5 billion and the net impact of adjustments to the actuarial assumptions was to increase liabilities.

5.6 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.

5.7 Grant Thornton's audit 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.

6.0 Financial implications

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

7.0 Legal implications

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

8.0 Equalities implications

8.1 This report has no direct equalities implications.

9.0 Environmental implications

9.1 This report has no direct environmental implications.

10.0 Human resources implications

10.1 The report has no direct human resources implications.

11.0 Corporate landlord implications

11.1 This report has no direct corporate landlord implications.

12.0 Schedule of background papers

12.1 None.

13.0 Schedule of Appendices

13.1 Appendix A: Grant Thornton Audit Findings Report, WMPF

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Grant Thornton

The Audit Findings for West Midlands Pension Fund

Year ended 31 March 2020

30 September 2020

Contents

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of West Midlands Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2020 for the Pensions Committee (a sub-group whom we have determined we are required to communicate with) and the Audit & Risk Committee of the City of Wolverhampton Council who we have determined are those charged with governance.

Covid-19	As for many organisations, the outbreak of the Covid-19 coronavirus pandemic has presented new challenges to the normal operations of the Pension Fund. The Fund have had to contend with risks in relation to the possibility of delayed contributions, volatile returns on investments, disruptions to administration of the Fund and prioritising the health and safety of staff and members. Administering authorities were still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financial statements to 30 November 2020.	We issued our original Audit Plan in March 2020 which, as a result of the pandemic, was considered by the Pensions Committee under the Urgent Decision protocols on 25 March 2020. We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum on 29 April 2020. In that addendum we reported an additional financial statement risk in respect of Covid-19. Further detail is set out on page 5. Restrictions for non-essential travel has meant both Pension Fund and audit staff have had to adapt to new remote access working arrangements. This has been driven primarily by the use of technology and regular communication between the teams. We have both utilised video calling, screen sharing and other means to the fullest of our ability in order to carry out audit procedures and verify the completeness and accuracy of information. The draft financial statements were published and provided to the audit team on 15 June 2020. The audit has been conducted on a remote basis and is substantially complete at the time of writing. Fortunately, both the audit team and Council finance team have avoided any significant challenges through staff illness and lack of availability.
Financial Statements	Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Pension Fund's financial statements: • give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.	Our audit work has been performed remotely during July-September. Our findings are summarised on pages 5 to 7. We have identified no adjustments to the financial statements that have resulted in a change to the Pension Fund's reported financial position in the draft financial statements. We have identified an extrapolated, non-trivial, £33m possible overstatement of Net Asset Values in relation to Level 3 investments. In addition, a small number of minor disclosure and classification issues have been notified for amendment to the Finance team. Other audit adjustments are detailed in Appendix C. Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion in Appendix E or material changes to the financial statements, subject to resolution of the following outstanding matters: • Completion of procedures on Level 3 investments; • Receipt and review of information in relation to completeness of management fees; • Completion of internal procedures on derivatives and FX instruments; • Receipt and review of the Annual Report; • Review of the final set of financial statements, and • receipt of management representation letter – appended separately. Our anticipated audit report opinion will be unqualified but we are proposing the inclusion of an Emphasis of Matter paragraph highlighting the valuation material uncertainty disclosures associated with the Fund's directly held property holdings as a result of Covid-19. This would not affect our opinion that the statements give a true and fair view of the Fund's financial position and its income and expenditure for the year. Such a paragraph is added to indicate a matter which is disclosed appropriately in the Fund's financial statements but which we consider is fundamental to a readers' understanding of the financial statements.

Audit approach

Overview of the scope of our audit

This draft Audit Findings Report presents the observations arising so far from the audit that are significant to the responsibility of the Pension Committee and those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the NAO's Code of Audit Practice ('the Code'). Its contents will be discussed with management and those charged with governance.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls;
- Controls testing of the Pension Fund's valuations of Level 3 investments; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have had to alter our audit plan, as communicated to you in March 2020, to reflect our response to the Covid-19 pandemic. This is described in detail from page 5 onwards but included obtaining an understanding of the impact of the pandemic on the organisation and considering how this manifests in the financial statements for the period. In particular, we have increased focus on asset valuations, use of the going concern assumption, classification of assets in the fair value hierarchy and narrative disclosure.

Conclusion

As at the time of writing, our audit work is substantially complete. However, some key audit procedures remain outstanding. These are detailed at the significant risk areas within the report and summarised on page 4. As previously stated, subject to resolution of the remaining outstanding queries, we anticipate issuing an unqualified audit opinion following the upcoming Pensions Committee and Audit & Risk Committee meetings.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan.

	Pension Fund Amount (£)	Factors considered
Materiality for the financial statements	£140m	We determined materiality for the audit to be £140m (0.9% of prior year net assets). This benchmark is considered the most appropriate based on the nature of the Pension Fund.
Performance materiality	£91m	Performance materiality drives the extent of our testing and this was set at approximately 65% of financial statement materiality. Our consideration of performance materiality is based upon a number of factors: • In prior years we have identified some deficiencies in the control environment. The Fund has strengthened arrangements in 2019/20 but we need to complete our audit work to confirm this before considering increasing for future audits. • There has not historically been a large number or significant misstatements arising; and • Senior management and key reporting personnel has remained stable from the prior year audit
Trivial matters	£7m	Triviality is the threshold at which we will communicate misstatements to the Pensions Committee and Audit & Risk Committee.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Covid–19 **General** The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to: • Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation • Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation, and the reliability of evidence we can obtain to corroborate management estimates • For instruments classified as fair value through profit and loss there may be a need to review the Level 1-3 classification of the instruments if trading may have reduced to such an extent that, quoted prices are not readily and regularly available and therefore do not represent actual and regularly occurring market transactions. • Whilst the nature of the Fund and its funding position (i.e. not in a winding up position or no cessation event) means the going concern basis of preparation remains appropriate management may need to consider whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and • Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.	We worked with management to understand the implications the response to the Covid-19 pandemic has on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations which ultimately remained the same. We liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arose We have: • Evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic. • Evaluated whether sufficient audit evidence could be obtained in the absence of physical verification of assets through remote technology • Evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as asset valuations • Evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; • Engaged the use of auditor experts for high risk estimates such as the Directly Held Property and complex Insurance assets. As detailed against the other affected significant risk areas, we extended and enhanced audit procedures in areas considered to be particularly at risk, such as Level 3 asset valuations and Directly Held Property as a sub sector of the same. We also enhanced our procedures around Information Produced by the Entity (IPE) to ensure that technology such as screen sharing and video calls were utilised to gain additional assurances over reports produced by the entity where lockdown restrictions meant we could not be physically present or in relation to prime documents where there may have been considered a risk of manipulation. We have no concerns to report at this time in relation to the impact of Covid-19 on the Fund's ability to operate remotely or around IPE. However, as noted on pages 7 and we are proposing the inclusion of an Emphasis of Matter paragraph highlighting the valuation material uncertainty disclosures associated with the Fund's direct property holdings as a result of Covid-19. Our opinion is not modified in this respect. Further information on findings in relation to the higher risk estimates is detailed further on in the report.
Disputes between oil producing countries causes a further significant deterioration in the value of global equities As at March 2020, loss of investor confidence following the spread of the Covid-19 virus and the fall in global oil prices had caused a significant decrease in the value of global equities. Following our plan issued in March 2020, we subsequently upgraded the risks associated with Covid-19 and wider economic instability to a significant risk.	

Significant audit risks (continued)

Risks identified in our Audit Plan	Auditor commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ide of controls is present in all entities. The Pension Fund faces external scrutiny of its spending and stewardship of funds and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of controls, in particular journals, management estimates and transactions outside of the course of normal business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We: - Evaluated the design effectiveness of management controls over journals - Analysed the journals listing and determined the criteria for selecting high risk unusual journals - Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration - Gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence; - Evaluated the rationale for any changes in accounting policies, estimates of significant unusual transactions. As a result of the pandemic and remote working arrangements, additional scrutiny was applied to IPE (as previously described) and we ensured that journals designed to affect financial performance at year end were included in our sample. We do not have any concerns to report in this area.
The revenue cycle contains fraudulent transactions (rebutted) Under ISA 240 there is a rebuttable presumed risk that revenue may be misstated due to improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	As outlined in our audit plan. Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Pension Fund, the risk of fraud arising from revenue recognition can be rebutted, because; - There is little incentive to manipulate revenue recognition - Opportunities to manipulate revenue recognition are very limited - The culture and ethical frameworks of the Pension Fund and local authorities, including City of Wolverhampton Council as the Administering Authority of West Midlands Pension Fund, mean that all forms of fraud are seen as unacceptable. Our assessment in this area has not changed during the course of audit work performed on the 2019/20 draft financial statements. Therefore we do not consider this to be a significant risk for West Midlands Pension Fund. Whilst not a significant risk, as part of our audit work we did undertake work on material revenue items. Our work did not identify any matters that would indicate our rebuttal was incorrect.

Significant audit risks (continued)

Risks identified in our Audit Plan	Auditor commentary
The valuation of Level 3 investments is incorrect By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgment to reach an appropriate valuation at year end. Management utilise the services of investment managers as valuation experts to estimate the fair values of these assets. We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.	In line with our audit plan we have: - Evaluated management's processes for valuing Level 3 investments; - Reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments and ensure that the requirements of the Code are met; - Independently requested year-end confirmations from investment managers; - For a sample of investments, tested the valuation by comparing the value per the General Ledger (typically based on an investor statement as at the reporting date or, in the case of harder to value assets, the latest capital statement available adjusted for known cash movements in the final quarter of the year) to direct confirmation of capital balances from Investment Managers and, where available, latest audited financial statements. - Completed sample testing of purchases and sales to prime documentation across the period to support our reconciliation of opening and closing balances; and In addition to the above procedures, identified in our audit plan, as a result of the impact of the Covid-19 pandemic we varied and enhanced our approach as follows: - In addition to reviewing control reports and audited financial statements where available, we also requested responses from fund managers around their use of the most appropriate International Private Equity and Venture Capital Valuation (IPEV)[or equivalent] methodology in their valuation books, specifically updated in the light of the most recent guidance available in relation to Covid-19. - We also performed an analysis by market sector of the Fund's holdings, with a particular focus on hard to value assets, with a view to identifying any particular asset classes or sectors which we viewed as a particular risk as a result of the economic impact of the pandemic and provided further challenge to the Fund around the valuations of those assets. Owing to the increased level of risk and scrutiny in this area, our work remains ongoing at the time of writing. We have substantially completed our initial program of work barring receipt of a handful of manager confirmations and four sets of audited financial statements to enable us to complete our procedures in this area. On our work completed at this time we have identified an extrapolated £33m possible overstatement of Net Asset Values in relation to Level 3 investments. This is principally a function of the timing of the production of financial statements and the particular challenges faced in the markets in March 2020; per the Fund's accounting policies, year end values for hard to value assets frequently contain 31 December values adjusted for cash which are then assessed by the auditor to ensure that the carrying value per the financial statements is not materially different from the fair value as at the audit date. We would typically expect to see a number of small variances as a result of this, usually netting out to a below trivial (and therefore non reportable) variance. The higher than usual variance is indicative of the wider uncertainty in the markets at the balance sheet date, but is not a material difference and does not indicate any weakness in management's arrangements for estimating investment values at year end. As the figure is an extrapolation it is not possible to adjust for it and management have determined not to undertake additional work to quantify exact differences on the basis that the difference is not material.

Significant audit risks (continued)

Risks identified in our Audit Plan	Auditor commentary
Valuation of Directly Held Property (Level 3 Investment) (Annual revaluation) The Fund revalues its directly held property on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. This valuation represents a significant estimate by management in the financial statements die to the size of the numbers involved (£981 million as at 31 March 2019) and the sensitivity of this estimate to changes in key assumptions. Management have engaged the services of a valuer to estimate the current value as at 31 March 2020. We therefore identified valuation of directly held property, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement and a key audit matter.	We have: - Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; - Independently requested year end confirmations from the valuer and supporting documents as relevant from the Fund's property managers; - Evaluated the competence, capabilities and objectivity of the valuation expert; - Written to the valuer to confirm the basis on which the valuations were carried out; - Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Fund's valuer's report and the assumptions that underpinned the valuation; and - In addition to the stated procedures per our audit plan, in response to wider market uncertainty relating to property valuations, we have engaged an auditor's expert (in this case, a firm of RICS qualified surveyors) to perform a detailed review of the methodology and assumptions employed by the valuer. To compliment this we also undertook additional audit procedures to evaluate possible impairment by assessing cash collection rates and ongoing covenant strength. Our audit work has not identified any issues in relation to the Fund's valuation of its Direct Property holdings. However, the valuer has included a material uncertainty clause in relation to some of the Fund's direct property holdings to reflect market conditions at the reporting date. We are therefore proposing the inclusion of an Emphasis of Matter paragraph highlighting the valuation material uncertainty disclosures within the Fund's financial statements associated with the Fund's direct property as a result of Covid-19. Our opinion is not modified in this respect.

Other risks

Risks identified in our Audit Plan	Auditor commentary
The merger with West Midlands ITA Pension Fund is not appropriately accounted for As of 1 April 2019, the assets and liabilities relating to the West Midlands ITA Pension Fund are consolidated into the West Midlands Pension Fund and brought under the responsibility of City of Wolverhampton Council as administering authority. There is a risk that opening balances are not brought forward correctly, that the consolidation is not appropriately performed and that appropriate legislation is not complied with.	As outlined in our audit plan we have: - Tested opening balances brought forward from the ITA and confirm consistency with audited financial statements; - Considered the appropriateness of the Fund's proposed consolidation process and any ringfencing arrangements; - Engaged our own internal Actuary to perform valuation processes on the ITA insurance buy-in. We are satisfied that ITA balances have been correctly brought forward into the Fund's financial statements and that the consolidation and ring-fencing arrangements are appropriate. The insurance buy-in was valued by the Fund's actuary (Barnett Waddingham). We: • gained an understanding of the Fund's process for valuing level 3 investments and evaluated the design of the associated controls • reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuations provided by these types of investments. We used our in-house experts, the Grant Thornton valuation team, to assist us in doing this. We reviewed the assumptions and calculations to provide assurance that the valuation was reasonable. • reviewed the qualifications of the expert Barnett Waddingham to value Level 3 investments at year end. We have independently estimated the value of the insurance buy-in to be £231,596k compared to your actuarial valuation of £229,363k. The valuation of this estimate is complex and the difference is within approximately 1% of the actuary's result and within the expected range we set. From this we have concluded that the valuation is reasonable and not materially misstated.

Significant findings – other matters and issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant control deficiencies identified during the year.

Issue	Commentary	Auditor view
McCloud In July 2020, The Ministry of Housing, Communities & Local Government (MHCLG) published its consultation on reforms to public sector pension schemes, this included the proposed remedy to address the discrimination caused by previous protections offered for those closer to retirement age.	We have discussed the potential impact of the McCloud remedy with management in consultation with management's expert, Barnett Waddingham LLP and determined that the allowance for McCloud included in the IAS 26 valuation as at 31 March 2020 is broadly similar to the proposed remedy and therefore we do not believe that there is any risk of material misstatement of the liability in this respect.. Management have proposed therefore that no adjustment is made to the financial statements however disclosure will be included to highlight the matter to readers of the accounts.	We are comfortable with the approach management have adopted and agree that additional disclosure will aid transparency. The consultation is expected to close in October 2020 and the outcome of this will be confirmed subsequent, as such based on our understanding and the evidence provided, we are satisfied that the impact of this will not be material to the financial statements.
Goodwin In addition to the above, the Goodwin case also examines alleged discrimination in the Teachers' Pension Scheme and we are aware that the Government Actuary Department (GAD) have been commissioned to prepare a report which considers this at a national level. The NAO are seeking clearance from MHCLG for this report to be shared.	As above, management are satisfied that the potential impact of Goodwin is immaterial to the valuation of the Fund as at 31 March 2020 as it is expected to be 0.025% of total liabilities (approximately £6m) however it is too early to understand the remedy. This has been supported by the actuary who concur with this view. Management have proposed therefore that no adjustment is made to the financial statements however disclosure will be included to highlight the matter to readers of the accounts.	The Tribunal decision was on 30 June and Chief Secretary to the Secretary's Statement was on 20 July (link). As these clarify the legal position our view is that the event is potentially an adjusting post balance sheet event. Management are not proposing to amend the accounts further. We are satisfied that additional disclosure will aid transparency and through our audit work we have obtained sufficient assurance that the increased liability will not be material to the financial statements.
Contributions Our testing of scheme contributions determined that, in some instances, member employers used an incorrect rate to pay in to the scheme and there were issues around third party confirmations of the cash value of contributions paid in year from member employers.	**Employer contribution rates:** we noted a number of cases of employers using the wrong rate to pay employer's contributions into the scheme. As referred to at Appendix A, the net impact of this was highly trivial. However, there is a risk that a larger employer may make the same mistake. **Employer contribution statements:** a key control for the Fund in preparing financial statements is ensuring that they recognise the correct value of contributions for each employer by checking their General Ledger balance against an independent confirmation from that employer. Owing to prepayments of contributions, there is a difference between the amount that is recognised in each respective party's financial statements which has led to some confusion in the reconciliation process.	We have made recommendations in respect of each of these identified issues within our Action Plan at Appendix A.

Significant findings – other issues (continued)

Issue	Commentary	Auditor view
Third party cash balances Audit procedures performed in relation to cash balances identified a small cash balance being held in a Fund bank account (and accounted for using the Fund's General Ledger system) which does not form part of the Fund's financial structure.	From discussions with the finance team we understand that this balance is held on behalf of a third party by the Fund. Whilst the balance is highly trivial to the Fund, it has a potentially higher significance to the third party and is large enough in nominal terms to warrant a separate bank account.	We have made a recommendation in this respect as part of our action plan at Appendix A.

Significant findings – going concern

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Going concern commentary	Auditor commentary
Management's assessment process	**Auditor commentary**
Management has prepared accounts on a going concern basis and provided cash flow forecasts for a period beyond one year following the proposed sign off date of the accounts.	• Whilst the Fund's financial statements are prepared in accordance with CIPFA's Code of Local Authority Accounting the PRAG Pension SORP provides helpful additional guidance for defined benefit schemes in noting that even where a scheme is significantly underfunded it should continue to be treated as a going concern for accounting purposes unless a decision has been made to wind up the scheme. As noted the Scheme is currently 94% funded based upon the latest triennial valuation and has sufficient funds to continue meeting benefit payments for the medium to long term (see below). In respect of any such decision for wind up the LGPS is a statutory scheme that can only be wound up by Government and there are currently no intentions to wind up the West Midlands Pension Fund. • We are satisfied that management's assessment that the going concern basis is appropriate for the 2019/20 financial statements.
Work performed	**Auditor commentary**
Our audit work includes: • Reperformance and stress testing of the Fund's cash flow forecasting; • Scrutiny and challenge of the underlying assumptions	• The Fund operates in a cash negative environment; contributions receivable in 2019/20 totalled £353.2m against benefits payable of £637.8m. However, Net Assets of the scheme at 31 March 2020 totalled £15,288m. Our view is that this level of assets suggests the Fund is well placed to meet obligations for the foreseeable future. • The Fund has more than £6.7bn of Level 1 investment assets. These assets are liquid and can be accessed quickly for cashflow purposes if required. • The Local Government Pension Scheme is a statutory scheme and there are no events or conditions that would indicate the winding up of the scheme. • No issues have been identified from the work performed
Concluding comments	**Auditor commentary**
	• Overall, we are satisfied that the preparation of the financial statements using the going concern principal is reasonable and sufficient disclosure has been made in the financial statements of this, no additional disclosures have been required as a result of Covid-19 • Based on the above comments, we anticipate being able to issue an unmodified opinion.

Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
Level 3 investments	The Pension Fund has investments in unquoted investments and pooled investments that in total are valued on the Net Asset Statement as at 31 March 2020 at £2,841m (net of £965.1m Direct Property Holdings which are discussed separately). These investments are not traded on an open exchange and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management rely on the valuations provided by experts employed by the private equity funds or similar vehicles in which the Fund invests.	Management determine the value of Level 3 Investments through placing reliance on the expertise of the investment managers. As such we have: • sought confirmations of year end valuations from a sample of main mandate managers. • tested a sample of level 3 investments to audited accounts to determine if the values estimated are reasonable and, in response to the additional uncertainty in the markets as a result of the impact of the Covid-19 pandemic, • raised additional queries with the find managers to ensure compliance with the most up to date guidance from International Private Equity and Venture Capital Valuation or equivalent (including in relation to updates for Covid-19 impact), and • reviewed service auditor reports for all material holdings. • Assessed management's expert, reviewing their competence, expertise and objectivity where appropriate, • Reviewed the adequacy of disclosure of estimate in the financial statements and consider it adequate As a result of the time delay between production of the financial statements and receipt of the 31 March 2020 investor statements (due to the often lengthy valuation process for these assets) it is not unusual to observe a variance between the value per the Fund at year end and the actual per capital statements. In this instance, due to the market volatility which occurred in March, this variance is slightly larger than usual; based on an extrapolation of the results of our sample testing, we estimate that the variance amounts to a possible overstatement of £33m in the disclosures relating to Level 3 investments. This is not a material issue but is above trivial and therefore reportable. As discussed in our Appendix on unadjusted misstatements our view is that this is a function of timing and the increased volatility of financial markets as opposed to a control weakness at the Fund. Our assessment is that management's process for producing the estimate remains sound. Further details on our work on L3 investments can be found on page 7.	● Green

Assessment

- ● Red We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● Amber We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● Yellow We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● Green We consider management's process and key assumptions to be reasonable

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Level 2 investments	The Pension Fund have investments in unquoted bonds and pooled investments that in total are valued on the balance sheet as at 31 March 2020 at £3,527m. The investments cannot be easily reconciled to valuations recorded on an open exchange as the valuation of the investments involves some subjectivity. In order to determine the value, management rely on the information which they are given from the various fund managers.	The fund has a material balance of investments with some observable inputs. The valuation of these investments is subject to varying degrees of estimation uncertainty. The Fund discloses the differing methods of valuation for these funds within the accounts. In each case the Fund choses to rely on the valuation provided by the fund manager. Similar to our approach for level 3 investments, we have; • Assessed management's expert, reviewing their competence, expertise and objectivity where appropriate, • Considered the valuation techniques used against industry practice – concluding the methodology applied in calculating these estimates is consistent with peers and industry practice • Satisfied ourselves in respect of the appropriateness of the underlying information used to determine the estimate is reasonable and based on the best information available to management • Reviewed the adequacy of disclosure of estimate in the financial statements and consider it adequate We were satisfied that our audit procedures did not suggest that there are any extrapolated errors, control issues or material uncertainties relating to this balance.	● Green

Assessment

- ● Red We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● Amber We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● Yellow We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● Green We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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Significant findings – key judgements and estimates (continued)

	Summary of management's policy	Audit Comments	Assessment
Level 3 investments-bulk annuity buy-in	A bulk annuity insurance buy-in was put in place in 2012/13 as part of the ITA Pension Fund's risk strategy. This has now transferred to the West Midlands Pension Fund following the merger. This cover means that the insurer underwrites the risk of meeting the future liabilities relating to West Midlands Travel Limited pensioners on the pension payroll at 11 August 2011 in return for a one-off premium. This buy-in valued within the Net Asset Statement as at 31 March 2020 at £229,363k. The valuation of the this buy-in insurance is highly subjective due to a lack of observable inputs. In order to determine the value, management have engaged their Actuary Barnett Waddingham. The value of this buy-in has increased by £4.9m in 2019/20 compared to 2018/19, largely due to pension payments of £15.8m in year offset by a net £20.7m gain relating to actuarial gains in respect of changes in demographic and actuarial assumptions.	The results from our review and testing of the valuation of investments is covered on page 6 of this report above. The fair value of the insurance buy-in has been reviewed and is considered a reasonable estimate. The pension liability is based on your actuary's Barnett Waddingham valuation. We have been provided with assurance that Barnett Waddingham can be relied upon for the purpose of valuing the liability and have reviewed the assumptions. The Pension Fund has reflected the valuation as given to them by the Actuary in their accounts. The accounts have disclosed the nature of the valuation and the fact that the estimate is subject to significant variances based on changes to the underlying assumptions. The bulk annuity insurance buy-in is ultimately derived by the actuary's valuation. We have had our own valuation experts review the information and assumptions used by the actuary and based on this work consider the estimates and judgements used to be reasonable.	● Green

Assessment

- ● Red We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● Amber We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● Yellow We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● Green We consider management's process and key assumptions to be reasonable

Significant findings – key estimates and judgements (continued)

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Valuation of Direct Property	The Pension Fund has investments in Direct Property holdings that in total are valued on the Net Assets Statement as at 31 March 2020 at £965.1m. Management forms its estimate of the valuation by placing reliance on the valuations expertise of its external valuer. The valuer provides quarterly investor statements which provide a valuation of the full portfolio held by the Fund. The valuer has acknowledged the estimation uncertainty arising as a result of the Covid-19 pandemic by including a material uncertainty clause in the valuations report for March and a more targeted comment on material uncertainty relating to specific assets in the June 2020 update. Management acknowledges the possibility of other appropriate valuations by providing a sensitivity analysis within its financial instrument disclosures. The value of the investment has decreased by £15m in 2019/20, largely due to the retail focus of the portfolio, the future outlook of which had been impacted by the Covid-19 pandemic at the balance sheet date.	To respond to the risks associated with this, the audit team looked at the following key areas; • We engaged our own auditor's expert (an appropriately qualified firm of valuers) to review the methodology and assumptions used by the Fund's expert; • We performed substantive testing on the underlying information supplied to management's expert as well as post balance sheet date cash collection data in order to ensure completeness and accuracy of the underlying data, and gain some assurance over future covenant strength of leases with tenants at the Fund's retail and industrial sites; Our findings were that the experts used in the process were appropriately qualified and the Fund's overall process for the estimation was in line with our expectations based on peer review and sector knowledge. Year on year movement was in line with expectations based on our understanding of the Fund's portfolio and the wider sectors in which it exists. Disclosures, including those in relation to sensitivity analyses, were deemed to be complete and appropriate.	● Green

Assessment

- ● Red We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● Amber We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● Yellow We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● Green We consider management's process and key assumptions to be reasonable

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Pensions Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2	**Matters in relation to related parties**	• We are not aware of any related parties or related party transactions which have not been disclosed.
3	**Matters in relation to laws and regulations**	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4	**Written representations**	• A letter of representation has been requested from the Pension Fund, which is appended. We have requested specific representations in respect of the 'material valuation uncertainty' disclosures (referred to on pages 7, 8 and 13) and management's proposals not to make adjustments for the matters reported on pages 7 and 10.
5	**Confirmation requests from third parties**	• We requested direct confirmations from the custodian and all main mandate fund managers, plus a sample of managers for alternative investments for investment balances. We have received confirmations from managers.
6	**Disclosures**	• Our review found no material omissions in the financial statements.
7	**Audit evidence and explanations/significant difficulties**	• All information and explanations requested from management was provided.
8	**Matters on which we report by exception**	• We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Funds Annual Report along with our opinion on the accounts.

Acknowledgements
We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Pension Fund's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Pension Fund's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Independence and ethics

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. The following non-audit services were identified which were charged from the beginning of the financial year to current date, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

	Fees £	Threats identified	Safeguards
Audit related			
Provision of IAS 19 Assurances to Scheme Employer auditors	9,250	Self Interest	This is a recurring fee and therefore poses a potential self-interest threat. However, the level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work of £9,250, in comparison to the total fee for the audit of £46,636 and in particular to GTUK's turnover overall. Further, the work is on audit related services. It is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Standards Committee. None of the services provided are subject to contingent fees.

Action plan

We have identified two recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	**Contributions – use of incorrect employer contributions rate by scheme employers** During the audit we noted a number of cases where employers used an incorrect Future Service Rate to calculate employer's contributions. In total, employers had applied a lower FSR rate which amounted to a net £150k overpayment of contributions.	Although the impact identified this year was clearly trivial to the financial statements, we feel that this is a control issue which could have a material impact on smaller employers and has the possibility of larger impacts if issues are encountered at one of the Fund's key employers. We recommend that the Fund look into ways of building in controls into UPM which will notify employers of the error at the point of remittance. **Management response** The Fund has controls in place to identify and highlight all instances where employers may not have applied the Future Service contribution rate as expected. In many cases, the differences are small and not necessarily as result of applying incorrect rates but due to timing differences or payroll adjustments made by employers. Each instance has to be investigated with tolerances applied to assist in resolution and this can lead to a rolling programme of ongoing work.
Medium	**Contributions – reconciliation between notional and cash value of contributions** As a result of the option to pre-pay Future and Past Service Contributions, this now results in frequent, substantial year on year variances on contributions receivable which present a challenge to the auditor in assessing completeness of the population.	We recommend that the Fund enhance procedures around reconciling notional contribution values (based on expected values in real time per actual pensionable pay) to actual cash received. Furthermore, 3rd party confirmations from employers should be enhanced to include cash values as well as expected balances per pensionable pay. **Management response** Where employers have pre paid Future Service contributions in advance, the Fund accounts for the receipts in full in the month in which they were received. As part of its contributions monitoring process, the Fund calculates contributions due for every employer each subsequent month based on expected employer contribution rate multiplied by actual pensionable salary. For employers who have prepaid, this is a notional value and is not included in the reconciliation of contributions due or in the annual accounts. Monthly cash receipts from such employers are in respect of employee contributions only and are reconciled to the member data submitted by employers. The 3rd party request to employers does require confirmation of cash values and expected balances per pensionable pay. The Fund will liaise with employers who have pre paid contributions to ensure correct completion of the confirmations.

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

Action plan (continued)

Assessment	Issue and risk	Recommendations
● Best practice	**Third party cash balances** Audit procedures performed in relation to cash balances identified a small cash balance being held in a Fund bank account (and accounted for using the Fund's General Ledger system) which does not form part of the Fund's financial structure.	We recommend that the Fund sets up a separate bank account and sub ledger accounting system to monitor the cash balance in question. **Management response** The Fund and City of Wolverhampton Council have completed the application forms required to set up a separate bank account to monitor this balance. The account is expected to be operational from October 2020. Within the Fund's General Ledger system, transactions relating to this balance are allocated to a specific cost centre code to enable monitoring and segregation from Fund transactions. The volume of these transactions is small enough that this structure is a reasonable way to monitor and account for movements on this balance.

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

Follow up of prior year recommendations

We identified the following issues in the audit of West Midlands Pension Fund's 2018/19 financial statements, which resulted in one recommendation being reported in our 2019/20 Audit Findings report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	In our 2018/19 AFR, we recommended that the Fund looked to introduce an additional level of analysis in respect of scheme contributions within its chart of accounts to enable finance staff and auditors to identify sub-types of contributions more easily and therefore improve reconciliations, accounts preparation and audit procedures.	We are please to report that this recommendation was acted upon during the 2019/20 year and we experienced considerably less difficulty in this area during the 2019/20 audit.

Assessment

✓ Action completed

X Not yet addressed

Audit adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

There were no required adjusting entries which would impact the reported net expenditure for the year ending 31 March 2020 identified.

Misclassification and disclosure changes

The table below provides details of key misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure issue	Detail	Auditor comment	Adjusted?
Misclassification of investment assets within Fair Value hierarchy	We have identified assets totaling £107m classified as Level 1 within the Fair Value hierarchy which we have agreed with management should be Level 3.	Non-material issue which does not impact overall financial performance. In order to enhance readers of the accounts understanding of the disclosures, the Fund should ensure a robust review of Fair Value hierarchy disclosures is in place. **Management response** The Fair Value hierarchy disclosure was amended to show this single investment in relation to one manager as Level 3 in the finalized Statement of Accounts.	✓
Covid-19 disclosures	Following our initial review of the draft financial statements and related disclosures, we identified a requirement for the Fund to include additional disclosures in respect of the impact of Covid-19 and associated uncertainties.	Following discussions with management, additional disclosures were included, in particular within the Post Balance Sheet Events and Estimation Uncertainty notes. **Management response** The Fund consulted with its investment advisers after initial drafting of the accounts when more experience was available to disclose how uncertainties arising from Covid-19 may impact across different classes of assets in the portfolio.	✓
Key management personnel disclosures	Disclosures in respect of Key Management Personnel should be enhanced to include total increase in Cash Equivalent Transfer Value (CETV) of Key Management Personnel's pension entitlement as opposed to contributions received only.	This is a non-material issue, but the Fund should look to obtain and include this information in coming year financial statements to ensure full compliance with the Code and enhance users' understanding of the financial statements **Management response** The Fund agrees that this additional disclosure is informative and will include it in future Statement of Accounts commencing with the year ending 31 March 2021.	✓

Audit adjustments

Impact of unadjusted misstatements

As a result of audit procedures performed, we have not identified any material adjusted misstatements in the accounts. As noted on page 10 management have considered the impact of the proposed McCloud restitution and Goodwin judgment upon the Fund's pension liability, the differences in asset valuations as the result of more recent updated information being available and capital commitments and have determined not to adjust for these matters as they are immaterial to the results of the Fund's financial position at the year-end.

The table below provides details of uncertainties identified during the 2019/20 audit which have not been adjusted within the final set of financial statements. The Pensions Committee and Audit & Risk Committee are required to approve management's proposed treatment of all items recorded within the table below:

Detail	Pension Fund Account £m	Net Asset Statement £m	Impact on total net assets £m	Reason for not adjusting
Extrapolated overstatement of Level 3 assets	33	(33)	(33)	• As detailed earlier in the report, this is an extrapolation based on sample testing of Level 3 assets intended as an indicative value to aid members' understanding of the financial statements as opposed to a precise proposed adjustment. Overall, out assessment is that the financial statements are not materially misstated and therefore no adjusting entry is required.
Overall impact	**£33m**	**£(33m)**	**£(33m)**	

Impact of prior year unadjusted misstatements

There were no unadjusted misstatements identified during our 2018/19 external audit.

Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Pension Fund	£48,636	£49,886
Total audit fees (excluding VAT)	**£48,636**	**£49,886**

The fees reconcile to the financial statements as follows:

- fees per financial statements: £72,930
- less fee variations and non-audit fees billed in respect of 2018/19's audit: (£14,574)
- net of PSAA rebate: £4,530
- less non-audit fees in respect of 2019/20 (detailed below and within our Audit Plan): (£14,250)
- plus additional fee arising in respect of engagement of GT valuations expert: £1,250 (NB: not included in financial statements)
- total audit fee (per above) £49,886

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services (provision of IAS 19 to auditors of member employers)	£9,250	£9,250
Non- Audit Related Services (review of the unitisation of ITA fund)	£5,000	£5,000
Total non- audit fees (excluding VAT)	**£14,250**	**£14,250**

Audit opinion

We anticipate we will provide the Pension Fund with an unmodified audit report

Independent auditor's report to the members of City of Wolverhampton Council on the pension fund financial statements of West Midlands Pension Fund

Opinion

We have audited the financial statements of West Midlands Pension Fund (the 'pension fund') administered by City of Wolverhampton Council (the 'Authority') for the year ended 31 March 2020 which comprise the Fund Account, the Net Assets Statement and Notes to the Pension Fund Statements for the year ended 31 March 2020, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020 and of the amount and disposition at that date of the fund's assets and liabilities.
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the pension fund financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Strategic Director for Resources and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties. However, no audit should be expected to predict the unknowable factors or all possible future implications for a fund associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance's use of the going concern basis of accounting in the preparation of the pension fund's financial statements is not appropriate; or
- the Director of Finance has not disclosed in the pension fund's financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for the pension fund for a period of at least twelve months from the date when the pension fund's financial statements are authorised for issue.

Audit opinion

In our evaluation of the Strategic Director for Resources conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the pension fund financial statements shall be prepared on a going concern basis, we considered the risks associated with the fund's operating model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the fund's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the fund will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of directly held property [TBC]

We draw attention to *Note P5: Assumptions made about the future and other major sources of estimation uncertainty* of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Fund's directly held property funds as at 31 March 2020. The property funds' valuers have stated that there is a material uncertainty about the valuations as a result of Covid-19. The Fund has decided to use the valuer's estimates as the best available estimates of the values of the Fund's assets as at 31 March 2020, but these estimates are subject to greater uncertainty than in previous years. Our opinion is not modified in respect of this matter.

Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement, other than the pension fund's financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund's financial statements or our knowledge of the pension fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund's financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund's financial statements and our knowledge of the pension fund the other information published together with the pension fund's financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the pension fund's financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page x, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance.

Audit opinion

The Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the pension fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Strategic Director for Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund's financial statements, the Director of Finance is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the pension fund will no longer be provided.

The Audit & Risk Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the pension fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Patterson, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

XX October 2020

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Agenda Item No: 12

CITY OF WOLVERHAMPTON COUNCIL

Pensions Board

20 October 2020

Report title	Investment Governance	
Originating service	Pension Services	
Accountable employee	Jill Davys Tel Email	Assistant Director, Investments 01902 55 0555 Jill.davys@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 55 1715 Rachel.brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Pension Board is recommended to note:

1. The Fund's updated Voting Principles 2020 approved by Pensions Committee in September 2020.
2. The Fund's updated Climate Change Framework and Strategy 2020 approved by Pensions Committee in September 2020.
3. The Fund's Principles for Responsible Investment Assessment Outcome.
4. The update on investment governance matters including those in relation to responsible investment and investment pooling.

1.0 Purpose and background

1.1 This report provides an update on investment related matters including the review of the Fund's voting and climate change policies, the assessment outcome of the Fund's 2020 UN Principles for Responsible Investment (PRI) reporting and responsible investment activities, together with the ongoing development of LGPS Central Investment Pool.

1.2 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**.

1.3 LGPS Central Ltd ("the Company") is a jointly owned investment management company established by West Midlands Pension Fund and seven Partner Funds to deliver investment pooling for the LGPS Central pool in accordance with the criteria laid down by the Secretary of State.

1.4 Investments products and services to Partner Funds are being developed, supported and overseen by the governance structures established within the Company and across the wider investment pool. The Shareholder Forum and Joint Committee each meet at least twice annually with the Shareholder Forum considering shareholder related matters such as the Company's strategic business plan, annual budget and annual report and accounts. The Joint Committee is focused very much on client deliverables of investment pooling, together with governance and oversight of pooling arrangements.

2.0 LGPS Central Investment Pool Sub-Fund Development and Asset Transition

2.1 As previously reported to the Board, since launch and over the next 2-3 years, a range of internally and externally managed sub-funds are being developed for liquid (e.g. equities and bonds) and alternative more-illiquid asset classes (e.g. private equity, property, infrastructure).

2.2 WMPF works closely with LGPS Central Ltd and Partner Funds to agree sub-fund product development, with ultimate investment decisions formed based on whether the new sub-fund meets the strategic requirements of the Fund and taking into account potential cost benefits net of transition costs.

2.3 The Fund's Investment Advisory Panel, comprising external advisers, the Director of Pensions and Assistant Directors, Investments, continue to review investment in sub-funds as they are developed taking into account the strategic fit for WMPF. The Pensions Committee are kept updated on product development and are asked to re-confirm delegations to transition assets as appropriate to these emerging sub-funds.

2.4 In aggregate as at the end of September, the Fund has transitioned approximately £6.7bn or around 40% of assets under management directly invested in LGPS Central Ltd sub-funds, helping demonstrate compliance with statutory guidance on LGPS Investment Pooling. In addition, the Fund also has a further £6.7bn (around 40%) under advisory and execution arrangements.

2.5 Since the Board last met the Fund, the focus has been on the development and launch of products for emerging market debt and multi-asset credit, which the Fund is currently reviewing to consider investments in.

2.6 The product development pipeline continues to evolve and be reviewed as strategic priorities and opportunities develop and the Fund works closely with its Partner Funds and LGPS Central Ltd to ensure that suitable products become available to meet the Fund's broader strategic objectives.

3.0 Voting Principles and Climate Change Updates

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. The Committee reviewed and approved the below at its meeting on 30 September:

- Voting Principles
- Climate Change Framework and Strategy

3.2 On this occasion, both documents only included minor amendments and a refresh of commentary rather than any fundamental changes. The updated documents are attached as appendices A and B to this report for noting.

4.0 Principles for Responsible Investment Assessment Outcome

4.1 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.

4.2 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.

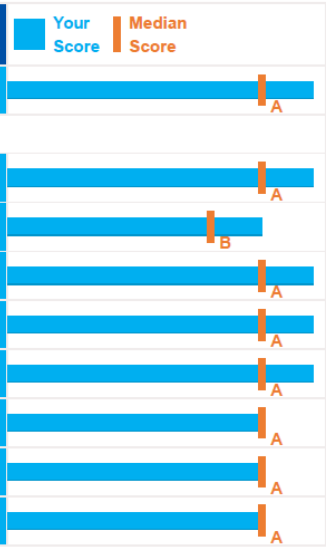
4.3 In line with the Fund's Responsible Investment Framework, the Investment Team strive to monitor and measure the environmental, social and governance impact of its portfolio and engage with asset managers and collaborate with other investors to ensure that its responsible investment targets are met,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

4.4 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.

4.5 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

AUM	Module Name	Your Score
	01.Strategy & Governance	A+
Indirect - Manager Sel., App. & Mon		
10-50%	02. Listed Equity	A+
10-50%	03. Fixed Income - SSA	A
<10%	04. Fixed Income - Corporate Financial	A+
<10%	05. Fixed Income - Corporate Non-Financial	A+
<10%	06. Fixed Income - Securitised	A+
<10%	07. Private Equity	A
<10%	08. Property	A
<10%	09. Infrastructure	A



SCORE	0%	>0 - 25%	>25 - 50%	>50 - 75%	>75 - 95%	>95%
BAND	E	D	C	B	A	A+

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

5.0 Responsible Investment

5.1 The Fund's strategy continues to be to engage with its investee companies and other key stakeholders through partnerships and on its own. The Fund aims to protect and increase shareholder value by engaging on a range of financially material ESG investment factors. A significant part of the Fund's engagement programme is implemented through partnerships including the Principles for Responsible

Investment (PRI), the Local Authority Pension Fund Forum (LAPFF), Hermes EOS (via a contract held by LGPS Central Limited, the pool operator company), Institutional Investors Group on Climate Change (IIGCC) and the UK Pension Fund Roundtable.

5.2 The Fund's engagement activity is monitored and reported to the Pensions Committee on a quarterly basis. Engagement activity includes a number of direct company engagements, on a range of themes, voting activity and working in partnership with other institutional investors to consider shareholder resolutions. Activity and progress are included in published reports from LGPS Central Limited and the Local Authority Pension Fund Forum (LAPFF).

5.3 As previously noted, following a review of the Fund's Responsible Investment Framework new engagement themes to cover the period 2020-23 were approved by Pensions Committee at its meeting on 17 June. The new engagement themes for the next 3 years have been agreed as: Climate Change; Sustainable Food Systems; Human Rights and Responsible Financial Management. The Pensions Committee continues to review engagement activity and developments on a quarterly basis and respond to enquiries from members, stakeholders and campaign groups, as these are received and through statements and material published on the Fund website. Particular focuses for correspondents over the last quarter and in the last few weeks has been Human Rights in the Occupied Palestinian Territories and climate change.

5.4 The Fund has been a signatory of the UK Stewardship Code ('the Code') since its inception in 2012. The Fund defines the concept of stewardship in the same way as the FRC: *"Stewardship aims to promote the long-term success of companies in such a way that the ultimate providers of capital also prosper. For investors, stewardship is more than just voting. Activities may include monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure, and corporate governance, including culture and remuneration. Engagement is purposeful dialogue with companies on these matters as well as on issues that are the immediate subject of votes at general meetings."*

5.5 The FRC has now published an updated Code which came into effect from 1 January 2020. The Code represents a new best practice standard for both asset owners and asset managers alike. The new guidelines require that Funds who want to remain or become signatories of the Code must publish a Stewardship Report, demonstrating compliance with the 12 principles of the Code by 31 March 2021. The Code will also be used in conjunction with forthcoming guidance to be issued by the Scheme Advisory Board, as a basis for reviewing and strengthening the Fund's approach to responsible investment activity. The Fund will be working in conjunction with LGSPC Ltd to update the Fund's current statement on compliance with the Code ahead of March 2021.

6.0 LGPS Central Investment Pool Governance

6.1 As previously reported to the Board, the governance arrangements for the LGPS Central pool include a Shareholder Forum (as the group of "owner" representatives) and the Joint Committee (focused on investment matters and client-side). The Joint Committee has invited a trade union representative to join the Committee and is waiting for a nomination from the TUC. A representative from the West Midlands' Pension Committee continues to attend on an informal basis. The Practitioners Advisory Forum, PAF (officer group) support both groups and act as a liaison with the Company.

6.2 The Shareholder Forum and Company AGM took place on 8 September 2020 and incorporated discussion and approval a number of routine items.

6.3 The Joint Committee last met in February, with the scheduled meeting in June cancelled due to Covid-19, although members of the Joint Committee have been provided with an update on progress on pooling including responses to Covid-19, performance of the company, an updated risk register, client key performance indicators and responsible investment. An Investment audit is currently underway but faced delays due to Covid-19, the results of this audit will be presented to the Joint Committee in due course.

6.4 LGPS Central Limited's own governance arrangements include an Investment Committee, Executive Committee and oversight from the Non-Executives through the company board and sub committees (Remuneration and Audit and Compliance). Shareholders received information on the work of the Board sub committees at the AGM.

7.0 Financial implications

7.1 There are no direct financial implications arising as a result of this report.

8.0 Legal implications

8.1 The requirement to pool fund investments is a requirement of law, failure to work collaboratively and meet the Government's criteria and timetable for delivery may result in Government intervention.

8.2 MHCLG issued updated draft statutory guidance relating to investment pooling for informal consultation in January 2019. This was to update and replace the original statutory guidance issued in 2015. Both the Fund and LGPS Central Ltd have provided responses to the consultation and are expecting MHCLG to issue a further formal consultation during 2020/21.

9.0 Equalities implications

9.1 There are no direct equalities implications.

10.0 Environmental implications

10.1 There are no direct environmental implications.

11.0 Human resources implications

11.1 There are no direct human resources implications.

12.0 Corporate landlord implications

12.1 There are no direct corporate landlord implications.

13.0 Schedule of background papers

13.1 Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016
http://www.legislation.gov.uk/uksi/2016/946/contents/made

14.0 Schedule of Appendices

14.1 Appendix A – WMPF Voting Policy

14.2 Appendix B – WMPF Climate Change Framework and Strategy

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Appendix A

WEST MIDLANDS PENSION FUND VOTING PRINCIPLES
SEPTEMBER 2020

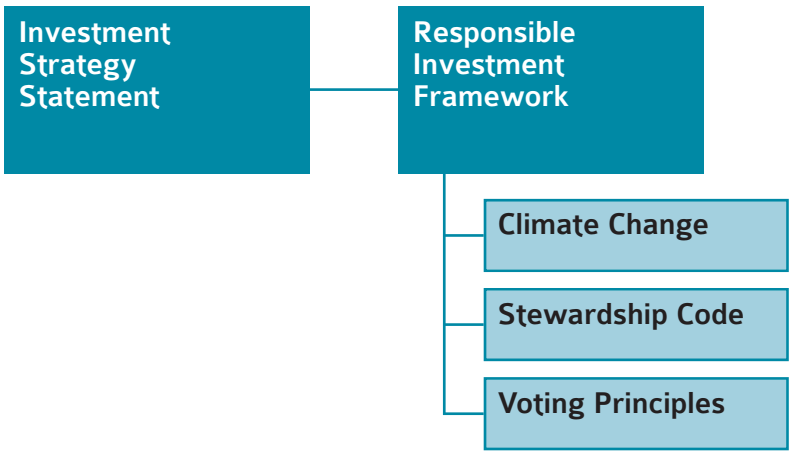
West Midlands Pension Fund

CONTENTS

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, renumeration, 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 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 bods 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 that 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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Appendix B

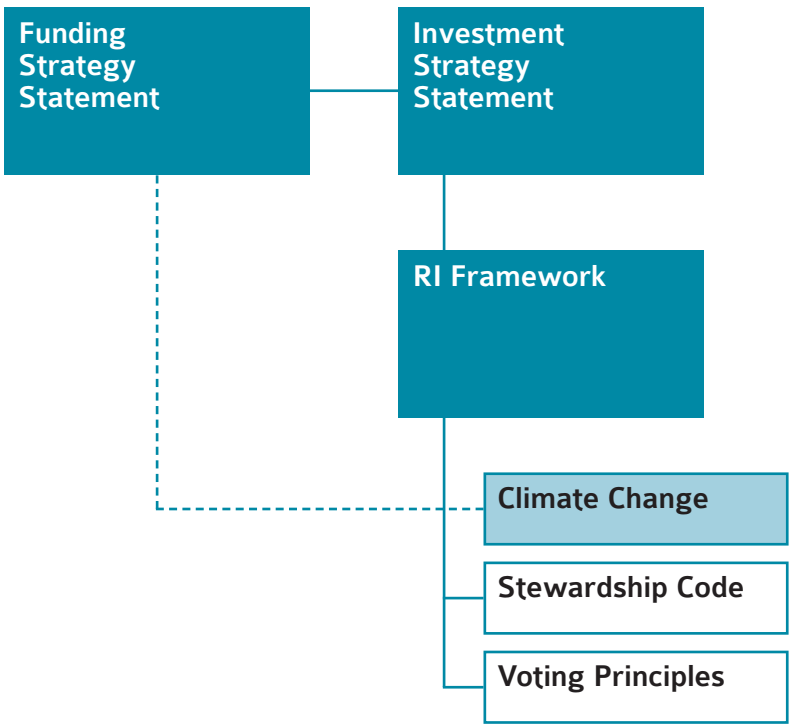
CLIMATE CHANGE FRAMEWORK AND STRATEGY 2019-2023

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")[1]. 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[2]



[1] https://www.fsb-tcfd.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)*]

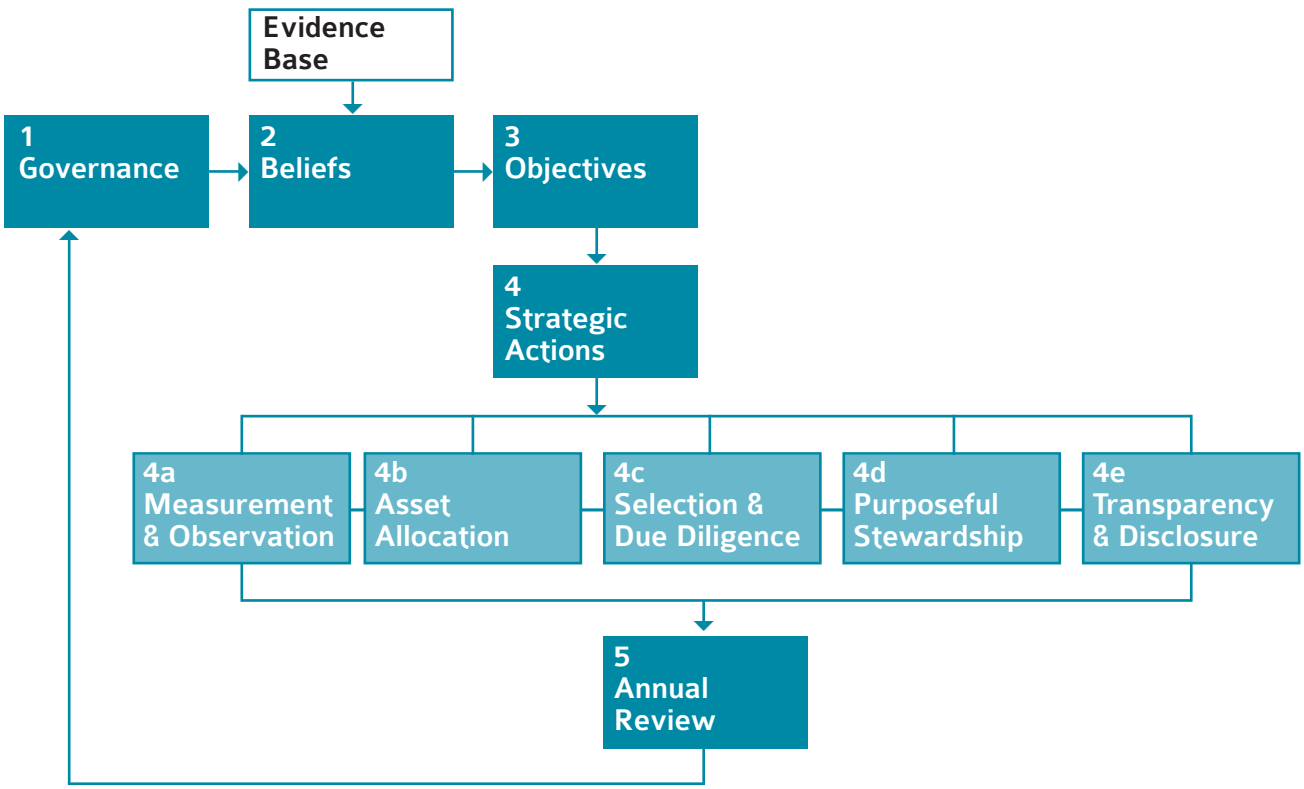
The Pensions Committee is at all times responsible for the Fund's investment and funding arrangements, including oversight of the Climate Change Framework & Strategy. Responsibility for implementation of the Fund's Climate Change Framework & Strategy sits with the Director of Pensions and Assistant Director 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 [4] 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.[5]

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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