

CITY OF
WOLVERHAMPTON
COUNCIL

Pensions Board

26 January 2021

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)
Mark Smith

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:

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Wolverhampton WV1 1RL

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Agenda

Part 1 – items for Discussion

<i>Item No.</i>	<i>Title</i>
1	Apologies for absence
2	Declarations of Interest
3	Minutes of the Previous Meeting (Pages 3 - 8) [For approval].
4	Matters arising
5	Governance and Assurance (Pages 9 - 20) [To receive an update on the work of the Fund to deliver a well governed scheme.]
6	Covid-19 Response (Pages 21 - 26) [To receive an overview of the Fund's response to the current global pandemic and the steps being taken to mitigate service delivery impact and support employees during the second and now third phase national lockdown.]
7	Regulatory Update (Pages 27 - 30) [To receive an update on key developments currently impacting the regulatory environment in which the Fund operates.]
8	Pensions Administration Report from 1 July 2020 to 30 September 2020 (Pages 31 - 44) [To receive an update on the routine operational work undertaken by the pensions administration service areas during the period 1 July to 30 September 2020.]
9	Pensions Administration Benchmarking and Accreditation (Pages 45 - 50) [To receive an update on the outcomes of the benchmarking and accreditation exercises undertaken in relation to 2019/2020 for the delivery of Fund's Pension Administration Services.]
10	Customer Engagement Update (Pages 51 - 64) [To receive an update of the Fund's customer engagement activity from 1 July 2020 to 30 September 2020.]
11	Investment Governance (Pages 65 - 88) [To receive an update on investment related matters.]

CITY OF WOLVERHAMPTON COUNCIL	Pensions Board Minutes - 20 October 2020
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Attendance

Members of the Pensions Board

Employer Representative

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

Member Representative

Sharon Campion
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
Rachel Howe	Head of Governance and Corporate Services - West Midlands Pension Fund
Lauren Pote	Governance Support Officer – West Midlands Pension Fund
Holly Slater	Governance Officer – West Midlands Pension Fund
Hayley Reid	Regulatory Governance Manager – West Midlands Pension Fund
Amy Regler	Head of Operations – West Midlands Pensions Fund
Darshan Singh	Head of Finance – West Midlands Pension Fund
Simon Taylor	Head of Pensions - West Midlands Pension Fund
Kirsty Tuffin	Democratic Services Officer – City of Wolverhampton Council
Fabrica Hastings	Democratic Service Assistant – City of Wolverhampton Council
Grant Thornton	
Grant Patterson	

Part 1 – items for discussion

Please note: The Pension Board meeting on 20 Oct 2020 took place virtually but was not broadcast live via the City of Wolverhampton Council website. However, the agenda pack discussed at the meeting was published on the Council's website and open to the press and public.

Item No. Title

1 **Apologies for absence**
Apologies were received from Stan Ruddock, member representative from Unite.

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 09 July 2020 be approved as a correct record.

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

5 **Annual Governance**
Rachel Brothwood, Head of Governance and Corporate Services presented the report on 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).

Resolved:

1. That the appointment of the Chair and Vice Chair for the remainder of the municipal year be approved.
2. That the Appointments Panel to receive nominations for an employer representative the year 2020-2021 be approved to convene.

6 **Customer Engagement Update**
Simon Taylor, Assistant Director, Pensions, presented the report on 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.

The Board were advised that in light of the current situation, the Fund's member engagement work had evolved from face-to-face delivery to a digital delivery. The shift to digital delivery had received positive feedback and had increased accessibility to a wider audience.

Employer engagement had also shifted to a digital approach throughout with period and the Employer Peer Group, employer webinars and employer performance meetings had taken place virtually with positive feedback received.

Resolved:

1. That the engagement activity and customer support provided aligned to the Covid-19 restrictions be noted.
2. That the updated Customer Engagement Strategy be noted.
3. That the high-level overview of planned activity and changes made to the annual Customer Engagement Plan be noted.

7 **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 and the steps being taken to mitigate service delivery impact.

The Board were advised that following consultation with Unions, employees had returned to the office on a rotational basis to support essential service delivery and employee wellbeing with all arrangements being managed in line with Government Guidance.

Resolved:

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

8 **Pensions Administration Report from 1 April to 30 June 2020**

Amy Regler, Head of Operations, presented the report on the routine operational work undertaken by the pension administration service areas during the period 1 April to 30 June 2020. This included members and employers of the Main Fund and the former WMITA Pension Fund, following the merger of the West Midlands LGPS funds, effective from April 2019.

The Board were advised that increased death notifications in March and the impact of transitioning to working from home, had impacted performance at the start of the year with improvements made in the achievement of KPIs for this reporting quarter, continuing for the period July - September.

The Board were advised that despite the current environment, delivery of the Digital Transformation Programme had been ongoing. The new Employer Hub launch had begun with a pilot testing of the system conducted in September 2020 with nominated employers.

Resolved:

1. That the pensions administration activity and the impact of COVID-19 on the workload volumes for pension administration be noted.
2. That the update on the progress of the Fund's Digital Transformation Programme be noted.

9 **Regulatory Update**

Rachel Brothwood, Director of Pensions, presented the report on key developments currently impacting the regulatory environment in which the Fund operates.

The Board were advised that following the ruling on McCloud, the Fund would be required to rectify member records in line with any statutory remedy noting, MHCLG had submitted guidance on how to proceed with the reviews. The Fund had issued a technical response to the remedy consultation which closed at the beginning of October 2020. Pending the adopted remedy, the Fund had conducted work to assess the scope of affected members, as well as assessing what additional information would be required from employers to implement the remedy. Communication with

members and employers would be planned as part of the implementation programme.

In response to the commentary on the exit cap regulations, Adrian Turner (Unison), advised the Board that Unison had raised concerns on the 9 November deadline to respond to the consultation from MHCLG on associated reforms to the LGPS and compensation schemes and that Unison members had written to the minister to request an extension.

The Board were advised that review and changes were required to the Fund's Funding Strategy Statement (FSS) following introduction of LGPS regulatory change, to enable greater employer funding flexibilities. Fund review and consultation on changes to the FSS are pending issue of guidance from MHCLG.

Resolved:

1. That the updates to the current regulatory environment within the LGPS be noted.

10 **Governance and Assurance**

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

The Board were advised that a key area of concern related to the volume of policy change and new regulations and the potential impact on the Fund's resources, at a time when the industry and Fund were also aware of increasing risk of pension scams.

Resolved:

1. That the latest strategic risk-register and areas being closely monitored in the current environment be noted.
2. That the compliance monitoring activity undertaken during the quarter be noted.
3. That the Fund's Key Performance Indicators and the action taken to support service delivery be noted.
4. That the revised Internal Audit work-plan for 2020-21 be noted.

11 **Annual Report and Accounts**

Darshan Singh, Head of 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, with publication of the latter on the Fund's website due by 1 December 2020.

The Board were advised that the Audited Statement of Accounts had been in its final stages before completion and had been considered by Pensions Committee on 30 September 2020. The annual report would be audited by Grant Thornton, for consistency, prior to finalisation and publication.

Grant Patterson, representative from Grant Thornton, advised the Board that following completion of the audited Statement of Accounts, it would be taken to the Council's Audit and Risk Committee for approval. Changes had been made to the audit to reflect the impact of Covid-19 and working from home for the Fund.

Resolved:

1. That 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 be noted.
2. That the 2019/20 Statement of Accounts incorporates the merger with the West Midlands ITA Pension Fund (WMITA) be noted.
3. That Grant Thornton's Audit Findings Report for West Midlands Pension Fund be noted.
4. That the draft Annual Report for WMPF was considered by Pensions Committee on 30 September and now subject to audit by the Fund's external auditors, Grant Thornton, be noted.

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Investment Governance

Jill Davys, Assistant Director, Investment Partnership, presented the report on investment related matters which included a 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.

The Board noted that the Fund had achieved A+/A for every module of the reporting and assessment of its Responsible Investment activity the PRI.

Resolved:

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

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 26 January 2021
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Report title	Governance and Assurance	
Originating service	Pension Services	
Accountable employee	Rachel Howe	Head of Governance and Corporate Services
	Tel	01902 55 2091
	Email	Rachel.Howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 55 1715
	Email	Rachel.Brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Pension Board is asked to note:

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

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 Local Pension Board Appointments 2020-2021

- 2.1 At the meeting on 20 October 2020 the board agreed, in accordance with the Terms of Reference to form an appointments panel to consider applicants for the vacant employer representative seat. In accordance with the appointments process, employer applications were submitted to the appointments panel who confirmed unanimously the appointment of Mark Smith.
- 2.2 The Fund continue to liaise with GMB and Unite regarding nominations to the vacant member representative seats in readiness for the new municipal year.

3.0 Risk Management

3.1 Operational Risks

- 3.1.1 In accordance with the Fund's 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.
- 3.1.2 This quarter, operational risks have remained relatively consistent against the previous quarter, with one new risk identified regarding availability of resource to support Regulatory Change, noting the myriad of changes coming through with McCloud, the public sector £95k exit cap and proposed Local Government exit payments reform.
- 3.1.3 Three risks have seen an increase in their risk scores this quarter, four risks have reduced in score and two have not seen any movement. There are now 20 red risks, 37 amber and one green risk.

3.2 Strategic Risk Register

- 3.2.1 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 objectives.
- 3.2.2 There are 24 risks on the Strategic risk register, eight of which are red and 16 are amber. This quarter we have seen an increase in the Covid risk noting the second lockdown imposed on 5 November, although the overall rating is still amber.
- 3.2.3 Noting the increase in operational risk, the strategic register has reflected the potential impact for forthcoming scheme changes together with the related risk of available fund

resource, including its reliance on third party providers to support those changes, noting further details and regulations to be confirmed in due course. This is reflective of the 'gap' in regulatory timing of the two sets of regulatory changes regarding employee exit payments. Risks which were new or had increased in the previous quarter have now stabilised, with a reduction in risk for our customer delivery noting the suite of resources developed by the Fund's Pension Services Teams.

The Strategic Risk Register following review in December 2020, is attached at Appendix A.

3.3 Areas of Concern

- 3.3.1 Horizon scanning enables the Fund to identify, evaluate and manage changes in the risk environment, preferably before they manifest as a risk or become a threat to the Fund. Additionally, horizon scanning can identify positive areas for the Fund to develop its business and services, taking opportunities where these arise. By implementing mechanisms to horizon scan the Fund is able to respond to changes or emerging issues in a coordinated manner. Any areas identified as having a potential impact on the Fund's Service Delivery are added to the Fund's "Areas of Concern".
- 3.3.2 This quarter specific focus is on regulatory change and exit pay reform proposed by MHCLG which appear to go further than expected adding further options (and complexity) to member choice when taking their pension benefits. (This further heightens the risk across the pensions industry as a whole for poor decision making given the gap in the LGPS market for pensions guidance and advice.) The Fund will need to update systems and enhance knowledge of its key service delivery teams to support the implementation of the changes. Consideration is being given to the available resource to support in both the short and medium term.

The Areas of Concern, following review in December 2020, are attached at Appendix B.

4.0 Compliance Monitoring

- 4.1 Data Protection
This quarter the Fund is reporting six data breaches, an increase of five from the previous quarter. The increase has been attributed to the launch of an online reporting tool for Fund staff which has simplified the breach reporting process. All six of the breaches identified were minor and the Governance Team continue to identify actions in order to improve procedures and prevent further instances.
- 4.2 Freedom of Information (FOI) Requests
This quarter the Fund received six FOI requests, all of which have been responded to within the deadlines set by the City of Wolverhampton Council, who operate in accordance with statutory timescales.

4.3 Subject Access Requests (SARs)

This quarter the Fund has received six Subject Access Request, an increase of five from the previous quarter, together with four third party requests for member information. As reported last quarter, 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.

5.0 Annual Regulator Activity

5.1 The Fund have completed tPR's Scheme return, which was submitted to the regulator prior to the deadline of 15 December 2020. The Scheme return is completed annually and is used by tPR to gather information about pension schemes, to identify where there is a risk or potential risk to members' benefits. Comparison of this year's scheme return to previous years has identified improvement in the Fund's data accuracy scores, with 97% common data and 92% scheme specific data. Work is ongoing to further develop and implement the scheme specific data reporting tool.

5.2 TPR have also published the results of the 2019 Governance and Administration survey on their website, which aims to highlight common areas requiring improvement and areas of good practice across public sector schemes, as well as being used to feed into their corporate strategies.

5.2.1 Key findings from the 2019 survey include a fall in the number of Fund's stating they had their own documented procedures in place for assessing and managing risks, tPR have attributed this fall to a change in the way survey questions had been asked. There had been an increase in the number of Fund's holding four or more Pensions Board meetings per year (Board will recall the Fund changed the frequency of its meetings from two to four in the last municipal year) and the number of Fund's stating they had completed an annual data review had increased from 83% to 92%. TPR's 2020 Annual Governance and Administration survey is due for completion in early 2020 and the Fund will feed into this.

5.3 The Fund are awaiting issue of the Scheme Advisory Board's (SAB) Local Pensions Board survey which assesses the effectiveness and operational efficiency of Local Pension Boards. Details of the completion and results from both of these reviews will be reported to a future meeting of the Pensions Board.

6.0 Key Performance Indicators

6.1 The Fund's KPIs for this quarter (July-Sept) are attached at Appendix C and notes a slight downward trend in operational and workload performance, with most processes remaining within and close to target KPI. This is linked to the current environment in which the Fund is operating, outlined in the reports presented to Board. There has been an improved response to call volumes in recent weeks with a notable volume of members now registered to the Fund's Pensions Portal which supports secure handling of member information and increased self-service.

7.0 Data Management

- 7.1 Board will recall that the Fund has previously engaged with tPR on the production of its 2018 and 2019 annual benefit statements with no further action identified following overall improvement in delivery by March 2020. At the time of writing the Fund has produced 95% of Active Benefit Statements and 90% of Deferred Statements.
- 7.2 In line with the Fund's Data Management Strategy the rolling programme of deferred member tracing has contributed to the management and maintenance of accurate member data supporting timely payment of pension benefits as they fall due.

8.0 Financial implications

- 8.1 Poor management of the Fund's data, financial information and assets can result in additional costs and detract from 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 administration, funding and investment strategy.
- 8.2 Failure by the Fund to meet statutory requirements of effective governance and administration could result in fines imposed by the Pensions Regulator (tPR).

9.0 Legal implications

- 9.1 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.

10.0 Equalities implications

- 10.1 There are no direct equalities implications arising from this report.

11.0 Environmental implications

- 11.1 There are no direct environmental implications arising from this report.

12.0 Human resources implications

- 12.1 There are no direct human resources implications arising from this report.

13.0 Corporate landlord implications

- 13.1 There are no direct corporate landlord implications arising from this report.

14.0 Schedule of background papers

- 14.1 [The Local Government Pension Scheme Advisory Board - News](#)

14.2 [Public Service Governance and Administration Survey 2019](#)

15.0 Schedule of appendices

15.1 Appendix A: Strategic Risk Register

15.2 Appendix B: Areas being monitored in the current environment

15.3 Appendix C: Key Performance Indicators – Quarter 2 monitoring

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 monitors the ongoing environment through weekly senior management meetings with officers linking into the Council's wider Tactical Group Meetings. Regular employee communications are issued to remind of individual responsibility when working in the office together with regular well being bulletins issued by the Fund's staff forum.	↑
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 Strategy and Implementation	Draft updated guidance expected from MHCLG with a number of consultations pending on Stewardship, Climate Change and Investment Pooling.	The Fund keeps abreast of developments, participating in consultation and calls for evidence. The Fund is responsive to requests for information which may inform regulatory change and emerging guidance.	↔
Resources	People	The Fund is unable to recruit suitably qualified and experienced employees to support the delivery of services to our members. Particular areas of difficulty are all areas of highly specialist technical skills, e.g. investments/ actuarial/ finance/ pensions technical.	This risk is assessed each year as part of annual Service plan and budget review process, aiming to ensure the Fund is adequately resourced to support service delivery and respond to identified drivers for change.	↑
		The Fund is unable to retain employees, resulting in loss of key skills and knowledge, or faces growing financial pressure from the salaries required to retain specialist skills. In addition, the Fund is also facing difficulties training and developing current staff at the present time due to the Covid-19 crisis.	This risk is assessed each year as part of annual Service plan and budget review process, aiming to ensure the Fund is adequately resourced to support service delivery and respond to identified drivers for change. New ways to deliver training 'virtually' are being investigated and rolled out where possible.	↔
		Increasing workloads put strain on key service areas due to changes in regulation and scheme rules. Increasing member and employer numbers increasing demand for services.	This risk is assessed each year as part of annual Service plan and budget review process, aiming to ensure the Fund is adequately resourced to support service delivery and respond to identified drivers for change.	↑
		Impact on capacity and resources in the event of a second wave of the Covid-19 Pandemic resulting in disruption to resourcing and servicing.	Critical areas / functions have been identified and succession planning is ongoing to support these areas in the event of a second wave, this includes redeployment of staff where appropriate	↔
	Operational Costs	Greater demand on service areas and pending scheme change 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 scheme change and development co-occurring with transition to working from home arrangements, impacting productivity	Employee surveys undertaken to monitor and review potential sources of inefficiency, return to office planning being undertaken to facilitate phased return over time. Increase in retirement quotes received in the first two weeks of August (c50%), resources are being flexed to try and mitigate	↔
	Failure by the Fund to deliver on its Service Plan objectives and priorities	Impact on reputation of Fund in failing to deliver on promises made to customers together with potential impact of regulatory enforcement where external drivers are not managed.	The Fund monitors and reports on delivery against corporate priorities on a bi-annual basis to Committee and Board with activity monitored monthly through KPIs. Progress on the delivery of DTEP continues to see progress throughout the quarter	↔
	Cyber Security	The Fund retains a large amount of personal data and financial information which could be impacted by a cyber attack	The Fund has developed an annual programme of assurance surrounding its cyber risk and controls which includes an annual programme of testing. The Fund's internal audit team included this work in their annual plan to further build out the second line of assurance.	↔
	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	The Fund is unable to pay pension benefits when they fall due due to inaccurate member data nor respond to national and industry data disclosures (including those on investment data and cost reporting).	Monitoring and oversight of data and financial information supplied by employers; employer support and communication. The Fund is actively engaged with all stakeholders regarding the timely provision of data to facilitate its statutory reporting duty.	↔
Funding and Investment	Funding Management	Poor oversight of funding level; increase in liabilities; overstating employer covenants; employers falling into financial difficulties.	In addition to the annual review of the Fund's Funding Strategy, ongoing reviews of employer strength and monitoring of contributions have been actively undertaken through employer resilience surveys to identify and potential difficulties.	↑
	Investment Management	Volatility in investment markets leading to lower than required / expected returns impacting the Fund's ability to manage its funding level resulting in higher employer costs.	The Fund sets strategic investment allocation benchmarks providing a diversified portfolio and actively manages investment risks by monitoring investment markets and performance. The Fund is also able to take a long term approach to investments and whilst may be impacted by short term volatility, longer term funding implications are not clear.	↔
	Responsible Investment	WMPF fails to develop or implement suitable RI policies leading to potentially decreased returns and increased external scrutiny; Fund fails to take into account potential risks from climate change impacting on the portfolio.	Regular reviews of responsible investment strategy and activities are undertaken, development of climate change strategies and monitoring. The Fund has been assessed for PRI achievement achieving A or A+ in all aspects of assessment.	↔
	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.	Following the issuance of surveys the Fund has developed a suite of resources to support its customers, including the creation of E-Books, Webinars and online one-to-one interactions.	↓
	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 accurate information leading to an inability to meet statutory reporting disclosures.	The Fund has a data management strategy which seeks to identify and action data quality issues which may lead to the inability to produce accurate benefit statements. National developments of scheme specific data reporting are being tested by the Fund within its software system.	↓
	Failure to act on issues	The Fund is faced with a multitude of issues that it needs to address in response to national and local change and could face poor publicity from failing to take action e.g. in relation to TPR guidelines, responsible investment activities, local/regional issues that affect local stakeholders etc.	The Fund keeps abreast of current issues that may arise; accountability of Senior Management to consider issues that might impact on the Fund's reputation.	↔
	Compliance and Assurance	The Fund is unable to provide assurance of its control framework or has an inadequate assurance of the controls in its processes.	The Fund undertakes quarterly compliance monitoring of key service areas. Annual Internal Audit reviews provide added assurance on identified high risk activities.	↔

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West Midlands Pension Fund Risk Register - Areas of Concern Q3 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 which supported its oning service delivery. Through these changes the Fund was quick to adapt to the announcement of a second lockdown.	↑
Regulatory	Public Service Pension Schemes: Changes to the transitional arrangements to the 2015 schemes	The outcome of the court case has increased the risk of amendments to the calculation and administration of scheme benefits, introducing the potential for increased costs and contributions for employers. Both MHCLG and GAD have encouraged Fund's to make an allowance ahead of finalising the Actuarial Valuation 2019 but the remedy and how it will be applied within the LGPS may not be determined for some time, creating uncertainty and frustration across the industry with an extended period over which changes may need to be backdated.	Medium	The Fund has responded to the consultation released which is due to close early Autumn and is working with employers to provide information as it is developed (including data templates).	↔
	Reforming Local Government Exit Pay	The implementation of the Public Sector Exit Payment Cap and it's consistency with wider LGPS Regulations on immediate entitlement to benefits at age 55 together with ongoing consultation on exiy pay reforms.	High	The Fund has responded to government consultation on the proposed exit pay reform and is liaising with employers to support approach	NEW
	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 has issued consultation on its 15 year strategy, while being reflective of wider industry impacts there is no specific reference to LGPS and public sector schemes.	Low	The Fund will respond to the consultation (closes 15 December)	↓
	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, a new Stewardship Code, a focus on investment governance coming from the tPR together with employer funding flexibilities 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 while ongoing reviews of internal resource are being undertaken to ensure the Fund can mitigate impact on existing resource pull.	↑
	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.	↔
	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 and Pension Scams	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	End of Quarter 2 Performance	Trend	
Customer Engagement and Communication	REFUNDS							
	M	Notify member of Refund within 10 days of receiving required information	90%	Head of Operations	97.20%	95.16%	↓	
		Refund payments processed within 5 days of receiving required information	90%		99.62%	98.80%		
	RETIREMENTS							
	M	Notification of Estimated Benefits within 15 days of retirement date	90%	Head of Operations	76.80%	90.67%	↑	
		Notification of the actual benefits within 5 days of receiving member option form	90%		98.32%	99.33%		
		Payment of lump sum and creation of payroll record within 5 days of receiving election form	90%		96.27%	98.89%		
	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%	89.23%	↓	
		Notification of the actual benefits within 5 days of receiving member option form	90%		96.61%	96.20%		
		Payment of lump sum and creation of payroll record within 5 days of receiving election form	90%		92.32%	94.59%		
	TRANSFERS IN							
	M	Transfer in quotations processed within 10 days of receiving all the required information	90%	Head of Operations	100.00%	95.60%	↓	
		Transfer notification of transferred in membership to be notified to the scheme member within 10 days of receiving payment	90%		100.00%	95.52%		
	TRANSFERS OUT							
	M	Transfer out quotations processed within 20 days of receiving required information	90%	Head of Operations	100.00%	99.59%	↓	
		Transfer out payments processed within 20 days of receiving required information	90%		100.00%	96.30%		
	DEATHS							
	M	Acknowledgement of a death within 5 days of receiving the notification.	90%	Head of Operations	98.32%	98.17%	↓	
		Notification of benefits payable to dependents will be issued within 5 days of receiving the required information	90%		94.70%	91.28%		
Payment of death lump sum will be made within 10 days of receipt of all the required information.		90%	100.00%		100.00%			
JOINERS								
M	Membership record to be created within one month of receiving information from employer	95%	Head of Governance	100.00%	100.00%	→		
EMPLOYER AND MEMBER SERVICE - CALLS								
M	Calls received to the customer helpline to be answered.	85%	Head of Pensions	78.66%	86.57%	↑		
M	Calls received to the employer helpline to be answered.	85%	Head of Pensions	96.47%	95.97%	↓		
Customer Engagement and Communication	CUSTOMER SATISFACTION/SURVEY							
	M	Customer satisfaction	90%	Head of Pensions	100.00%	95.42%	↓	
	Q	Web Portal Registrations	Target 90000	Head of Pensions	97339	101834	↑	
	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%	100.00%	↑	
	COMPLAINTS MONITORING - MEMBERS							
	M	All complaints to be responded to within 15 working days of receipt	15 days	Head of Pensions	97.67%	97.14%	↓	
	M	No of complaints to be less than 1% of total membership	<1%	Head of Pensions	<1%	<1%	→	
COMPLAINTS MONITORING - EMPLOYERS								
M	All complaints to be responded to within 15 working days of receipt	15 days	Head of Pensions	100.00%	100.00%	→		
M	No of complaints to be less than 1% of total employer membership.	<1%	Head of Pensions	<1%	<1%	→		
Governance and Risk	EFFECTIVE DECISION MAKING							
	6M	Training hours of Committee and Pension Board		Head of Governance	N/A	99.51%	Bi-annual reporting	
	6M	Attendance rate of committee and pension board		Head of Governance	N/A	78.18%		
	INFORMATION GOVERNANCE							
Q	Statutory response timeliness	100%	Head of Governance	100.00%	100.00%	→		
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 Strategy	-1.50%	-1.10%	↑	
Data Management	DATA QUALITY							
	M	Common Data	99%>	Head of Governance	97.00%	97.27%	↑	
		Scheme Specific Data	95%>		LGPS Scheme specific requirements under national development	91.95%	N/A	
	DATA IMPROVEMENT							
A	ABS produced for 100% of active member records	95%	Head of Operations	92.00%	95.00%	↑		
	DBS produced for 100% of deferred member records	95%		86.31%	90.00%	↑		
Financial management and cost transparency	CONTRIBUTIONS RECEIVED							
	M	Main Fund - Contributions received from employers and validated by accountancy statement	98%	Head of Finance	99.33%	98.67%	↓	
QUARTERLY ACCOUNTS								
Q	Days taken to prepare quarterly accounts (Main Scheme)	30 days	Head of Finance	48	32	↑		

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 26 January 2021
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Report title	Covid-19 Response	
Originating service	Pensions Services	
Accountable employee	Rachel Howe	Head of Governance
	Tel	01902 55 2091
	Email	Rachel.Howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 55 1715
	Email	Rachel.Brothwood@wolverhampton.gov.uk

Recommendation for noting:

The Pensions Board is asked to note:

1. The steps taken by the Fund in response to the Covid-19 pandemic and the ongoing assessment of 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 and support employees during the second and now third phase national lockdown.

2.0 Background

- 2.1 Further to the update presented at October's Board, and 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. Numbers were limited in the first instance (to a maximum of 50% of revised capacity across three floors), with priority given to service areas impacted on service delivery during the first lockdown from March. Desks were allocated in accordance with the business cases for return, with a number of desks being provided as "flex" to enable a rota of officers to attend the office to support well-being, personal development and team relationships.
- 2.2 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 8 new persons, together with commencing 8 Graduate (2 year) and 4 Industrial (1 year) placements across all service areas. Prior to starting with the Fund, all new employees were issued an assurance statement noting the protocols in place, were given sight of an employee training video and had an individual risk assessment completed. Recruitment continued throughout the remainder of the year with active recruitment for a Fund apprentice, together with key service delivery roles in our Operations teams. Interviews conducted through the virtual 'Teams'; platform have proven successful with positive feedback received from candidates.

3.0 Supporting employees and services through further lockdown and tiered restrictions

- 3.1 Following Government's announcement that a second lockdown would come into effect on 5 November, the Fund re-evaluated its business case for maintaining office working in light of the national lockdown, reconfirming its position that the payment of pension benefits remains an essential service.
- 3.2 Adjustments were made to the office arrangements which included updated communications to employees on office protocols and cleaning arrangements, together with a full closure of the office on Wednesdays to enable a break in the rota for attendance to support cleaning protocols and minimise transfer risk. Services most impacted by the working from home arrangements (Operations, Data and Customer Services) maintained a reduced but consistent presence in the office throughout the period of lockdown.
- 3.3 Throughout the period the priority has been on employee wellbeing, reinforced through communication from the Fund's Senior Management on supporting each other, offering

opportunity for social interaction through the Fund's staff forum and team-led events and the availability of additional IT equipment, together with the ability to collect DSE equipment (such as office chairs) being on offer to all. Updated guidance on self-isolation protocols was also issued.

- 3.4 To support this, the Fund introduced a wellbeing assessment for all employees to enable all to request agile working in the office where their wellbeing was being impacted by lockdown, feelings of isolation and unsuitable home working environments. The key focus to identify and provide additional support through the Council's employee wellbeing platform as the preferred option over a return to the office given the lockdown in force. Where working in the office was identified as supporting individual wellbeing, a structured and managed return to office working was enabled together with oversight of office use via a centrally managed booking system.
- 3.5 During December, office arrangements and employee support were maintained, with reduced onsite working. Following the announcement over Christmas that the West Midlands would be moving into Tier 4, Senior Managers met to discuss the revised position and working guidance. Further review was undertaken in response to the national lockdown (move to Tier 5) early January. In view of increasing infection rates and also the need for the Fund to continue to provide essential services to members and employers, the office continues to remain open but-by exception, only to support essential service delivery or, in limited cases, where it supports individual wellbeing because working from home cannot be maintained.
- 3.6 Conscious also of the changing situation with schools and childcare support the Fund, in line with the Council, has maintained its position, that it will support those with childcare needs and be flexible with working arrangements where necessary.
- 3.7 We continue to monitor the guidance and the changing situation and will continue to provide guidance and communications as the situation develops.

4.0 Supporting our Customers

- 4.1 The Fund continues to provide support to members as it enhances its customer engagement and member services offerings. While work volumes continue to be impacted with the working from home arrangements, communication and information developed to support members continues to grow as highlighted in the Customer Engagement Update Report. In addition, key service development delivery has continued to be achieved which further supports members in their planning for retirement. Most notable the delivery of deferred retirement quotes online.
- 4.2 Throughout the Autumn, we saw a reduction in safeguarding and vulnerable persons cases with no such cases being reported as a result of the Covid pandemic during this period.

4.3 Employer Engagement Survey

Further to the survey issued out to employers at the start of lockdown, the Fund reissued its employer survey in November as part of its ongoing review of service delivery to Customers.

The survey highlighted the value placed by employers in the people with whom they engage at the Fund, noting specifically responses to COVID-19 related services and support, high value placed on personalised email/phone support, closely followed by webinars and FAQs. This is reflective of the enhanced engagement delivered by the Fund throughout lockdown through digital means, to ensure employers remain informed and the Fund accessible to those requiring support to achieve their statutory duties as employers.

5.0 Financial implications

5.1 The Fund allocated £25,000 of its service development budget to support the issuance of additional IT equipment to employees working from home and spend remains within this budget to date. Some flexibility was built into the Fund's operational budget for service development and there has been change in format of service delivery, however, these changes have been managed within the Fund's approved budget for the year which continues to be monitored and reported to the Pensions Committee through the quarterly budget review process.

6.0 Legal implications

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

6.2 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. Office-based working and supporting communications have been considered in consultation with employees, the City of Wolverhampton Council and the relevant Trade Unions.

7.0 Equalities implications

7.1 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.

8.0 Environmental implications

8.1 There are no direct environmental implications arising from this report.

9.0 Human resources implications

- 9.1 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.

10.0 Corporate landlord implications

- 10.1 There are no direct corporate landlord implications arising from this report.

11.0 Schedule of background papers

- 11.1 Pensions Board – Response to Covid-19 – 20 October 2020
<https://wolverhampton.moderngov.co.uk/documents/s156931/Covid-19%20Response%20Update.pdf>

12.0 Schedule of appendices

- 12.1 None.

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 26 January 2021
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Report title	Regulatory Update	
Originating service	Pension Services	
Accountable employee	Rachel Howe	Head of Governance and Corporate Services
	Tel	01902 55 2091
	Email	Rachel.Howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 55 1715
	Email	Rachel.Brothwood@wolverhampton.gov.uk

Recommendation for noting:

The Pensions Board is asked to note:

1. Changes to the regulatory environment which impact on the administration of 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 Employer Flexibilities Regulations

- 2.1.1 In the October Regulatory Update report the Fund provided background to the Employer Flexibilities proposals which came into effect on the 23 September 2020. At the time of reporting MHCLG and the LGPS Scheme Advisory Board were in the process of preparing accompanying guidance, to provide further clarity on intended process and points for consideration by Administration Authorities and employers with regards to application of the amended regulations. Both parties have now issued guidance for consultation and the Fund awaits issue of final guidance to inform and confirm funding policy development.
- 2.1.2 The Fund are in the process of considering potential amendments to the Funding Strategy Statement (FSS) based upon the core principles of this regulatory change and subject to final guidance referenced above. Proposed changes to the FSS will be shared with employers through consultation (planned for the first quarter of 2021) ahead of the FSS being presented to the Pensions Committee for approval.

2.2 Exit Payment (£95k) Cap

- 2.2.1 As also detailed in the October Regulatory update, the Government first announced plans to cap exit payments in the public sector in 2015. On 10 April 2019 HMT launched a consultation on draft regulations, guidance and directions to implement the cap. The underlying objective of the proposal was to seek to reduce public expenditure by placing a financial limit on the exit payments of public sector employees.
- 2.2.2 The Restriction of Public Sector Exit Payments Regulations 2020 were made effective by Her Majesty's Treasury (HMT) on 4 November 2020, with associated amendments required to the LGPS Regulations as prescribed by MHCLG eagerly awaited.
- 2.2.3 On 7 September 2020 MHCLG published a consultation, Reforming Local Government Exit Pay, which sought views on proposed changes to the LGPS regulations. The Fund provided a response to the consultation which closed 9 November 2020, in its capacity as Administering Authority, and a copy is available on our website.
- 2.2.4 The Local Government Association (LGA) has published an Information Guide for employers, which includes a step by step guide and flowchart for reference when employers process any future retirements.
- 2.2.5 In consultation with the Chair and Vice Chair of Pensions Committee, noting the conflict between the HMT and LGPS Regulations, the legal advice received by the Fund and the letter from the Minister to all Administering Authorities, Officers have agreed an interim

approach to address any retirement cases caught by the Exit Payment Cap ahead of changes to the LGPS Regulations. Amendments have been made to administration processes to assist employers review and assess cases in line with HMT regulations effective from 4 November 2020.

2.2.6 The position will be kept under review, noting in particular the risk that members' benefits will need to be revisited, strain costs recovered from employers retrospectively, restrictions on which may result in a funding strain for review as part of the 2022 actuarial valuation.

2.2.7 Although ultimately an employer responsibility, to support our participating employers the Fund has produced a special Employer Briefing Note. Key elements of this briefing note were:

- To update on the emerging regulation and guidance
- Outline potential implications for members and employers
- Share important information on changes to the Fund's retirement and estimate procedures
- Action for employers (including a supporting flowchart)

3.0 Financial implications

3.1 The regulatory change introduced has financial and funding implications for the Fund and participating employers alike inasmuch as it introduces flexibilities around future participation and funding of the LGPS and also matters for consideration by employers when making decisions around restructuring and redundancies.

4.0 Legal implications

4.1 The changes to be introduced as part of the Employer Flexibilities legislation will need to be suitably documented legally and due consideration given to the clauses within to capture the relevant terms.

4.2 The Exit Payment Cap has legal implications inasmuch as there is an apparent gap between the HMT and MHCLG Regulations, with Administering Authorities required to make a decision on the processing of pension benefits subject to the Cap during the intervening period. The decisions made may be subject to legal challenge.

5.0 Equalities implications

5.1 There are no direct equalities implications arising from this report.

6.0 Environmental implications

6.1 There are no direct environmental implications arising from this report.

7.0 Human resources implications

7.1 There are no direct human resources implications arising from this report.

8.0 Corporate landlord implications

8.1 There are no direct corporate landlord implications arising from this report.

9.0 Schedule of background papers

9.1 Restricting Exit Payments Consultation:

<https://www.gov.uk/government/consultations/restricting-exit-payments-in-the-public-sector>

9.2 The Restriction of Public Sector Exit Payments Regulations 2020:

<https://www.legislation.gov.uk/ukdsi/2020/9780348210170>

9.3 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

9.4 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

9.5 The Local Government Pension Scheme (Amendment) (No.2) Regulations 2020;

<https://www.legislation.gov.uk/uksi/2020/893/regulation/1/made>

9.6 Minister's letter to Administering Authorities in relation to the Public Sector Exit Payment Regulations 2020 – October 2020

<http://lgpsboard.org/images/PDF/letters/MHCLGtoLAs.pdf>

10.0 Schedule of appendices

10.1 None.

CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 26 January 2021
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Report Title	Pensions Administration Report from 1 July to 30 September 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 Pension Board is asked to note:

1. The impact of COVID19 on the workload across service areas supporting pension administration.
2. The update on progress of the Fund's Digital Transformation Programme.
3. The enhanced processes in place to routinely test and improve accuracy of Fund member records.

1.0 Purpose

1.1 To inform Board of the routine operational work undertaken by the pensions administration service areas during the period 1 July to 30 September 2020.

2.0 Background

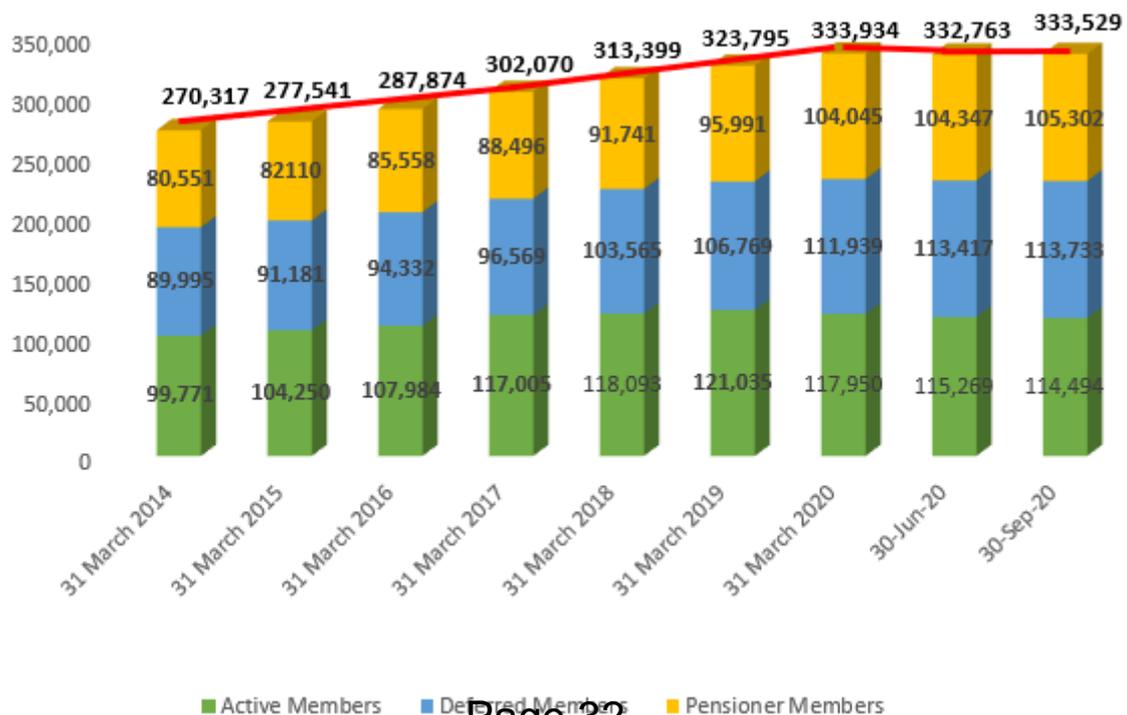
2.1 The Fund provides a pension administration service covering employer, customer and member services, data processing, benefit operations, payroll and systems/technical support. A report is provided to Board on a quarterly basis to assist monitoring of the activity and performance of these functions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

3.0 Scheme Activity

3.1 Membership Movement – Main Fund

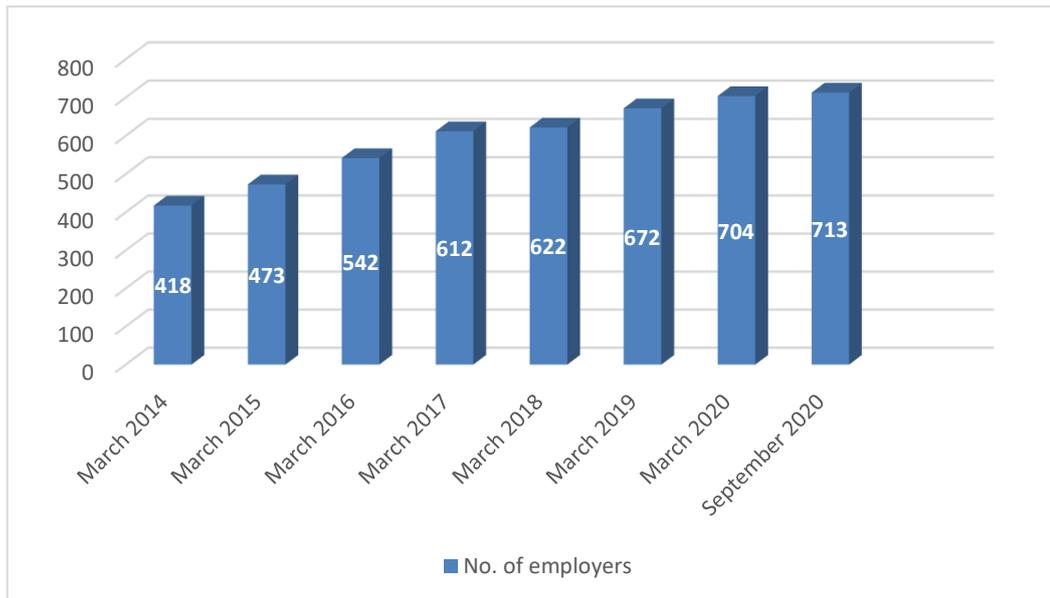
3.1.1 The total number of scheme member records in the Fund at 30 September 2020 stands at 333,529, with an overall increase since June 2020 of 1,297. The long-term trend over a 12-year period in membership continues to illustrate a move towards a more mature profile whereby, in general, pensioners and deferred memberships continue to rise.

	Membership as at 30 June 2020	Net Movements during the period	Membership as at 30 September 2020
	Total	Total	Total
Active Members	115,269	-775	114,494
Deferred Members	113,147	586	113,733
Pensioner Members	104,347	955	105,302
Total Members	332,763	766	333,529

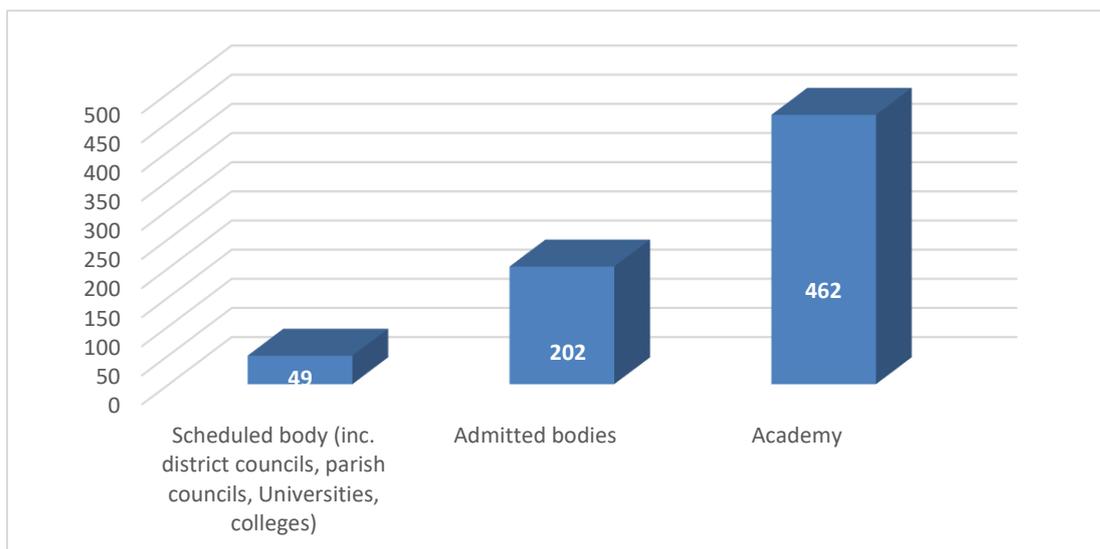


3.2 Employers

3.2.1 The Fund has seen an increase in employer numbers this reporting period, with the overall number of employers registered with the Fund 713 as at 30 September 2020 - a 70% 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: -

- 90 admission agreements
- 12 academies
- 48 employer terminations

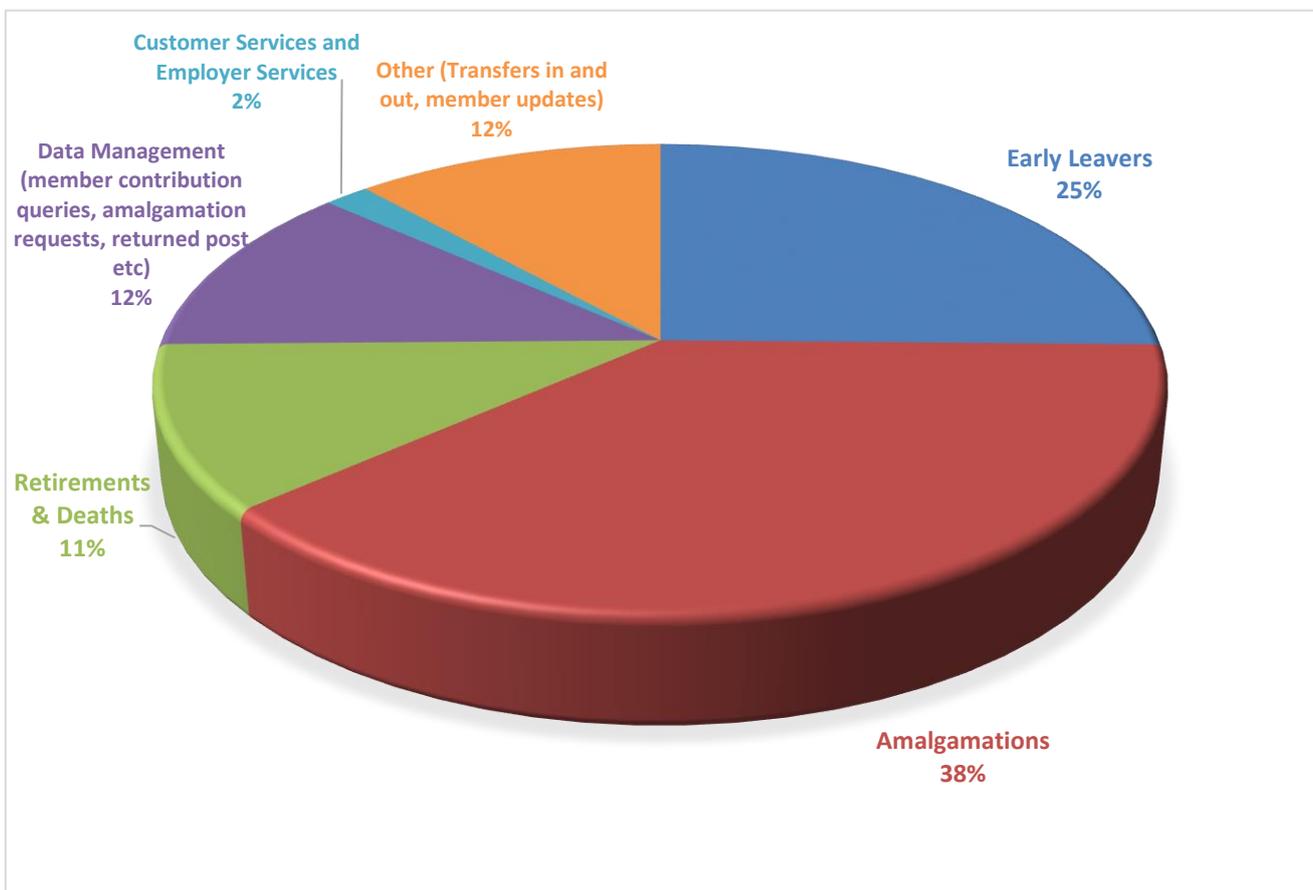
3.3 Workflow Statistics

3.3.1 The process analysis statistics (Appendix A) details overall workflow within the Pensions Administration Service during the period 1 July to 30 September 2020. During the period covered by this report, 40,038 administrative processes were commenced and 37,700 processes were completed.

3.3.2 On 30 September 2020 there were 47,542 items of work outstanding. This represents an increase of 2,504 items outstanding compared to 30 June 2019 (45,038). Of the 47,542 items of work outstanding, 4,806 items were pending as a result of information awaited from a third-party e.g. scheme members, employers or transferring authorities and 42,753 processes are now either proceeding to the next stage of the process or through to final completion.

3.3.3 The 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. Since the last reporting period the Fund has started to see a return to normal volumes of casework, and in particular saw high volume of active members retiring during August and September. 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.

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 these outstanding processes and this has seen a 2% reduction since June 2020.

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 process 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 October 2020 report to Board, the programme continues to see some progress with the implementation of its key projects. An update on key development projects are detailed below:

4.2.1 Deferred Retirement Quotes Online

As previously reported to Board, following the amendment to the regulations to allow deferred members to access their pension from age 55, the Fund has seen a significant increase in the number of requests for members, and has been working with our software provider to develop functionality to enable members to self-service and perform a retirement estimate online. In April, this was made available to members, and a total of 11,247 estimates have been run by members, on demand, over the four months to the end of July.

The Fund has now progressed onto Phase two of this project which will enable members to run a formal retirement quote and select their retirement options online, and is currently undertaking testing of this new functionality, which is expected to be available in 2021.

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 September, the system has undergone security testing and the rollout to employers began in November 2020.

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, supporting faster resolution. The functionality was moved into the live environment in August, and the Fund is in the process of transitioning employers to this new facility, alongside the rollout of the new Employer Hub.

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 performance fell short of the KPI target in one of the three months in two areas:

- The notification of Death benefits in July due to the significant volume of cases earlier in the year and;
- The issue of Deferred Retirement quotes in September. This is due to the increase in volume of notifications received from employers for active retirements in August and September, which impacted on the achievement of this KPI.

Other KPIs have been achieved across the period.

5.3 Further information on achievement of target KPIs by process by month over the reporting period is included in Appendix C.

6.0 Member Address Tracing and Mortality Screening

6.1 To assist in reducing processing times at retirement, potential data breaches and risk of overpayments, the Fund introduced an improved programme of member address tracing and mortality screening in 2019/2020.

6.2 For deferred members, no longer in active employment with a Fund employer, the Fund is reliant on member notification of changes in address and contact information to enable the Fund to remain in dialogue. Member self-service through the portal enables updates of personal details but returned post and gaps in portal uptake indicate a higher risk of loss of member contact.

6.3 To assist in the review and update of data held, in 2019/2020 the Fund developed a deferred member tracing programme, targeting checks on member contact information ahead of their anticipated retirement date, with the aim of reducing data queries and confirming contact at retirement. Since inception of the programme, the Fund has successfully confirmed over 77% of the addresses held are accurate, 18% of cases have identified a new address, ensuring the members receive their benefit options timely and personal data is not issued to an incorrect address. Furthermore, the work has also identified where members are deceased and the Fund had not been notified.

6.4 As part of this programme the Fund has also enhanced its mortality screening procedures to minimise the delay in review and change to pension payments in the event of member death. Since this new procedure, over the last 12 months the Fund has seen a 44% reduction in the average number of days taken for the Fund to be notified of a death.

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 intervaluation, 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 There are no direct environmental implications arising from this report.

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 There are no direct corporate landlord implications arising from this report.

13.0 Schedule of background papers

13.1 None.

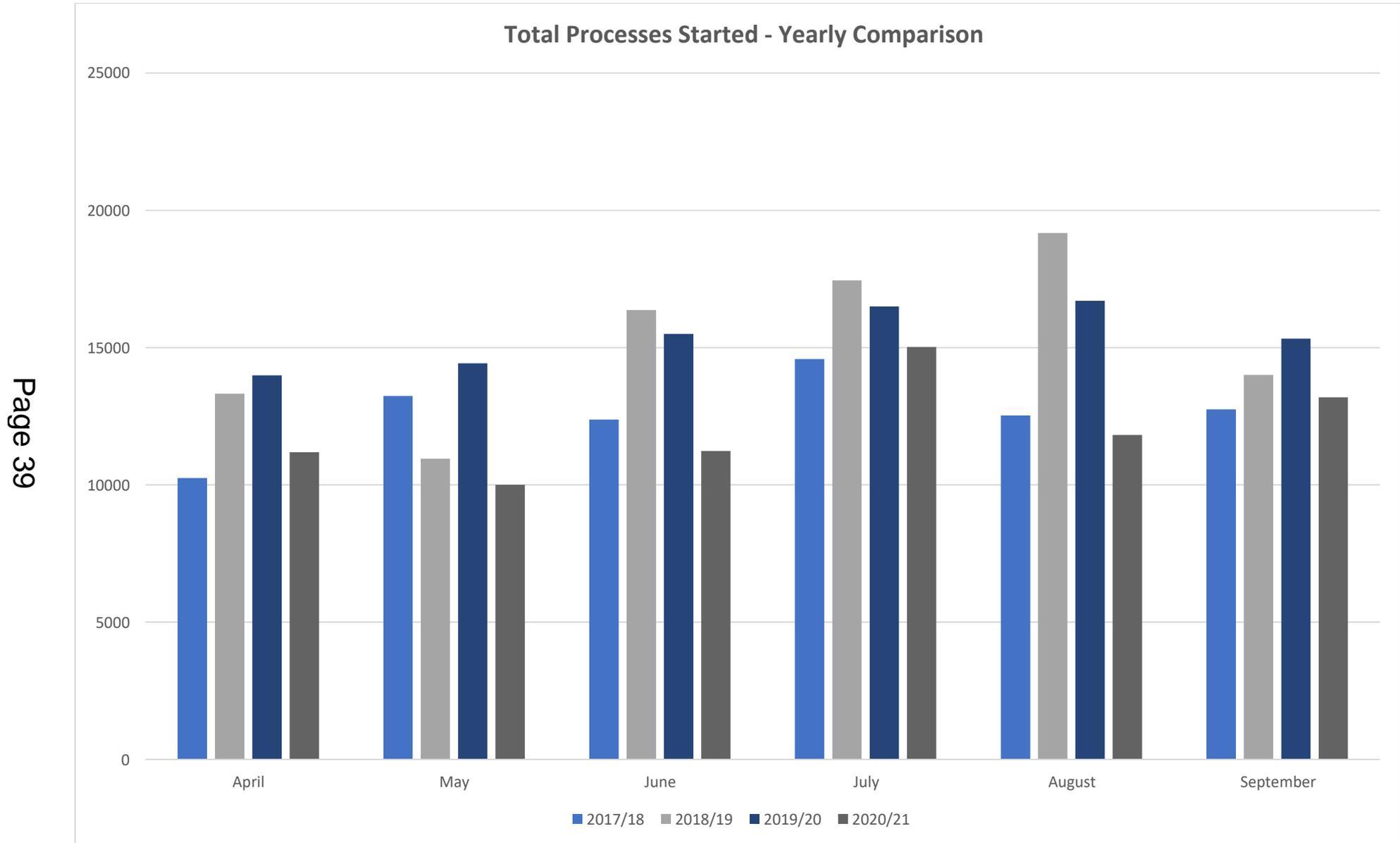
14.0 Schedule of appendices

14.1 Appendix A: Process analysis statistics

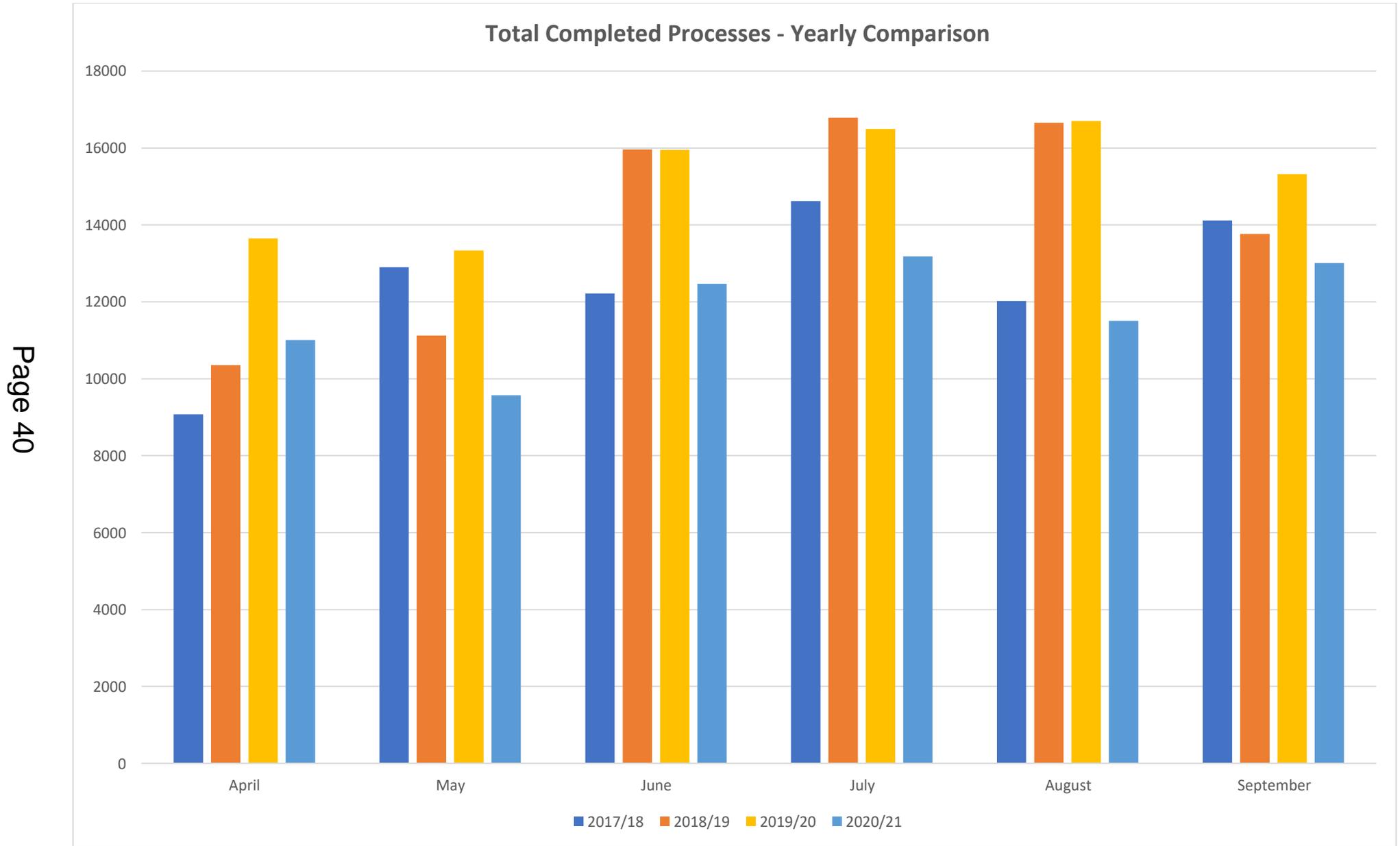
14.2 Appendix B: Detailed process analysis

14.3 Appendix C: Key performance indicators (KPIs)

Total Processes Started - Yearly Comparison



Total Completed Processes - Yearly Comparison



Pension Committee Statistical Report
Detailed Process Analysis

Appendix B

2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	April	May	June	July	August	September	YTD
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Active & Deferred members

Process type																	
Joiners and Rejoiners (Bulk)	8,763	6,403	11,138	13,558	9,816	16,688	20,227	17755	25509	19939	1677	1099	741	1472	1757	2616	9362
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	554	504	535	2770
Deferments	5,939	7,818	5,741	6,728	5,664	8,340	8,178	8629	15934	11994	974	688	642	747	616	881	4548
Active Retirements (Employer retirements)	3,317	3,950	2,475	2,279	2,351	2,775	2,593	2676	2280	2112	159	135	121	149	202	214	980
Deferred Retirements	3,332	2,970	2,971	2,726	2,301	3,421	3,552	4429	4814	5071	553	306	363	373	411	362	2368
Deaths of members	295	262	287	285	230	379	399	470	429	441	41	38	50	34	27	37	227
Refund										6877	332	346	359	261	260	536	2094
Opt Outs										3585	80	59	99	68	124	167	597
Amalgamations										11628	695	645	566	814	728	858	4306

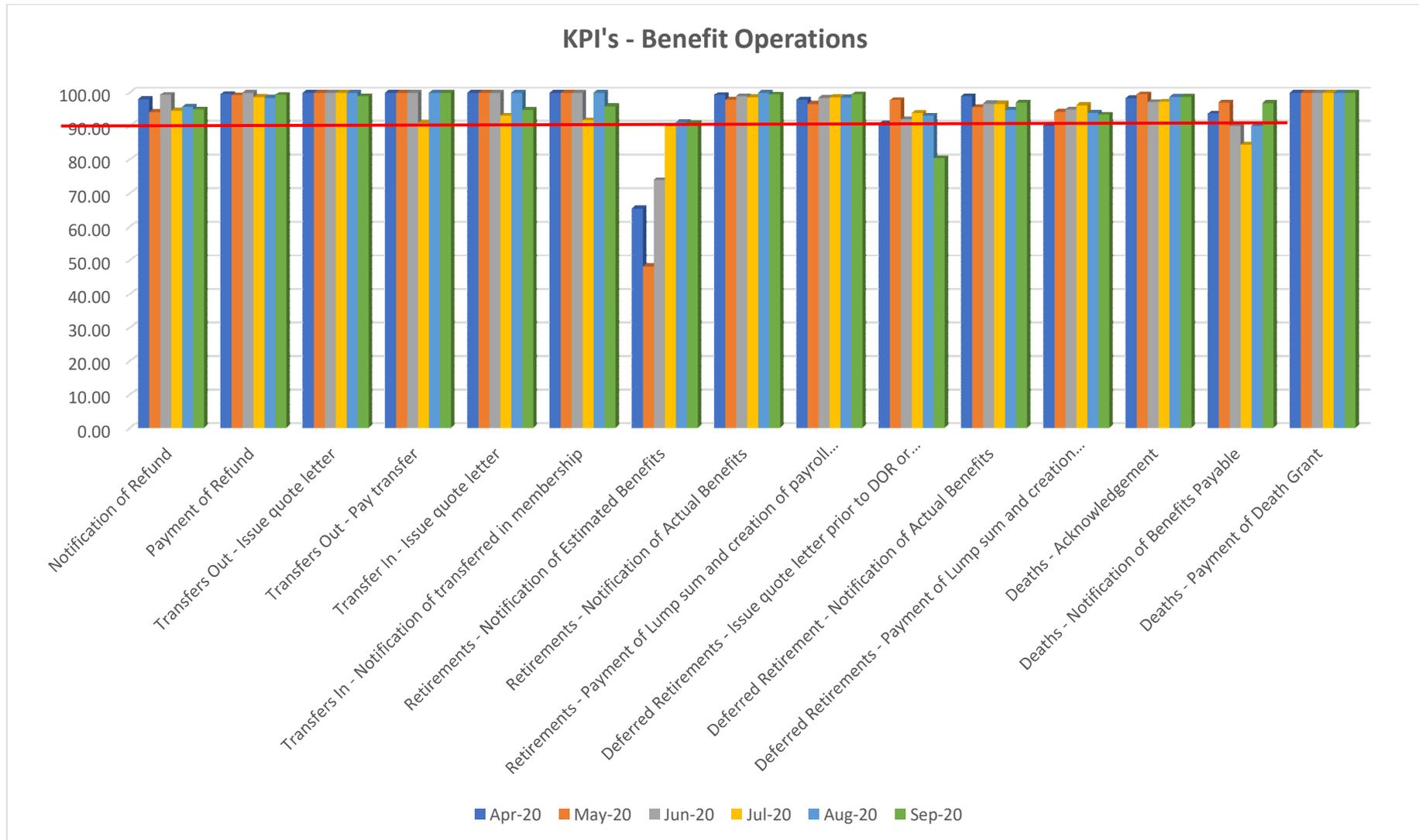
Page 4

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	142	109	120	768
Changes of Address	2,420	2,681	2,131	1,732	1,733	2,237	2,589	3004	2628	2423	168	291	204	209	182	179	1233
Changes of Bank	2,927	2,531	2,783	3,420	3,281	1,573	2,272	2214	1957	1874	107	132	117	89	104	139	688
Deaths of pensioners	2,085	2,145	2,101	2,546	2,454	1,702	2,813	2919	2793	2650	493	291	328	271	204	274	1861

Payroll										Total	April	May	June	July	August	September	YTD
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	86,791	86,960	96,665	539,319

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 26 January 2021
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Report Title	Pensions Administration Benchmarking and Accreditation	
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 asked to note:

1. The initial results and key outcomes of the benchmarking exercises undertaken for 2019/2020 for the Fund's Pension Administration Services.
2. The achievement of the Pension Administration Standards Association (PASA) Accreditation.
3. Submission of the annual TPR Administration Survey.

1.0 Purpose

- 1.1 To inform the Board of the outcomes of the benchmarking and accreditation exercises undertaken in relation to 2019/2020 for the delivery of Fund's Pension Administration Services.

2.0 Background

- 2.1 Undertaking external assessments is vital to help drive improvements and assess value for money. By measuring a range of functions and comparing performance to similar organisations and best practice standards, the Fund can identify areas of strength and those which may benefit from review and improvement, providing the Committee and Local Pensions Board independent assurance on the service the Fund provides.
- 2.2 The Fund participates in annual benchmarking exercises, one for Pension Administration and one for Investment Management undertaken by a global third party organisation, CEM Benchmarking Inc. CEM is a specialist investment and pension administration benchmarking and research organisation which the Fund has utilised to assess value for money in implementation of investment strategy for the last four years. In 2018/2019, CEM expanded their benchmarking to include the LGPS Pension Administration services and the Fund was one of eight participating in the first year of research specific to the LGPS. The 2020 benchmarking exercise includes UK pension schemes providing defined pension benefits with an average membership size of 308,877.
- 2.3 In addition, the Fund is a member of the CIPFA benchmarking club for Pension Administration, which aims to collect the transactional volumes and processing costs for administering the LGPS using the SF3 definitions and is a comparator for LGPS Funds. The Pensions Administration Benchmarking Service for CIPFA is currently finalising the outcomes to share with Funds.
- 2.4 The Pensions Administration Standards Association (PASA) is a non profit organisation and membership only, which has been established since 2011, aiming to promote and improve the quality of pensions administration services for UK pension schemes. As part of its aim to drive standards in pension administration, PASA publish guides on best practice and participate in a number of national groups, drawing up codes of practice in pension administration. In addition, the group have designed and launched an independently assessed accreditation programme. Earlier in the year the Fund decided to apply for the accreditation to demonstrate the standards and controls in place for the administration function.

3.0 Key observations – CEM Benchmarking

- 3.1 The Fund's peer group for CEM benchmarking comprised of 14 pension schemes and was selected based on scheme size and membership mix, all of which are administered in-house. The peer group consists of eight large local government pension funds, and a selection of larger UK private sector defined benefit schemes.
- 3.2 The benchmarking report compares headline costs and the levels of service provided, but also take a broader look at how services are delivered and provide a measure of

value added. Overall and in general, key drivers of lower cost include employee salary levels, spend on capital projects and direct costs such as accommodation.

- 3.3 Benchmarking a service on cost in isolation provides very limited insight, and further context is required to enable a measure for value for money. CEM measures Funds on 'member service', which is defined from a member's perspective, with a higher scoring for service based on the provision of more communication channels, faster turnaround times, and more availability of tools and choice.
- 3.4 Overall, the Fund's member service score was in line with the peer median and showed an increase from 2018/2019. The Fund saw an improvement and / or scored higher than its peers in several key areas including;
- A higher volume of face to face support to members, and in particular recognising the 'in field work' undertaken by the Fund across the year to hold support sessions in places convenient for members.
 - The wider support and services available on our online portal, in particular noting the Fund has all the core functionality that pensioners look for in an online facility, whereas a number of the peers have some but not all these features.
 - It was recognised that the Fund has a higher percentage of members registered and using the online portal (21% of deferred members used the secure website last year, compared to the peer median of 14%). Since the submission of the data, the Fund has also introduced additional functionality for deferred members which includes an online calculator, supporting continual improvement in this area.
 - The Fund's average turnaround times on some key casework are faster than those of our peers. In addition, the Fund saw an improvement in the timeliness of putting pensions into payment for both deferred and active members compared to 2018/19.
 - Improvements on the provision of telephone services for members, reducing the average call waiting time compared to 2018/2019.
- 3.5 The Fund services a higher than average number of employers compared to the peers and the Fund was recognised for its dedicated employer online services and the higher level of functionality available for employers. In addition, the Fund uses more employer specific service targets to measure the service and holds a higher number of meetings with our employer base.

4.0 PASA Accreditation

- 4.1 The accreditation is made up of eleven key areas and topics which include, measurement and reporting, data quality, change management, feedback, operational procedures and management and development of our people.

- 4.2 The accreditation process is divided into two core testing stages and starts with a desktop review where the Fund responds to key questions and provides documentation and evidence for its response, which is reviewed remotely by an independent assessor. Following the completion of this review, the assessors undertook 'field work' where they tested the information provided, looking at a number of examples to test against the Fund's processes. In addition, the independent assessors interviewed a selection of staff from a variety of teams and levels within the organisation.
- 4.3 In November, the Fund were informed that the submission for the accreditation had successfully been achieved. The Fund are the first Local Government Pension Fund in England and Wales to achieve the accreditation, demonstrating the best practice standards and controls the Fund has in place.
- 4.4 The accreditation stands for three years and the Fund will undertake an annual self-certification to confirm the continued position with PASA.

5.0 Summary and next steps

- 5.1 The benchmarking exercise demonstrates the Fund continues to provide a value for money service within pension administration, with improvements in service standards over the last year. Work continues to develop services to enable the efficient and effective administration function, responding to increasing demand for services. It must be noted that research undertaken by CEM suggests a low correlation between cost and service, noting schemes are better to focus on service improvements that can be implemented cost effectively whilst ensuring resources are in place to deliver business as usual support to the standards expected by pension members.
- 5.2 Work continues to develop on the Digital Transformation Programme at the Fund, with the aim of the programme to transform areas of high work volume through the use of information and technology, driving business efficiencies and cost savings whilst improving the service we provide to our members. As part of this programme, we are already addressing the increase demand for frontline member and employer services, for example, the implementation of a new employer portal with additional functionality enabling employers to further self-serve.

6.0 The Pension Regulator's (TPR) Annual Administration Survey

- 6.1 TPR have launched this survey to better understand the day-to-day experience of administrators, but also the risks to savers (e.g. around pension scams). The survey enables the Fund to inform TPR about the issues facing pension administrators to aid their understanding of where, and how, we can best work together to drive up standards. This is a new survey and is distinct from TPR's annual Public Service Governance & Administration Survey, which is due in early 2021.
- 6.2 The survey looks at a variety of areas of administration including, but not limited to accreditations and professional body memberships held by the Fund, resourcing and capacity, systems and use of automation, management and prevention of pension scams and data quality.

6.3 The survey was completed by the Fund and submitted by the deadline of 22 December 2020. A summary of any notable outcomes of the survey will be shared Board as these become available.

7.0 Financial implications

7.1 There are no direct financial implications arising from this report.

8.0 Legal implications

8.1 There are no direct legal implications arising from this report.

9.0 Equalities implications

9.1 There are no direct equalities implications arising from this report.

10.0 Environmental implications

10.1 There are no direct environmental implications arising from this report.

11.0 Human resources implications

11.1 There are no direct human resources implications arising from this report.

12.0 Corporate landlord implications

12.1 There are no direct corporate landlord implications arising from this report.

13.0 Schedule of background papers

13.1 None.

14.0 Schedule of appendices

14.1 None.

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 26 January 2021
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Report Title	Customer Engagement Update	
Originating service	Pension Services	
Accountable employee	Simon Taylor	Assistant Director, Pensions
	Tel	01902 55 4276
	Email	Simon.taylor2@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 55 1715
	Email	Rachel.brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Pensions Board is asked to note:

1. The engagement activity and customer support provided aligned to the Covid-19 restrictions.
2. The summary results from the most recent employer survey.
3. The postponement to review the Pensions Administration Strategy (PAS) and the associated consultation, as approved by Pensions Committee on 9 December 2020.

1.0 Purpose

- 1.1 To provide Board with an update of the Fund's customer engagement activity from 1 July 2020 to 30 September 2020, developments into Quarter 4 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 Recognising the changes in engagement brought about by the Covid-19 pandemic and specifically with the postponement of face-to-face engagement, the Member Services team re-launched its member support from the end June 2020 onwards via member webinars and followed up with individual telephone consultations as required. The webinars are a bitesize session of the "LGPS & You" presentation and last approximately 35 minutes. During this reporting period **32** webinars were delivered to **794** attendees. More detail on the events covered is provided in appendix A with the associated September feedback in appendix B. These were followed by **396** individual member telephone conversations in replacement of member face-to-face one-to-ones and feedback is outlined in appendix C, in particular noting that 64% of respondents confirmed a focus on planning for retirement, demonstrating the effectiveness of this member interaction.
- 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 **4,495** bringing the total pension portal registrations to **101,834**.
- 3.3 The Fund produced **84,715** Annual Benefit Statements for active members at 31 August 2020 in order to update members of the current value of their benefits. We notified **54,334** 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 and Employer Services teams have maintained opening hours on the respective helplines during the Covid-19 pandemic, with good levels of customer satisfaction retained during this period.
- 3.5 Customer feedback is key to understanding our customers' journeys, 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:

- Introducing an electronic transfer in enquiry form, which is available to download from the Fund website
- Introducing a transfer value request email template on the website, helping us to request all the information necessary at the first point of contact

We are also collating customer feedback in relation to the recent overseas pensioner confirmation exercise. This exercise is undertaken on an annual basis; however, this year we have partnered with a third party to enhance the efficiency and security of the tracing exercise.

During the quarter, a number of surveys were issued to members and employers to assess overall satisfaction levels on a wide range of processes. Over the period, our satisfaction levels were measured as 95.42%.

4.0 Employer Engagement

4.1 Employer Peer Group

4.1.1 The Fund continued with Employer Peer Group cycle with a further virtual session delivered via Microsoft Teams. The meeting was positive with 75% of employer representative attendees present. The content for the meeting included:

- Feedback and potential improvement discussions on the 2020 Annual Benefit Statement cycle and the annual Employer Health Check.
- Legislative changes discussion
- Future engagement planning
- Fund development updates: Employer Hub and Employer Webtrays

4.1.2 Once again, the meeting was followed by a technical group session where attendees each raised queries for discussion which they were able to resolve through dialogue with each other. The technical session helps the attendees to develop and enhance a shared knowledge of some of the more technical and complex aspects of the LGPS. These sessions are now a regular feature of the Employer Peer Group.

4.2 Employer Webinars

4.2.1 The Employer Services team has continued to deliver its new programme of employer education over the quarter with a further 7 sessions to 116 individuals from 54 organisations, some of whom have never previously taken up the Fund's engagement opportunities with respect to our employer education programme.

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

- New starter inductions
- Pay and service

- Monthly data collection
- Refunds
- Deferments
- Retirements
- TUPE tenders and pass through
- Pay and service
- Employer Hub demonstrations

4.3 Employer Performance and Annual Health Checks

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

4.3.2 During the period, the Fund held 7 feedback and performance meetings with 5 employers (including one Multi Academy Trust representing 9 employers within the Fund). Looking at outstanding data issues, it is clear to see there is a direct correlation between an improved data position and regular employer engagement. Regular meetings will continue to take place where there are known issues for rectification and the Employer Services team will continue to work with the Business and Performance Data, Finance and Operational teams to identify employers requiring additional support.

4.3.3 Implemented on an annual basis following successful introduction as part of the 2019 Actuarial Valuation, the Employer Health Check (circulated to all participating scheme employers) allows employers to review:

- Current active members held on the Fund's system,
- Web Portal access levels and;
- Organisational contacts

4.3.4 The purpose of the annual checks is to ensure membership data is accurate ahead of annual benefit statement (ABS) cycles and acts as an important annual audit across employer contacts and web access levels.

4.3.5 Results indicate there has been a significant improvement in the accuracy of the information we hold as a Fund; following employer responses in 2019, 1,832 member records were confirmed as leavers, this represented 2% of all participating scheme members. The exercise also resulted in 174 employers updating portal access and 160 employers updating their contacts.

4.3.6 So far, the 2020 Health Check has generated 479 employer responses. Of these responses:

- An additional 1,277 members have been confirmed as leavers, across 105 scheme employers
- 86 employers made changes to contact details held
- 430+ amendments have been made to employer web access accounts

- an additional 1,200+ member queries, noted by employers, are being reviewed by the Employer Services Team. The queries were wide ranging and included requests such as member detail changes, TUPE notifications, opt out flags and notifications of non-members (i.e. member not in scheme and submitted as new joiner incorrectly).

4.4 Employer System Developments: Hub and Webtrays

- 4.4.1 Following the delivery of the three Employer Hub demonstration webinars in the previous quarter, the Employer Hub pilot group commenced initial external testing, with support provided by the Fund's Systems and Employer Services teams. Testing was undertaken by 6 employers of varying sizes and a great deal of valuable feedback and comments was received from those carrying out the testing, which has been used to make final amendments and seek further improvements with the Fund's software provider.
- 4.4.2 Employer Webtrays are continuing to be rolled out to employers and payroll providers with 85 employers now live with this new functionality and a further 200+ planned to go live by the end of the scheme year. This functionality will provide increased visibility of the type and volumes of deferment queries needing to be raised as a result of leaver submissions for both employers and the Fund, with further processes intended for inclusion in this functionality in the future.

5.0 Bi-annual Employer Survey

- 5.1 By way of follow up to the Employer Resilience Survey issued during the previous quarter, the Fund issued a bi-annual employer survey to explore further the operational, financial and funding challenges on the horizon.
- 5.2 Overall the Fund received an encouraging 60 responses, with summary results of particular note as follows:
- a. In relation to the Fund's Covid-19 response, the majority rated the Fund's services across all areas as above average of excellent, with over 90% indicating in line with, or above, service standards expected.
 - b. 8% of respondents confirmed they are unlikely to be able to fulfil their organisational duties in line with Pensions Administration Strategy (PAS).
 - c. 35% of respondents suggested their resourcing levels remain impacted by the pandemic, with the education sector and admission bodies particularly affected.
 - d. 25% of respondents are considering restructuring within their organisation, with many of these being admission bodies.
 - e. 37% of employers have used the Government furlough scheme. As anticipated, this was widely used by transferee admission bodies, community admission bodies and universities and colleges.

- f. A significant percentage of responses indicated continued use of agile working (43.3%), emphasising the need for maintaining virtual interaction with these employers and to continue to evolve our current methods of support and communication.
- g. 5% of employers responding foresee challenges involving cash flow and debt management.
- h. 25% of respondents confirmed anticipated pressures or uncertainty surrounding funding streams in the immediate future.
- i. 35% of employers said they foresee longer-term sustainability issues.

- 5.3 The responses received demonstrate that, understandably, operational challenges remain with a number of our employers. The Fund will reach out to the employers concerned and aim to create a plan of action should employers be at risk of failing to meet their PAS obligations. In addition, we will ensure timely virtual communications are maintained to ensure proactive engagement with employers during this difficult time.
- 5.4 Responses also highlight a number of financial challenges facing many employers, noting that in many cases these are sector specific. In particular, one in four respondents anticipated short-term financial pressures and 35% suggested longer-term sustainability issues might prevail. This serves to emphasise the impact of Covid-19 on employer funding, despite the support packages available and the Fund will reach out to those employers who flagged particular concerns.

6.0 Internal Engagement

- 6.1 Recognising the importance of ensuring internal stakeholders are kept up to date on the Fund's progress and associated developments during the Covid-19 pandemic, 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.
- 6.2 To increase internal communication across the Fund and provide insight on the wider pensions industry, a new quarterly internal newsletter has been produced, launched to Fund staff in August, with the second instalment circulated in December, named the "Pensions Post".

7.0 Pensions Administration Strategy (PAS): review and consultation

- 7.1 Since the July report confirming a delay in reviewing the PAS, significant regulatory change has been introduced to the LGPS, specifically Employer Flexibilities legislation and the Exit Payment Cap, which require more immediate focus. In addition, the Fund is in the process of planning for implementation of the McCloud remedy, a key element of which will be obtaining the required data from employers and uploading it to the pensions

administration system and it is expected the revised PAS will need to capture this process.

7.2 In light of the above, Committee approved the proposal for the review of the PAS to be deferred to the first quarter of 2021/2022 year with employer consultation to follow.

8.0 Engagement beyond reporting period

8.1 Engagement took place with Employers involved in the pilot group testing of Employer Hub, with regards to intended go live plans and timescales, as well as increased roll out of Employer Webtrays which will continue over the next reporting period.

8.2 A number of targeted employer briefing notes are being issued regarding current topical issues such as the McCloud remedy and employer responsibilities and also the Exit Payment Cap applicable to specified employers and their consideration of employee exit payments from 4 November 2020.

8.3 Annually, the Member Service Team delivers pension tax presentations to support members of the scheme whose annual benefit accrual may be subject to additional pension tax, to highlight the action required by them to consider their tax position. This October, due to current face-to-face restrictions the team designed and delivered **4** Pensions Tax webinars to **67** attendees.

8.4 On the 4 and 5 November, several Fund staff met with the Customer Service Excellence (CSE) assessor to talk about the customer engagement which has been delivered over the last 12 months. The Fund has now received confirmation of our re-accreditation by CSE with the final report highlighting areas of outperformance designated 'compliance plus' for our member services offering and our response to the Covid-19 pandemic.

8.5 The Fund emailed deferred members with their 2020 "Pension Smart" newsletter, **41,879** emails were sent over the month of November.

8.6 The Fund's active member "Pension Smart" newsletter was sent to active scheme members via bulk email over the month of December. Further details will follow in the next reporting period.

8.7 The West Midlands Pension Fund partnered with larger employers to produce a digital support package to assist members with buying any additional pension contributions (APCs) relating to mandatory unpaid leave, this includes an animated video, electronic leaflet, bulk email and an invite to a bespoke webinar. The support package was sent out to members of one large employer at the end of November. Additional support is also once again being offered to help with bulk processing. The team is also reaching out to other employers who have made changes to employee terms and conditions (for example to introduce additional unpaid leave) which may increase requests for APCs, to offer similar levels of support.

8.8 New for 2020, the Member Services team has designed a deferred member webinar. This is the first bulk support the team has offered to deferred members and we hope it

will encourage this membership category to engage with their benefits. These sessions were delivered throughout October and November and feedback will be covered in the next reporting period.

8.9 The Fund held our 'virtual' Employer Annual General Meeting (AGM) on 15 December 2020 with live presentations and interactive sessions, including a panel discussion to cover a range of topical issues. Initial feedback was overwhelmingly positive and will be collated for review as part of the papers for the next Board meeting.

9.0 Financial implications

9.1 There are no direct financial implications arising from this report.

10.0 Legal implications

10.1 There are no direct legal implications arising from this report.

11.0 Equalities implications

11.1 There are no direct equalities implications arising from this report.

12.0 Environmental implications

12.1 There are no direct environmental implications arising from this report.

13.0 Human resources implications

13.1 There are no direct human resources implications arising from this report.

14.0 Corporate landlord implications

14.1 There are no direct corporate landlord implications arising from this report.

15.0 Schedule of background papers

15.1 None.

16.0 Schedule of appendices

16.1 Appendix A – Events attended July - September 2020

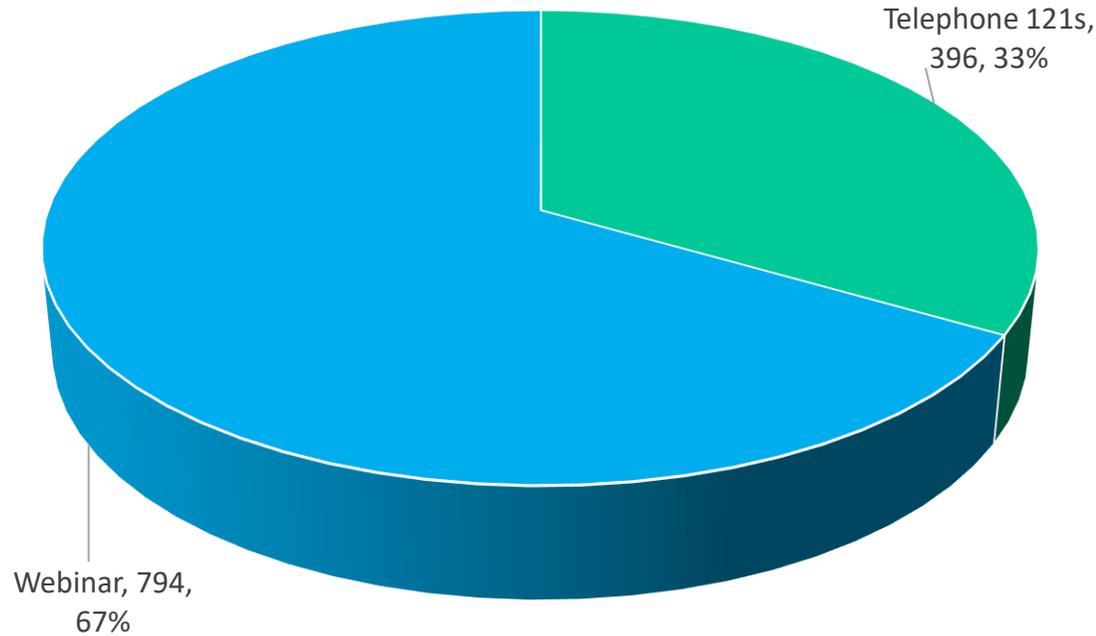
16.2 Appendix B – Webinar feedback, September 2020

16.3 Appendix C – Individual pension conversations feedback, September 2020



Member Services Team – Events Attended

1st July – 30th September 2020

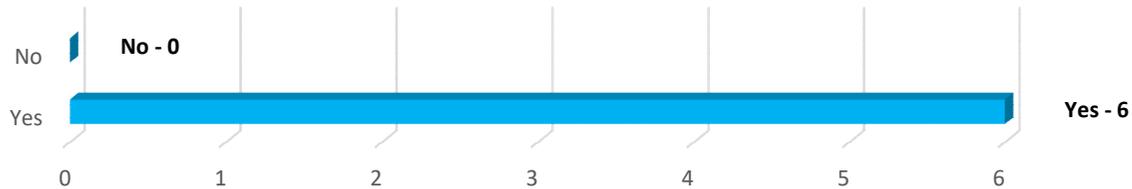


Event Type	Attendance
Telephone 121s	396
Webinar	794
Total	1190

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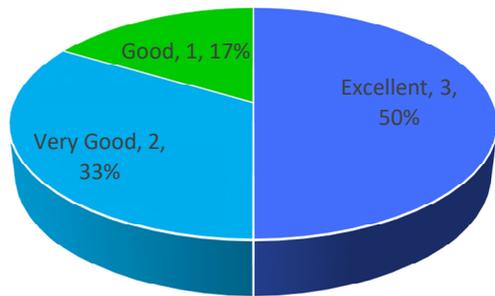
Member Services Webinar Feedback - September 2020

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

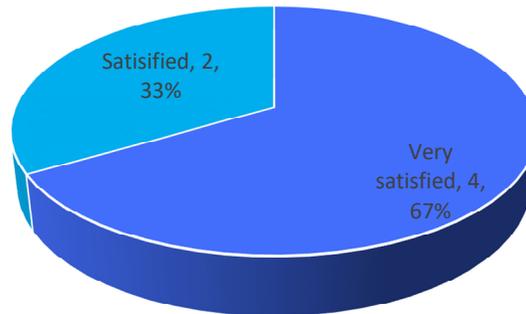


3 webinars delivered; 50 members in attendance, 6 members provided feedback.

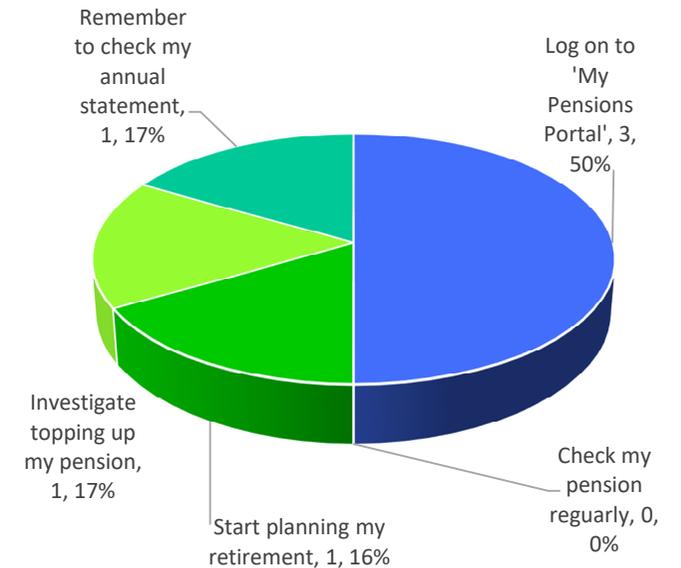
Overall, how would you rate the webinar?



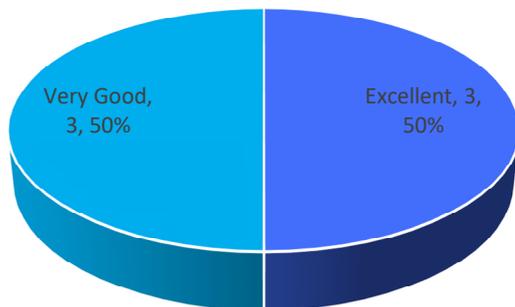
How satisfied are you with your most recent interaction with WMPF?



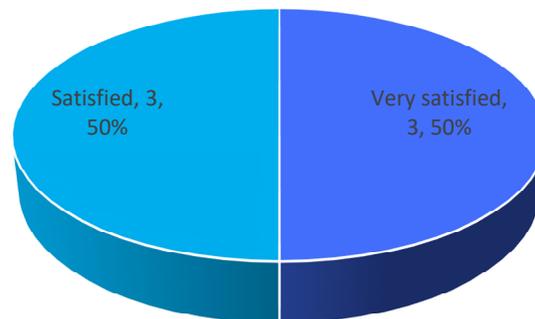
What are you going to do following this webinar?



How would you rate the presenters general knowledge and presentation skills?



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

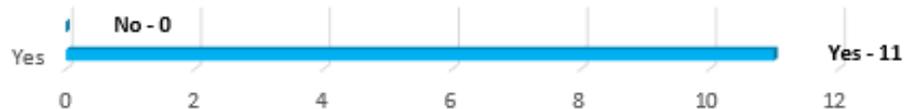


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Member Services Individual Pension Conversation Feedback - September 2020

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

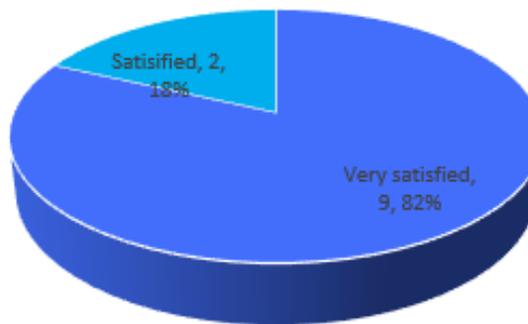


116 conversations delivered; 11 members surveyed.

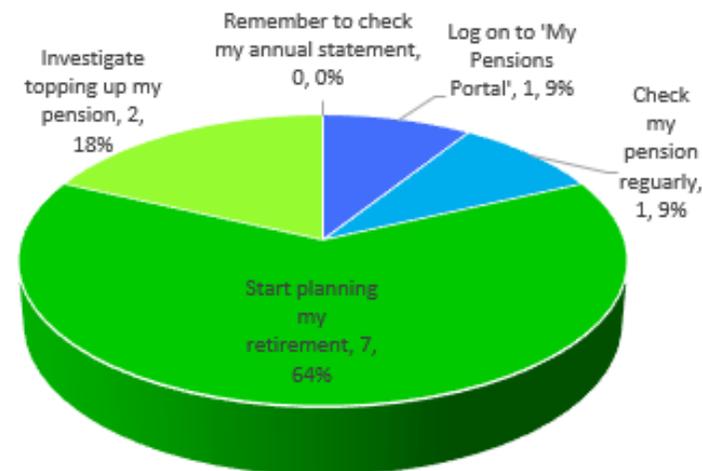
Overall, how would you rate the personal discussion?



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



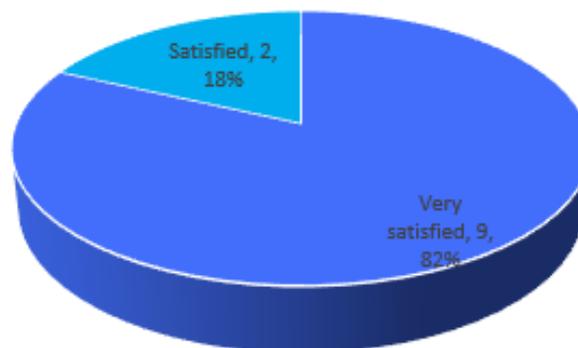
What are you going to do following this discussion?



How would you rate the officers general knowledge and skills?



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



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CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 26 January 2021
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Report title	Investment Governance	
Originating service	Pension Services	
Accountable employee	Jill Davys	Assistant Director, Investment Partnerships
	Tel	01902 55 0555
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Report to be/has been considered by	Rachel Brothwood	Director of Pensions
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Recommendations for noting:

The Pensions Board is asked to note:

1. Publication of the Fund's first stand-alone report prepared in line with recommendations from the Taskforce on Climate Related Financial Disclosure (TCFD).
2. 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 publication of the Fund's standalone Taskforce for Climate-related Financial Disclosures (TCFD) 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**. The Fund's Responsible Investment Framework incorporates four targeted engagement themes including Climate Change, for which the Fund has developed a policy framework and risk management strategy.
- 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 The Fund 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 the Fund. The Pensions Committee are kept up to date 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 November, the Fund has transitioned approximately £6.5bn 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, an emerging market debt sub-fund has launched, and the Fund has made an initial allocation to this sub-fund transferring a mix of existing investments in this asset class and additional cash. Review and consideration of investment into a developing multi-asset credit sub-fund is ongoing.
- 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 Responsible Investment

- 3.1 The Fund's strategy continues to be to engage with its investee companies and other key stakeholders through partnerships and on its own. The Fund aims to protect and increase shareholder value by engaging on a range of financially material ESG investment factors. A significant part of the Fund's engagement programme is implemented through partnerships including the Principles for Responsible Investment (PRI), the Local Authority Pension Fund Forum (LAPFF), Hermes EOS (via a contract held by LGPS Central Limited, the pool operator company), Institutional Investors Group on Climate Change (IIGCC) and the UK Pension Fund Roundtable.
- 3.2 The Fund's engagement activity is monitored and reported to the Pensions Committee on a quarterly basis. Engagement activity includes a number of direct company engagements, on a range of themes, voting activity and working in partnership with other institutional investors to consider shareholder resolutions. Activity and progress are included in published reports from LGPS Central Limited and the Local Authority Pension Fund Forum (LAPFF).
- 3.3 As previously noted, following a review of the Fund's Responsible Investment Framework new engagement themes to cover the period 2020-2023 were approved by Pensions Committee at its meeting on 17 June 2020. The new engagement themes for the next three 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 has been Human Rights in the Occupied Palestinian Territories and climate change.

3.4 The Fund has been a signatory of the UK Stewardship Code ('the Code') since its inception in 2012. As previously reported, the Code has been updated and 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 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. 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.

4.0 Taskforce for Climate-related Financial Disclosure (TCFD)

- 4.1 The Committee regularly reviews and approves the various framework and policy documents put in place to support delivery of Responsible Investment, along with the reporting of activities in relation to responsible investment and climate change to ensure any necessary changes e.g. regulatory and changes in approach are incorporated.
- 4.2 An initial assessment of the Fund's investment portfolio-wide exposure to climate-related risks was undertaken in 2017. This aligned with the publication of the TCFD recommendations on climate disclosure and the Fund was one of the first pension schemes to report against those recommendations, continuing to do so annually. Disclosing and setting out in a transparent way the actions we are taking and reporting against the TCFD recommendations enable the Fund to lead and demonstrate its commitment in climate change, particularly in what is a fast-evolving space. The Fund therefore, in the interests of transparency and fuller disclosure have published a separate standalone TCFD report this year and going forwards.
- 4.3 TCFD recommendations have four key elements for disclosure, namely governance, strategy, risk management and metrics and targets. The Fund supports the TCFD recommendations as the leading framework to describe and communicate the steps the Fund is taking to manage climate-related risks and incorporate climate risk management into investment processes.
- 4.4 The standalone report for 2020 is contained at Appendix A and was approved for publication by Pensions Committee at its meeting on 9 December 2020. The Fund was also asked to provide material for a case study on TCFD reporting by PwC and Accounting 4 Sustainability as an example of best practice, which can be found in the [Link](#) to the study.
- 4.5 Earlier in the summer, the Department for Work and Pensions published a consultation on climate change disclosure which sought views on whether reporting against TCFD recommendations on climate change should become mandatory for Pensions Funds over a period of time reflecting the scale of a scheme's assets. Whilst this consultation was aimed at private sector schemes and would not apply to the LGPS, the Fund given its support for TCFD since the outset submitted a response to the consultation to broadly support the recommendation for greater transparency and disclosure. Subsequently the government has confirmed that the UK will become the first country in the world to make TCFD-aligned

disclosures fully mandatory across the economy by 2025. In terms of Pension Funds this will start in 2021 for the largest occupational pension schemes, i.e. those over £5bn. Consultation on changes to LGPS Regulations and guidance are expected early 2021.

5.0 LGPS Central Investment Pool Governance

- 5.1 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.
- 5.2 The Joint Committee meeting took place on 20 November 2020 with the meeting reviewing performance of the company, an updated risk register, client key performance indicators as well as a high-level overview of the expected cost savings to be delivered from investment pooling. It was also noted that despite the Covid-19 pandemic both the Company and Partner Funds had adapted well to the changed circumstances. The Joint Committee received a number of public questions which were also covered in the meeting. A link to the Joint Committee papers can be found [Here](#)
- 5.3 The next Shareholder Forum and Company meeting are due to take place on 10 February 2021, where the 2021-2022 Strategic Business Plan and budget will be presented for approval.
- 5.4 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 Company’s AGM.

6.0 Financial implications

- 6.1 There are no direct financial implications arising from this report.

7.0 Legal implications

- 7.1 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.
- 7.2 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. An updated and broader formal consultation on changes to LGPS investment regulations is now expected to be issued early in 2021 and the Fund will respond to any consultation as required.

8.0 Equalities implications

8.1 There are no direct equalities implications arising from this report.

9.0 Environmental implications

9.1 There are no direct environmental implications arising from this report.

10.0 Human resources implications

10.1 There are no direct human resources implications arising from this report.

11.0 Corporate landlord implications

11.1 There are no direct corporate landlord implications arising from this report.

12.0 Schedule of background papers

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

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

13.0 Schedule of appendices

13.1 Appendix A: WMPF Taskforce on Climate-related Financial Disclosures (TCFD) report.



CLIMATE RELATED DISCLOSURE 2020

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Report prepared in alignment with the recommendations of the Taskforce on Climate-related Financial Disclosures

Report prepared in collaboration with LGPS Central Limited

DECEMBER 2020

INTRODUCTION AND OVERVIEW

The West Midlands Pension Fund (“the Fund/WMPF”) is one of the largest funds within the Local Government Pension Scheme in the UK. An open defined benefit pension scheme, the Fund has assets under management in excess of £17 billion and invests for the long-term across a wide range of asset classes to deliver returns to pay pensions to over 30,000 Fund members within the West Midlands.

This stand-alone report marks the third year in which the Fund has prepared and disclosed its action and approach to assessing and managing the risks associated with climate change. The Fund’s response to climate change is embedded within the Investment Strategy and Investment Strategy Statement and is supported by our Climate Change Framework and Strategy (2019-2023) and wider Responsible Investment Framework.

Our climate-related disclosure report is based on the recommendations set by the Task Force on Climate-related Financial Disclosures (TCFD) and provides an overview of the governance, strategy, risk management tools and metrics employed by the Fund to inform and continue to develop our response to climate change.

As is demonstrated within the metrics reported, the Fund has made progress in reducing exposure to climate change risks and has developed its investment in global equities to reduce carbon intensity by 1/3rd relative to the benchmark. The Fund has also increased its weight in clean technology.

Introduction

- Governance
- Strategy
- Risk Management
- Metrics & Targets

INVESTMENT STRATEGY
STATEMENT



CLIMATE CHANGE
FRAMEWORK AND
STRATEGY (2019-2023)



OUR APPROACH TO CLIMATE-RELATED DISCLOSURE

Climate change, and the risks and opportunities it presents to us as long-term investors form part of our critical thinking not just in the way we approach investment, but in the Fund's wider objectives and delivery themes which aim for global influence alongside delivering for local people. The Fund recognises the need for action to address climate change on a global scale and that it has a role to play in ensuring transition to a lower carbon economy, but also that it will take action on the part of governments, companies, investors and individuals to ensure the long-term sustainability of our planet. We believe that the Fund by its actions and in collaboration with others, can and will contribute to change, at the same time as meeting its primary aim of managing the financial risk inherent in investments, to support in meeting the funding objectives and pension promises made to Fund members. The Fund acknowledges that this remains a fast evolving space and believes it appropriate to set shorter-term objectives in its Climate Framework & Strategy as well as more progressive longer-term ambitions.

Openness and transparency are important ways in which we demonstrate the actions we are taking

to address climate change. This is a fast-evolving space, with increased pace of global engagement and policy change – this is why we established our framework in 2019, based around shorter-term targets over four years, ensuring our policy actions were set in context of progressive ambition. The information and data available at this time has evolved considerably since our assessment in 2017/18, however we acknowledge that measurement and risk measurement continue to have some limitations at present. As the Fund moves forward with its climate change response, we remain keen to ensure that any targets set are achievable and measurable, with progress tracked and demonstrated.

As a supporter of the TCFD recommendations, since they were first published in 2017, the Fund has published climate-related financial disclosure against the TCFD recommendations in its Annual Report & Accounts:

[Annual Report and Accounts \(2020\)](#)



For the first time the Fund is publishing a separate stand-alone TCFD report to further enhance transparency and disclosure around our approach to climate risk management.

Action on climate change requires commitment by all parties on a worldwide scale. As a global investor the Fund believes it has a crucial role to play in leading that change through a proactive and collaborative approach. The Fund recognises that climate-related risks are financially material and that the due consideration of climate risk falls within the scope of the Fund's fiduciary duty and aligns with the Fund's wider beliefs as set out in the Fund's Investment Strategy Statement. Given the Fund's long-dated liabilities and the timeframe in which climate risks could materialise, a holistic approach to risk management covering all sectors and all relevant asset classes is warranted.

Introduction

[Governance](#)

[Strategy](#)

[Risk Management](#)

[Metrics & Targets](#)

This Climate-related Disclosures Report describes the way in which climate-related risks are managed currently. In the interests of being transparent with the Fund's beneficiaries and broader stakeholder base, this report discloses the results of Carbon Risk Metrics Analysis and Climate Scenario Analysis undertaken in 2020 in order to assess the resilience of the Fund's assets.

The TCFD recommendations are based on the financial materiality of climate change and are structured according to the TCFD's four thematic areas of governance, strategy, risk management and metrics and targets [Figure 1].

Our report covers our actions and alignment against each of the core elements in turn.

Figure 1: Core Elements of Recommended Climate-Related Financial Disclosures

Governance

The organisation's governance around climate-related risks and opportunities

Strategy

The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning

Risk Management

The processes used by the organisation to identify, assess, and manage climate-related risks

Metrics & Targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities



Introduction

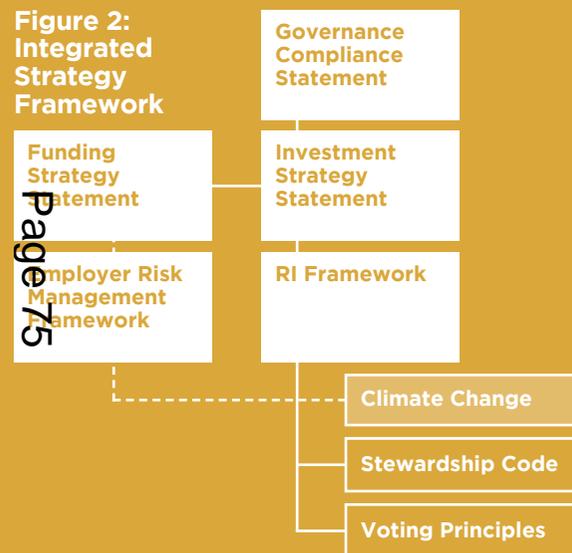
- Governance
- Strategy
- Risk Management
- Metrics & Targets

TCFD Recommended Disclosure

Describe the board's oversight of climate-related risks and opportunities

**Figure 2:
Integrated
Strategy
Framework**

Pages
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RESPONSIBLE INVESTMENT FRAMEWORK 

Governance

Strategy
Risk Management
Metrics & Targets

GOVERNANCE

Roles and responsibilities at the Fund are set out clearly in the Fund's Governance Compliance Statement.

Governance Compliance Statement 

Overall responsibility for managing the Fund lies with the Administering Authority, the City of Wolverhampton Council, who have delegated the management and administration of the Fund to the West Midlands Pension Fund Committee.

The Pension Fund Committee is responsible for setting the Fund's Investment Strategy Statement (ISS), Responsible Investment Framework (RI Framework) and Climate Change Framework and Strategy (CCFS). These are part of an integrated strategy framework (shown in Figure 2) and inform the development and implementation of policy for the day-to-day management of climate change risk by Officers of the Fund, led by the Director of Pensions.

The ISS recognises climate change risk as one of the Fund's mainstream asset risks. The Climate Change Framework and Strategy is premised on 12 foundational evidence-based beliefs about climate risk, considering the economics of climate

change, the energy transition, and purposeful climate stewardship. Both the Responsible Investment Framework and Climate Change Framework and Strategy are reviewed by the Pensions Committee on an annual basis.

The Pensions Committee oversees the implementation of policy frameworks and strategic actions as part of its quarterly Pensions Committee meetings. To inform and supplement discussion and debate by the Pensions Committee, members receive training, at least annually, on the Fund's climate change strategy, information on the Fund's approach to climate change is shared with wider stakeholders including Fund members and employers through newsletters, briefings, and at routine Fund-wide information events

The Local Pensions Board, formed since 2015 and incorporating broad employee and employer representation, plays a role in supporting the Pensions Committee to ensure the effective and efficient governance and administration of the Fund, including securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme. The Board reviews documents within the strategy framework as these change and develop.

FD Recommended Disclosure

Describe management's role in assessing and managing climate-related risks and opportunities

The Fund's Investment Advisory Panel and independent advisers appointed to this oversee implementation and advise the Director of Pensions and the Fund's Internal Committees on the consideration and response to climate change. A specific focus is placed upon minimising adverse financial impacts and maximising the opportunities for long-term economic returns on our assets.

The Fund's Climate Change Framework and Strategy is holistic in that it incorporates climate change and risk considerations across the investment and funding strategy to consider those posed by changing economic and demographic risks as well as employer covenant.

Day-to-day management of the Fund's climate change strategy is delegated to the Director of Pensions and in turn to Senior Officers (Management Team) and the internal committees they lead (collectively "Fund Officers").

Fund Officers have sourced and work with specialist advisers and providers to collate data and analysis to test and inform climate-related risks, both from a "top-down" and "bottom-up" perspective. This aids the identification, quantitative and qualitative assessment of risk and informs actions aligned to the context of the Climate Change Framework and Strategy. These assessments form part of decision making on funding, investment and employer covenant.

Specifically, in relation to investment, the assessments aid consideration of investment strategy, investment mandates and individual investment decisions within the selection process. They also play a key role in stewardship and ongoing monitoring of strategy and implementation through an integrated monitoring framework and active engagement and stewardship programme.

The Fund supports and utilises a variety of strategic partnerships to continue to inform and develop its approach to the consideration of climate-related risks and opportunities, including:

- The Principles for Responsible Investment (PRI)
- Institutional Investors Group on Climate Change (IIGCC)
- Climate Action 100+ (CA100+)
- Local Authority Pension Fund Forum (LAPFF)
- The Transition Pathway Initiative (TPI)

Action on climate-related risks is informed and supported by robust engagement and voting practices. The Fund has a programme of climate change stewardship which is proactive to uphold its commitment to responsible investment.

In line with the Fund's Climate Change Framework and Strategy, Fund officers give due consideration and assessment of climate-related risks and opportunities when discussing both existing investments and any new investments.

STRATEGY

The Fund as a large asset owner with long-term liabilities considers climate-related risks and opportunities across multiple timeframes and across a diversified asset-base and employer-base, as well as broader potential impacts across the Fund. A subset of risk and opportunity factors considered is outlined in the table below:

	Short & Medium-Term	Long-Term
Risks	<ul style="list-style-type: none"> Carbon prices Technological change Regulatory & Policy tightening Consumer preferences Asset valuations under range of climate scenarios Biodiversity 	<ul style="list-style-type: none"> Resource scarcity Extreme weather events Sea level rise Fund employers Asset valuations under range of climate scenarios Just Transition & employment
Opportunities	<ul style="list-style-type: none"> Engagement to support transition Ability to influence Resource efficiency Technological change 	<ul style="list-style-type: none"> Engagement to support transition Improvements to long-term health Resource efficiency Training & upskilling
Asset Class	<ul style="list-style-type: none"> Listed equities Growth assets Energy-intensive industry Oil-dependent sovereign issuers Carbon-intensive corporate issues Currencies 	<ul style="list-style-type: none"> Infrastructure Property Agriculture Commodities Insurance Private Assets

TCFD Recommended Disclosure

Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term

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FD Recommended Disclosure

Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning

We identify short-term risk as stock market movements, medium-term risk as changes in consumer behaviour, driven by policy and technological change (e.g. uptake in electric vehicles), and long-term risk as physical damages to real assets and resource availability (e.g. sea level rise and severe weather events).

The Fund identifies climate-related issues through research and collaboration (notably with the PRI, IIGCC, LAPFF, TPI and Climate Action 100+). The Fund has made use of the TPI Toolkit to observe climate risk management in large listed equity stocks.

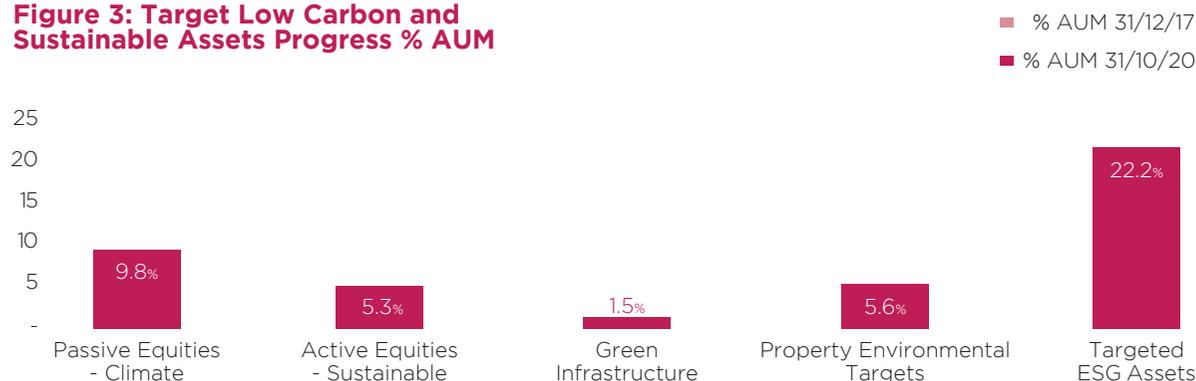
The Fund manages climate risk in different ways according to the nature, duration, magnitude and time horizon of the risk itself. As set out in the Fund's Climate Change Framework and Strategy, the main management techniques within investment strategy are:

- asset allocation;
- selection and due diligence; and
- purposeful stewardship.

The Fund's responsible investment considerations, including climate change, are incorporated into the mandates of external Fund Managers via their respective Investment Management Agreements and ongoing monitoring.

The Fund aims to invest in opportunities where positive environmental outcomes are expected to correlate with positive financial performance. This has included focused investments in a Global Equity low carbon factor fund, Sustainable Global Equity mandates, renewable infrastructure and applying green standards on its direct property investments. Together and alongside the ongoing portfolio-wide selection and stewardship activity, these asset allocations and new strategies have significantly increased exposure to lower carbon and sustainable strategies since 2017 as shown in figure 3 below (with allocations in 2017 being de-minimis):

Figure 3: Target Low Carbon and Sustainable Assets Progress % AUM



The Fund takes a holistic approach to climate change and has taken steps since 2019 to better understand the climate change risks and exposure within the employer covenant and underlying employer-base who are required to pay contributions to the Fund towards meeting the cost of Fund benefits.

An initial assessment of the Fund's exposure to climate-related risks was carried out in 2017 by an external provider to understand the extent to which the Fund was exposed to risks under a range of climate scenarios and led to the development of the Fund's Climate Change Framework and Strategy.

In 2020 the Fund again engaged an external expert to assess progress against the 2017 assessment, also reflecting on the agreed changes to the Fund's strategic asset allocation approved in March 2020 by the Pensions Committee. All asset classes were reviewed within 2°C, 3°C, and 4°C scenarios as per the table below. The analysis will be used as an input to our future approach to climate risk.

The table below shows that the new strategic asset allocation further enhances the Fund's position under a 2°C scenario.

It is recognised that the Paris Agreement, which the Fund strongly supports, aims to limit global warming well below 2°C, pursuing efforts to limit it to 1.5 degree. The scenario analysis has developed since 2017 and the Fund will continue to evolve this risk analysis as the investment strategy and assessment tools and underlying data continue to be refined.

Annualised Climate Change impact on portfolio returns – to 2030 and 2050¹

Based on the 2019 asset allocation and the updated approved strategic asset allocation being implemented following Pensions Committee approval post April 2020

Scenario	Timeline	2019 Asset Allocation	2020 Strategic Asset Allocation
2°C	2030	0.20%	0.34%
	2050	0.01%	0.09%
3°C	2030	-0.01%	-0.01%
	2050	-0.07%	-0.07%
4°C	2030	-0.07%	-0.08%
	2050	-0.14%	-0.15%

¹ Extract above from Mercer Limited's (Mercer) report "Climate Change Scenario Analysis" dated 26 June 2020 prepared for and issued to LGPS Central Limited for the sole purpose of undertaking climate change scenario analysis for West Midlands Pension Fund.

TCFD Recommended Disclosure

Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

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CLIMATE CHANGE
FRAMEWORK AND
STRATEGY (2019-2023)



RISK MANAGEMENT

The Fund seeks to identify and assesses top-down and bottom-up climate-related risks at the total Fund level, asset class and at the individual asset level. On risk modelling, we have benefitted from our collaboration with our investment pooling company LGPS Central Ltd to access Climate Risk Monitoring, which serves as the primary means through which the Fund identifies and assesses climate risks.

As far as possible climate risks are assessed in units of investment return, in order to compare with other investment risk factors. At this time, tools for assessing climate metrics have some limitations but it is pleasing to see that this is a rapidly developing area and we look forward to seeing improvements to reporting tools. Our preferred metrics to date have been evidenced based returns impact, given various climate scenarios, and a heat map showing the asset classes with the greatest exposures to this risk factor.

The identification and assessment of climate-related risks is also the responsibility of individual fund managers appointed by the Fund. Existing fund managers are monitored on a regular basis through the Fund's stewardship programme.

Engagement activity is conducted with investee companies through selected stewardship partners including:

- LGPS Central Ltd
- EOS at Federated Hermes
- Local Authority Pension Fund Forum (LAPFF)

The Fund is developing its Stewardship Plan in order to focus engagement resources on the investments most relevant to the Fund and risks identified. In addition to the ongoing collaborative engagement this aims to further target engagement at investee companies of particular significance to the Fund's portfolio.

TCFD Recommended Disclosure

Describe the organisation's process for managing climate-related risks

The Fund manages climate risk in different ways according to the nature, duration, magnitude and time-horizon of the risk itself. The main management techniques used in relation to the Fund's investment and funding risk are:

- asset allocation;
- selection and due diligence;
- purposeful stewardship; and
- employer covenant assessments

Engagement and shareholder voting are an integral aspect of the Fund's approach to managing climate risk and the Fund believes that climate risk management can be meaningfully improved through focussed stewardship activities by investors.

The Fund supports the engagement objectives of the Climate Action 100+ (CA100+) initiative – that companies adopt appropriate governance structures to effectively manage climate risk, decarbonise in line with the Paris Agreement and disclose using TCFD recommendations.

The Fund's Voting Principles reflect the Fund's strategy 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. The Fund supports the LGPS Central voting principles which have been developed in consultation with the Fund and through which the majority of the Fund's votes are now transacted. LGPS Central will, in cases where escalation of an engagement is deemed appropriate, consider co-filing shareholder resolutions that relate to climate change. The Fund reports quarterly to Pensions Committee on its voting and engagement activities through its Responsible Investment report.

LGPS Central
Voting Principles



WMPF Voting
Principles



THE FUND'S COLLABORATIVE AND ENGAGEMENT PARTNERSHIPS



LGPS Central Ltd is the Fund's investment pooling partner to deliver the benefits of investment pooling, which includes benefits of scale in responsible investment & engagement and analysis of climate change risks.

Climate change is one of LGPS Central's stewardship themes, with quarterly progress reporting available on the website. The Responsible Investment Team at LGPS Central engages companies on WMPF's behalf.



Institutional Investors Group on Climate Change

The Fund is a member of the Institutional Investors Group on Climate Change (IIGCC) which is a leading global investor membership body and the largest one focusing specifically on climate change.

IIGCC help define the investment practices, policies and corporate behaviours required to address climate change.



EOS at Federated Hermes is engaged by LGPS Central to expand the scope of the engagement programme, especially to reach non-UK companies.

In 2019, EOS conducted engagements on 238 climate change issues across its company universe.



Global Investors Driving Business Transition

WMPF is member of Climate Action 100+ an investor initiative launched in 2017 to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. More than 500 investors with over \$47 trillion in assets collectively under management are engaging companies to: Curb emissions; improve governance; and Strengthen climate-related financial disclosures.



WMPF is a founding member of the Local Authority Pension Fund Forum (LAPFF). LAPFF conducts engagements with companies on behalf of local authority pension funds.

In 2019 LAPFF conducted over 150 engagements on climate change.



The Transition Pathway Initiative (TPI) is a global, asset-owner led initiative which assesses companies' preparedness for the transition to a low carbon economy. Rapidly becoming the go-to corporate climate action benchmark.

WMPF supports the TPI, created for the global investor community and which collectively has \$22.8trn AUM.



The Fund is a signatory of the UN Principles for Responsible Investment (PRI) which seeks to set out investment principle and actions that investors can take across a range of responsible investment activities including climate change.

In the 2020 assessment the Fund achieved A+/A across all metrics.

TFRD Recommended Disclosure

Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management

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Climate change is recognised in the Fund's mainstream asset risks within the Investment Strategy Statement, Responsible Investment Framework and expanded upon in the Climate Change Framework & Strategy. These documents are reviewed at least annually and formally approved by the Pensions Committee.

Climate risk is integrated in the Fund's risk register and has been incorporated into the LGPS Central Investment Pool risk register.

The Fund's Responsible Investment Framework has identified four key themes for engagement recognising that all four themes pose risks but offer significant opportunities for engagement. Climate change has been a key engagement theme for the Fund for a number of years and is included in the most recent framework for engagement.

Annual training includes focused sessions on climate change to ensure those charged with governance are provided with the knowledge and skills with which to assess climate risks and to ensure they are integrated into the Fund's overall risk management.

The Fund's responsible investment stewardship plan, incorporating Climate Change, is being developed to ensure that climate change is being embedded throughout the Fund's risk management activity.

METRICS AND TARGETS

Carbon risk analysis has been undertaken on all of the Fund's listed equities portfolios along with some analysis on corporate bond portfolios. This analysis along with a range of other inputs is being used to inform review of the Fund's Climate Change Framework and Strategy. The poor availability of data in asset classes other than listed equities prevents a more complete analysis at this time.

Carbon risk metrics aid the Fund in assessing the potential climate-related risks to which the Fund is exposed, and in identifying areas for further risk management, including company engagement and fund manager monitoring. The Fund additionally monitors stewardship data as noted above.

In considering its carbon risk metrics, the Fund remains aware of the limitations of the available metrics and the underlying datasets, but is pleased to note that this is a fast-evolving area and believes that greater transparency and disclosure will only serve to enhance the ability of organisations to assess and monitor their exposure to climate-related risks and opportunities to build into strategy and risk management process.

We have assessed our total equities portfolio as having a weighted average carbon intensity of 149.24 (tCO₂e/ \$M revenue) as at 31 December 2019. This compares to 223.51 (tCO₂e/ \$M revenue) of the total equities blended benchmark at the same date. The Fund's holdings have carbon intensity which is 1/3rd lower than its benchmark.

TCFD Recommended Disclosure

Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process

TCFD Recommended Disclosure

Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

- b) Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. TCFD Guidance²

2. Asset owners should provide the weighted average carbon intensity, where data are available or can be reasonably estimated, for each fund or investment strategy

Reviewing progress over the last year the Fund is able to demonstrate that carbon risk metrics have improved compared to benchmark as set out in the charts³ to the right in relation to the Fund's equity portfolios:

The Fund has reduced its carbon footprint, increased investment in clean technology and reduced exposure to fossil fuel reserves and expects to update its carbon risk metrics data on an annual basis.

Figure 4: Portfolio carbon footprint, Total Equities portfolio, December 2018 vs December 2019

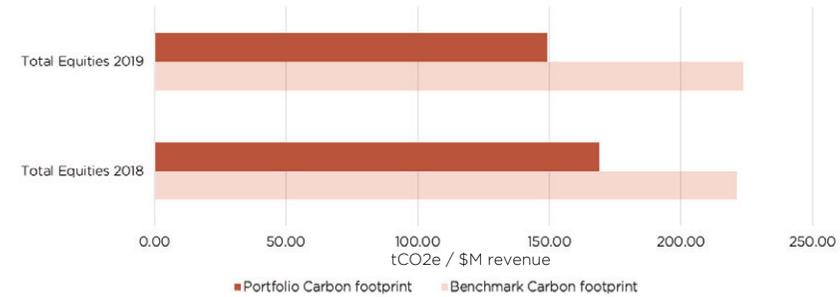


Figure 5: Weight in companies with clean technology, Total Equities portfolio, December 2018 vs December 2019

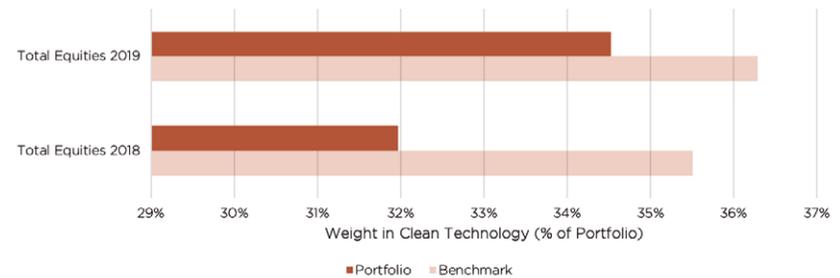
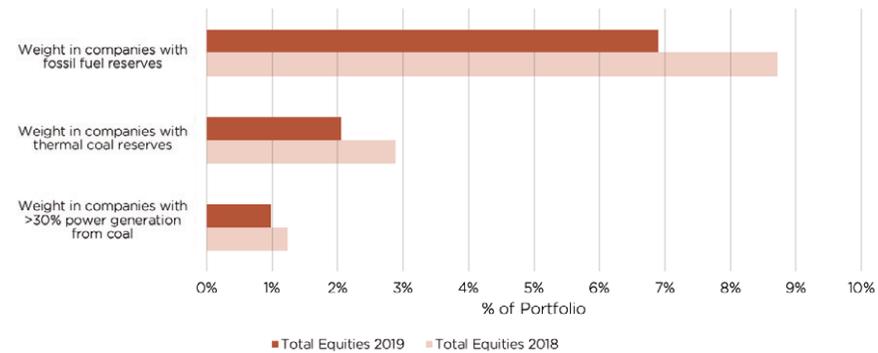


Figure 6: Exposure to fossil fuel reserves, Total Equities portfolio, December 2018 vs December 2019



3. Certain information ©2020 MSCI ESG Research LLC. Reproduced by permission..

TCFD Recommended Disclosure

b) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

The Fund has reviewed the use of targets. As per the Climate Change Framework & Strategy 2019-2023, the Fund articulated a number of strategic actions which included a target of 10-15% of the Fund's investments in low carbon and sustainable assets and investments in thermal coal producers to be less than 1% of the Fund.

Through actions taken, the Fund has already achieved the 2023 targets set in the Climate Change Framework & Strategy.

Climate Change Framework
and Strategy (2019-2023)



The scope for further target-setting, recognising the paucity of credible methodologies and data currently available, will be considered upon next review.



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