

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

Venue Online Meeting

Membership

Chair Cllr Milkinderpal Jaspal (Lab)

Vice-chair Cllr Clare Simm (Lab)

Labour

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

Conservative

Cllr Paul Singh

Independent

Cllr Harman Banger

District Members

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

Trade union observers

Malcolm Cantello
Martin Clift
Ian Smith

Quorum for this meeting is eight Councillors.

Information for the Public

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

Contact Kirsty Tuffin

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[NOT PROTECTIVELY MARKED]

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

Agenda

Part 1 – items open to the press and public

- | <i>Item No.</i> | <i>Title</i> |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Apologies for absence (if any) |
| 2 | Declarations of interests (if any) |
| 3 | Minutes of the Previous Meeting (Pages 5 - 12)
[For approval.] |
| 4 | Matters arising
[To consider any matters arising from the minutes of the previous meetings.] |
| 5 | Budget Monitoring 2020/2021 and Quarterly Accounts - 30 September 2020
(Pages 13 - 22)
[To receive an update on the forecast out-turn against operating budget for 2020/2021 and be presented the quarterly accounts to 30 September 2020.] |
| 6 | Quarterly Investment Report to 30 September 2020 (Pages 23 - 46)
[To receive an update on developments in investment markets, asset allocation and investment performance over the latest quarter in relation to the West Midlands Pension Fund.] |
| 7 | Responsible Investment (Pages 47 - 62)
[To receive an update on the work undertaken in relation to responsible investment activities since the last Pensions Committee meeting. Appendix C – To Follow.] |
| 8 | Pensions Administration Report from 1 July to 30 September 2020 (Pages 63 - 86)
[To receive an update on routine operational work undertaken by the pension administration service areas during the period 1 July to 30 September 2020.] |
| 9 | Customer Engagement Update (Pages 87 - 100)
[To receive an update on the Fund's customer engagement activity from 1 July 2020 to 30 September 2020 and to cover future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy.] |
| 10 | Pensions Administration Benchmarking and Accreditation (Pages 101 - 106)
[To receive an update on the outcomes of the benchmarking exercises undertaken in relation to 2019/20 for the delivery of Fund's Pension Administration Services.] |
| 11 | Governance and Assurance (Pages 107 - 118)
[To receive an update on the work of the Fund to deliver a well governed scheme.] |

- 12 **Exclusion of press and public**
[To pass the following resolution:
That, in accordance with section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business as they involve the likely disclosure of exempt information falling within paragraph 3 of Schedule 12A to the Act.]

PART 2 - EXEMPT ITEMS, CLOSED TO PRESS AND PUBLIC

- 13 **Employer Covenant and Funding Regulations** (Pages 119 - 134)
[To receive an update on the steps being taken aligned to employer funding in the context of recent regulatory change and commentary on the covenant review with increased relevance in light of the ongoing Covid-19 pandemic.]
- 14 **Covid-19 Response Update** (Pages 135 - 138)
[To receive an overview of the Fund's response to the current global pandemic and the steps being taken to mitigate service delivery impact during the second phase lockdown.]
- 15 **Investment Strategy and Activity Update** (Pages 139 - 144)
[To receive an update on investment strategy and activity in the West Midlands Pension Fund and Admitted Body Sub Funds over the quarter.]
- 16 **LGPS Central Pool** (Pages 145 - 158)
[To receive an update on the outcomes of a review of the LGPS Central pool and the case for pooling in the context of the West Midlands Pension Fund.]

CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee Minutes - 30 September 2020
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Attendance

Members of the Pensions Committee

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

Employees

Rachel Brothwood	Director of Pensions - West Midlands Pension Fund
Tom Davies	Head of Investments – West Midlands Pension Fund
Jill Davys	Assistant Director - Investments and Finance – West Midlands Pension Fund
Peter Farrow	Head of Audit – City of Wolverhampton Council
Rachel Howe	Head of Governance and Corporate Services - West Midlands Pension Fund
Jaswinder Kaur (Host)	Democratic Services Manager
Amanda MacDonald	Client Lead Auditor – City of Wolverhampton Council
Claire Nye	Director of Finance – City of Wolverhampton Council
Amy Regler	Head of Operations – West Midlands Pension Fund
Jennifer Pearce	Senior Auditor – City of Wolverhampton Council
Lauren Pote	Governance Support Officer – West Midlands Pension Fund
Hayley Reid	Governance and Regulatory Manager – West Midlands Pension 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

In attendance

Grant Patterson	External Audit Representative - Grant Thornton
David Rowley	External Audit Representative - Grant Thornton
Mike Weston	LGPS Central Ltd (Present for Item 20)
John Burns	LGPS Central Ltd (Present for Item 20)
Callum Campbell	LGPS Central Ltd (Present for Item 20)

Part 1 – items open to the press and public

Item No. *Title*

- 1 **Apologies for absence (if any)**
Apologies were received from Malcolm Cantello, Trade Union Representative, Councillor Jasbinder Dehar, Councillor Sandra Hevican, Councillor Bally Singh and Councillor Harman Banger.
- 2 **Declarations of interests (if any)**
There were no declarations of interest.
- 3 **Minutes of the Previous Meeting**
That the minutes of the previous meeting held on 17 June 2020 be approved as a correct record and signed by the Chair, subject to Ian Smith, Trade Union Representative, being added to the attendee list.
- 4 **Matters arising**
There were no matters arising from the minutes of the previous meeting.
- 5 **Annual Report and Accounts 2019-2020**
Darshan Singh, Head of Finance, and Grant Patterson, representative from Grant Thornton, presented the Audit Findings Report noting the deadline for publication as 1 December 2020.

Grant Patterson, External Audit Representative – Grant Thornton, informed the Committee that following submission of the draft accounts in June there had been no adjustments required that would have a significant impact upon the financial position of the Fund and that he was anticipating the Audit report would be unqualified following final checks being completed. He thanked officers for their support in completing the audit,

Resolved:

1. That the draft Annual Report for the year ending 31 March 2020 be approved.
2. That the approval of the 2019/20 Statement of Accounts, certified by the Administering Authorities Section 151 officer and published on 22 June 2020 be noted.
3. That the Grant Thornton's Audit Findings Report for West Midlands Pension Fund (WMPF) be noted.
4. That it be noted under the delegations agreed, the Management Representations letter to Grant Thornton was expected to be signed during October 2020 by the Chair and the Director of Pensions on behalf of the Fund be noted.
5. That the development of the draft Annual Report with final publication to be approved by the Chair and Vice Chair, in line with the delegation agreed by the Committee in June 2020 be noted.

6 **Budget Monitoring 2020/2021 and Quarterly Accounts June 2020**

Darshan Singh, Head of Finance, presented the report on the forecast out-turn against operating budget for 2020/21 and the quarterly accounts to 30 June 2020, showing an estimated Fund value of £17.4bn.

The Committee were advised that the £2.4billion increase in the Fund value had been as a result of the recovery in the investment markets since March 2020.

In response to a question from the Committee, Darshan Singh noted that the change in investment costs reported was linked to the Fund's investment strategy review, where changes agreed within the Investment Strategy Statement, to support risk management, were now being implemented.

Cllr John Reynolds requested that in the next finance report data be converted into visual aids to compare the last four quarters of Fund performance.

Resolved:

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

7 **Quarterly Investment Report to 30 June 2020**

Tom Davies, Assistant Director, Investment Strategy, presented the Quarterly Investment Report for consideration by the Committee, noting the impact of lagged returns on the quarterly reporting and actions taken by the Fund in response to ongoing volatility and uncertainty in market values linked to Covid, Brexit and the US election.

The response to questions, the Assistant Director confirmed the Fund had been working with its property manager and tenants where required to monitor the financial impact of the pandemic, noting income streams have proved relatively resilient to date.

Resolved:

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

8 **Responsible Investment Activities**

Jill Davys, Assistant Director, Investment Partnerships, presented the report on the work undertaken in relation to responsible investment activities since the Pensions Committee meeting in June 2020.

The Committee were advised that following a high-level annual review, the West Midlands Pension Fund Voting Principles and the Climate Change Framework and Strategy, had been updated to reflect the Fund's principles on voting and engagement activity, and the activity expected from companies in which the Fund invests to evidence their delivery and commitment to the Fund's principles. The Assistant Director confirmed the results of the Fund's 2020 PRI assessment where the Fund had been awarded an A or A+ in every module.

Correspondence received by Fund Officers and Committee members regarding responsible investment and response to climate change was acknowledged noting that an updated statement, setting out the Fund's policy and action on engagement and investment strategy would be placed on the Fund's website with direct responses issued to those individuals who had contacted the Fund.

Committee members engaged in discussion on issues contained within the Climate Change Framework, as invited to do by the Chair, noting the importance of the Fund's evidence-based approach, work to continue to evolve and enhance investment strategy for example, through consideration of growth in renewable energies and ongoing focus on engagement themes covering human rights and sustainable food systems. It was noted that the response to climate change requires a wider social and behavioural change to influence demand and the ongoing importance of engaging with policy makers and other investors to drive change.

Resolved:

1. That the updated Voting Principles 2020, included as appendix A be approved.
2. That the updated Climate Change Framework and Strategy, included as appendix B be approved.
3. That the Fund's voting and engagement activity for the three months ending 30 June 2020 be noted.
4. That the issues discussed by LAPFF are set out in the Quarterly Engagement Report
5. That the issues discussed in the LGPS Central Quarterly Stewardship Report be noted:
6. That the Fund's Principles for Responsible Investment Assessment Outcome be noted.

9 **Governance and Assurance**

Rachel Howe, Head of Governance, presented the report on the work of the Fund to deliver a well governed scheme noting the movement in risks for the quarter and the statutory delivery of Annual Benefit Statement by 31 August deadline.

In response to a question raised by Cllr Reynolds, Rachel Howe, Head of Governance and Corporate Services noted the increased awareness of pension scams at a national level and the work being undertaken by the Fund to support members' queries on this issue.

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.

10 **Amended Internal Audit Plan 2020 – 2021**

Amanda MacDonald, Client Lead Auditor, presented the report on the revised work programme for internal audit for 2020 – 2021.

The Committee were advised that the Internal Audit Plan had been reviewed to refocus priorities in response to the Covid pandemic and that the results from internal audit reports would be reported to the Committee in due course.

Resolved:

1. That the amended internal audit report for 2020 – 2021 be noted.
2. That it be agreed that a report would be brought to a future Pension Committee meeting to provide an update on the amended internal audit plan.

11 **Pensions Administration Report to 30 June 2020**

Amy Regler, Head of Operations, presented the report on the routine operational work undertaken by the pension's administration service areas during the period 1 April to 30 June 2020.

The Committee were advised that due to the increase in notifications from employers and the transition to working from home, the KPI for the notification of estimated benefits had not been met. However, volumes had returned back to normal and KPI's had been achieved in July and August 2020.

The Committee were advised of the progress made with the Digital Transformation Programme. A test run of the new employer hub portal had been completed, with the aim to launch the new portal by the end of the year 2020. The portal provides employers with data enquiries via their web portal account which would assist with any necessary training that could be required. The portal should also support employer queries regarding pension members information.

Ian Smith raised a concern about notifications to the Fund on change of local authority contractual arrangements which trigger change of admitted body employer. Officers agreed to investigate and respond to the concern.

Resolved:

1. That the write-offs detailed in section 14 of this report be approved.
2. That the applications approved by the Director of Pensions and the Chair or Vice-Chair of Pensions Committee for admission to the West Midlands Pension Fund be noted.
3. That the impact of COVID19 on the workload volumes for pension administration be noted.
4. That the update on the progress of the Fund's Digital Transformation Programme be noted.

12 **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 discussed future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy which was presented to the Committee for approval.

The Committee were advised that as a result of covid-19, customer engagement had switched from face-to-face interactions to a digital approach. The change has received a respond to date with good take up from members and employers to online meetings, presentations and one to one sessions.

Resolved:

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

13 **Exclusion of press and public**

Resolved:

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

14 **Response to Covid-19**

Rachel Howe, Head of Governance, presented the report on the Fund's response to the current global pandemic and the steps being taken to mitigate service delivery impact together with the proposals for transitioning employees back to Mander House in compliance with Government Guidance.

Resolved:

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

15 **Employer Covenant Monitoring**

Simon Taylor, Assistant Director, Pensions, presented the report on the review of the in-house monitoring framework and the individual cases arising from the ongoing monitoring process. The Assistant Director-Pensions also highlighted the engagement undertaken with employers in response to the pandemic and referred to the pending legislative changes regarding employer funding.

Resolved:

1. That the revised employer watch list, to take into account 2018/19 financial information and 2019 actuarial valuation outcomes be noted.
2. That the Employer Affordability framework and policy in appendix B be noted.
3. That the employer/sectoral updates within section 5 be noted.
4. That the overview of legislative change with particular relevance to employer covenant be noted.

16 **Procurement Programme**

Amy Regler, Head of Operations, presented the report on upcoming programme of work to procure key systems and professional services/advisors.

Resolved:

1. That it be agreed that the delegation of approval regarding the final selection of suppliers for pensions administration and investment systems to the Director of Pensions in consultation with the Chair and Vice Chair of Pensions Committee.
2. That the programme of procurement activities currently being undertaken by the Fund, which will see the review and appointment of a number of key providers and advisers to the Fund over the next 12 months be noted.

17 **McCloud**

Amy Regler, Head of Operations, presented the report on the proposed remedy to benefits members have built up with the Local Government Pension Scheme (LGPS) following the McCloud ruling and noted the now deemed unlawful discrimination caused by the protections put in place when the Scheme was reformed in April 2014. The report also provided an overview of the Fund's initial project planning approach to implementation, pending the outcome of the consultation.

Resolved:

1. That the release of the consultation on the proposed remedy to address the age discrimination inherent within the transitional protections that were adopted by the public service schemes in 2014 and 2015 be noted.
2. That the potential scale of administration work which will be required to implement the proposed remedy be noted.

18 **Investment Strategy and Activity Update**

Tom Davies, Assistant Director – Investments, presented the report on investment strategy and activity in the West Midlands Pension Fund and Admitted Body Sub Funds over the quarter ending 30 June 2020

Resolved:

1. That the update on investment strategies for the main Pension Fund and Admitted Body Sub Funds be noted.
2. That the highlights of recent activity within the Pension Fund be noted.

19 **LGPS Central pool - Shareholder update and report to MHCLG**

Rachel Brothwood, Director of Pensions, presented the report on matters considered and presented to Shareholders at the Company's AGM on 8 September 2020, providing an overview of the LGPS Central pooling progress reported to MHCLG.

Resolved:

1. That the Director of Pension's update on Shareholder business relating to LGPS Central Limited be noted.
2. That the pool update report submitted to MHCLG in September 2020 be noted.
3. That the work underway to inform development of the 2021/22 business plan be noted.

20

LGPS Central Ltd Update

Mike Weston, Chief Executive Officer (CEO) of LGPS Central Ltd, provided an overview of the progress of pooling and proposed fund launches for 2020.

Resolved:

1. That the presentation from LGPS Central Ltd included at appendix A be noted.

CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 9 December 2020
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Report title	Budget Monitoring 2020/2021 and Quarterly Accounts 30 September 2020	
Originating service	Pension Services	
Accountable employee	Darshan Singh	Head of Finance
	Tel	01902 55 2768
	Email	darshan.singh@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 decision:

The Committee is asked to approve:

1. The delegation for the review and sign-off of the budget in connection with Fund premises to the Director of Pensions in consultation with the Chair and Vice Chair.

Recommendations for noting:

The Committee is asked to note:

1. The quarterly accounts for the period ending 30 September 2020 which estimate the value of West Midlands Pension Fund at this date to be £17.8 billion, an increase of £2.5 billion (16%) since 31 March 2020.
2. West Midlands Pension Fund forecast out-turn for the year against operating budgets as at the end of September 2020 is an overspend of £6.3m primarily attributable to increased estimates for investment management costs on implementation of planned changes to the investment strategy.

1.0 Purpose

- 1.1 The purpose of this report is to update Committee on the forecast out-turn against operating budget for 2020/2021 and present the quarterly accounts to 30 September 2020.
- 1.2 The operating budget was approved by Committee in March 2020.

2.0 Forecast Out-turn against Operating Budget 2020/2021

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

	Budget 2019/20	Budget 2020/21	Forecast 2020/21	Variance Outturn
	£000	£000	£000	£000
Employees	7,358	9,066	8,189	(877)
Premises	302	300	306	5
Transport	37	38	21	(17)
Other Supplies and Services	430	437	387	(50)
Service Development	949	1,027	796	(231)
Professional Fees	1,484	1,552	1,597	45
Communications and Computing	585	613	545	(68)
Support Services	634	723	738	15
Miscellaneous Income	(584)	(595)	(593)	2
Net Expenditure	11,195	13,161	11,985	(1,176)
External Investment Management Costs	73,836	77,970	85,556	7,586
LGPS Central Charges	4,669	4,949	4,877	(72)
Total External Investment Costs	78,505	82,919	90,433	7,514
Total	89,700	96,080	102,419	6,338

*There may be slight differences due to rounding.

- 2.2 Forecasts have been made using a combination of reviewing spend to date and taking into account plans for the remainder of the financial year. The figures now combine both WMPF Main Fund and the former WMITA Pension Fund following regulations to merge the Pension Funds during 2019/20.

The budget monitoring report at the end of quarter one already anticipated an underspend on staffing due to challenges posed to recruitment by the Covid 19 pandemic, particularly during the initial lockdown period and transition to home working. Some activity has taken place in the quarter to end of September, but there are a number of roles envisaged at the outset of the budgeting process, together with posts which have become available due to natural turnover, which remain to be recruited to and the

forecast underspend on employee costs is increased accordingly. These delays in recruiting to vacant posts will in turn reduce associated computing and ICT support costs from the numbers originally budgeted for in March 2020.

The pandemic has continued to halt business related travel and so this quarter's forecast factors in additional underspend on transport costs. For the same reason, the forecast for training has also been reduced further as courses are either deferred or cancelled for this year altogether. This is reflected in the "other supplies and services" summary budget line.

At this half-way stage through the financial year, there is now further clarity around projects and service development initiatives that are not going to fully complete in year and the corresponding costs of which will defer or partly run into 2021/2022. Service development is therefore forecast down since the outlook at the end of the last quarter.

At this time, we forecast an overspend on professional fees due in part to the increase to the external audit fee agreed in March and in anticipation of additional legal fees to be incurred on investment related activities before year end.

- 2.3 As at the end of September 2020, annual external investment management costs are forecast to be approximately £7.6m above the level projected and budgeted in March 2020. There is a slight increase in the forecast since last quarter, as estimates of fees calculated by reference to assets under management are higher due to gains in investment valuations. The latest forecast anticipates implementation of changes to the strategic asset allocation following approval of the updated Investment Strategy Statement in March, and the consequent impact that investment in different asset classes will have on overall fees. The actual timing of any changes will be subject to the existence of favourable market conditions. This is particularly relevant in the context of transition of Fund assets to products launched by the LGPS Central pool, with an update on plans for the remainder of 2020/21 covered in a separate report.

It should be noted that investment management costs are heavily influenced by market movements and investment performance. Actual costs are uncertain, with estimates expected to fluctuate during the year.

- 2.4 The majority of investment management costs and fees are deducted at source by fund managers, total projected investment management costs for the Fund for 2020/2021 are estimated to be in the region of £91m, as follows:

	Budget 2019/20	Budget 2020/21	Forecast 2020/21
	£'000	£'000	£'000
External Costs:			
- Invoiced	9,960	9,678	11,339
- Deducted at Source	63,876	68,292	74,217
- LGPS Central	4,669	4,949	4,877
Total External Investment Management Costs	78,505	82,919	90,433
Internal Investment Management Costs	1,188	1,261	809
Total Investment Management Costs	79,693	84,180	91,242

- 2.5 Investment costs and the management thereof, remain a key consideration throughout the Fund's investment decision making and the Fund continues to review and seek opportunities for cost reduction where these can be achieved on implementation without impacting risk or expected return. However, it is recognised that as the new investment strategy is implemented, the Fund is likely to see increased costs given the higher allocation to more expensive asset classes required to achieve strategic investment goals.
- 2.6 Cost-per-member is used as a measure of pension schemes' cost-effectiveness but does not reflect the level of service provided to employers or scheme members. The following table sets out the forecast cost-per-member compared to budget using the three standard headings specified by CIPFA: administration, oversight and governance and investment management costs.

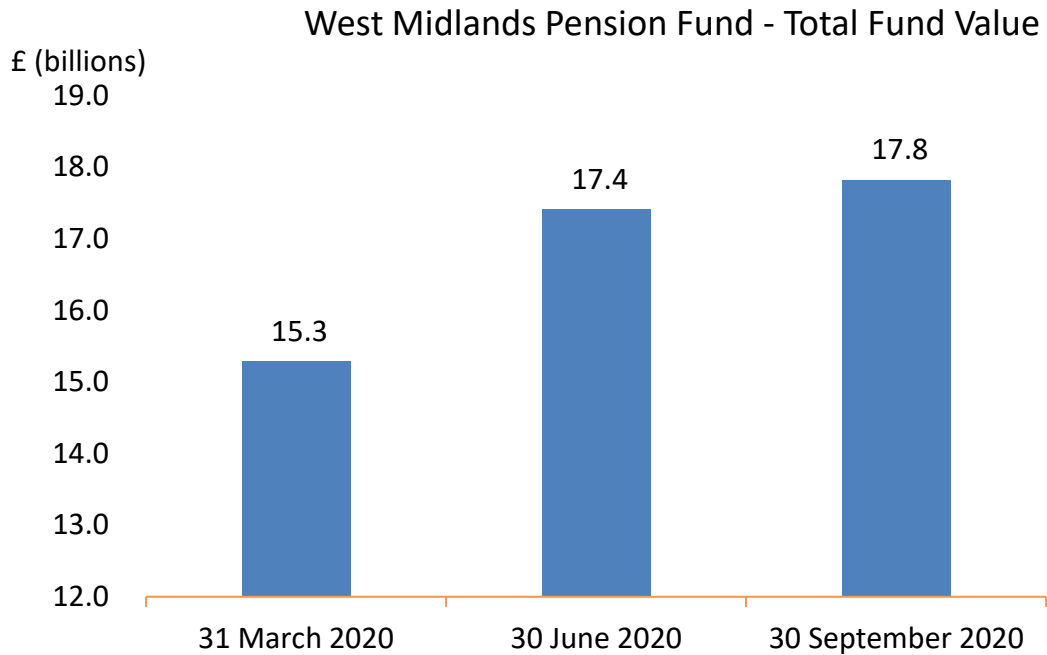
At this time, we are forecasting a slight reduction on expenditure relative to budget for total administration, oversight & governance cost from £34.91 to £33.22 per member.

	2019/20 Actual	2020/21 Budget	2020/21 Forecast
Total Administration Costs (£'000)	6,067	7,710	7,482
Administration Cost per Member (£)	18.17	22.62	22.24
Total Oversight and Governance Costs (£'000)	2,869	4,190	3,694
Oversight and Governance Cost per Member (£)	8.59	12.29	10.98
Number of Members	333,934	340,903	336,351
Total Administration, Oversight and Governance cost per Member (£)	26.76	34.91	33.22
Total Investment Management Costs (£'000)	82,537	84,180	91,242
Investment Management Cost per Member (£)	247.17	246.93	271.27
Investment Management Costs as a Percentage of Forecast Net Assets	0.54%	0.50%	0.52%

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

3.0 Quarterly Accounts – West Midlands Pension Fund

- 3.1 Appendix A provides a Fund Account for the six months ended September 2020 and a Net Assets Statement as at 30 September 2020.
- 3.2 The Net Assets Statement estimates a value for the Fund at 30 September 2020 of £17.8 billion. This is an increase of £2.5 billion (16%) from the 31 March 2020 value shown in the year end accounts.



There are two main reasons for this increase.

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

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

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

4.0 Outlook for Fund budget 2021/22

4.1 In keeping with prior years, Fund Officers are in the process of reviewing the Fund Service plan and budget requirements for next year. This will be developed in consultation with the Chair and Vice Chair prior to presentation to the Committee at the next meeting.

4.2 Based on preliminary discussions and review of future Service Plan requirements, discussed at the joint Pensions Committee and Local Pension Board training day in October 2020, two areas already identified for closer review ahead of finalising the budget are:

- Implementation of the McCloud ruling and remedy for the LGPS – as reported to the Pensions Committee in September, substantial additional work will be required to review and update member benefits records. Further work is underway to inform estimates of the additional cost to implementation over the next 1-2 years which is likely to involve recruitment of additional resource and system development. This will be presented to the Committee as part of the budget in March 2021.
- Review of the Fund premises and future accommodation – following review of future requirements and spatial needs, work will shortly complete to confirm options and costs for future arrangements ahead of lease expiry mid-2021. Some additional expenditure on Fund premises is expected to be required to address challenges with the current arrangements and better align with the Fund's future requirements.

4.3 The Committee are asked to approve delegation for the review and sign off of the budget in connection with Fund premises to the Director of Pensions in consultation with the Chair and Vice Chair.

5.0 Financial implications

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

6.0 Legal implications

6.1 The report contains no direct legal implications for the authority.

7.0 Equalities implications

7.1 The report contains no direct equalities implications.

8.0 Environmental implications

8.1 The report contains no direct environmental implications.

9.0 Human resources implications

9.1 The report contains no direct human resources implications.

10.0 Corporate landlord implications

10.1 The report contains no direct corporate landlord implications.

11.0 Schedule of background papers

11.1 None.

12.0 Schedule of appendices

12.1 Appendix A – West Midlands Pension Fund Quarterly Accounts 30 September 2020

WEST MIDLANDS PENSION FUND ACCOUNTS FOR THE SIX MONTHS TO 30 SEPTEMBER 2020

Fund Account

2019/20 £m		6 months to 30 Sept 2020 £m
	Contributions & Benefits	
353.2	Contributions Receivable	991.3
31.2	Transfers In	7.8
14.3	Other Income	13.5
398.7	Total Contributions and Other Income	1,012.6
(637.8)	Benefits Payable	(319.0)
(40.0)	Payments To and On Account of Leavers	(12.9)
(0.9)	Other Payments	(0.1)
(678.7)	Total Benefits and Other Expenditure	(332.0)
491.7	Transfer in of WMITA Fund at market value	-
(91.5)	Management Expenses	(52.6)
	Returns on Investments	
178.2	Investment Income	48.6
(745.1)	Changes in Value of Investments	1,854.9
20.7	Revaluation of bulk annuity insurance buy-in contract	-
(546.2)	Net Return on Investments	1,903.5
(426.0)	Net (Decrease)/Increase in the Fund During the Period	2,531.5
15,714.1	Net Assets of the Fund at the Beginning of the Period	15,288.1
15,288.1	Net Assets of the Fund at the End of the Period	17,819.6

WEST MIDLANDS PENSION FUND ACCOUNTS FOR THE SIX MONTHS TO 30 SEPTEMBER 2020

Net Assets Statement

31 March 2020 £m		30 September 2020 £m
	Investment Assets (at Market Value)	
494.0	Bonds	529.0
28.9	UK Equities	27.0
1,408.8	Overseas Equities	2,237.6
10,869.9	Pooled Investment Vehicles	12,347.4
965.1	Property (Direct)	937.5
11.7	Derivatives - Futures	-
-	Derivatives - Forward Foreign Exchange	-
582.5	Foreign Currency Holdings	380.0
569.6	Cash Deposits	1,016.0
75.8	Other Investment Assets	20.5
7.0	Outstanding Dividend Entitlement and Recoverable With-Holding Tax	6.9
15,013.3	Investment Assets	17,501.9
	Investment Liabilities (at Market Value)	
-	Derivatives - Futures	(4.6)
(76.8)	Derivatives - Forward Foreign Exchange	(24.6)
(76.8)	Investment Liabilities	(29.2)
14,936.5	Net Investment Assets	17,472.7
229.4	Bulk annuity insurance buy-in policy	221.7
14.5	Long-Term Debtors	14.9
132.4	Current Assets	134.8
(24.7)	Current Liabilities	(24.5)
15,288.1	Net Assets of the Fund at the End of the Period	17,819.6

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 9 December 2020
----------------------------------------------	-----------------------------------------------------

Report title	Quarterly Investment Report to 30 September 2020	
Originating service	Pension Services	
Accountable employee	Tom Davies	Assistant Director – Investment Strategy
	Tel	01902 55 8867
	Email	Tom.davies@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 Committee is asked to note:

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

1.0 Purpose

- 1.1 The investment report covers developments in investment markets, asset allocation and investment performance over the latest quarter in relation to the West Midlands Pension Fund (Main Fund and Admitted Body Sub Funds). Supporting responsible investment activities are covered in a separate paper.

2.0 Background

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

3.0 Executive Summary

- 3.1 As at to 30 September 2020, the West Midlands Pension Fund's market value was £17.6 billion (incl. WMTL and PB ABSF). Investment markets generally rose in the quarter continuing the recovery from lows seen earlier in the year.
- 3.2 The Main Fund increased by 2.1% over the quarter equal to the return of its benchmark. The Fund's growth assets (largely equities) delivered positive returns in the quarter. Income and stabilising assets performed less well with Infrastructure the largest detractor. The Fund's returns are below that of its benchmark for 1, 3 and 5 years but are marginally ahead over 10 years.
- 3.3 The Admitted Body Sub Funds outperformed in the 3 months to 30 September but remain behind over 1 year and longer time periods. For WMTL, positive relative performance for

the quarter was driven by a rebound in Multi-Asset Credit and Diversified Growth Funds. Both asset types remain detractors over 1 year. For PB, Multi-Asset Credit contributed positively to deliver excess return over the quarter but was a drag for 1-year relative performance.

4.0 Markets and Investment Background

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

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

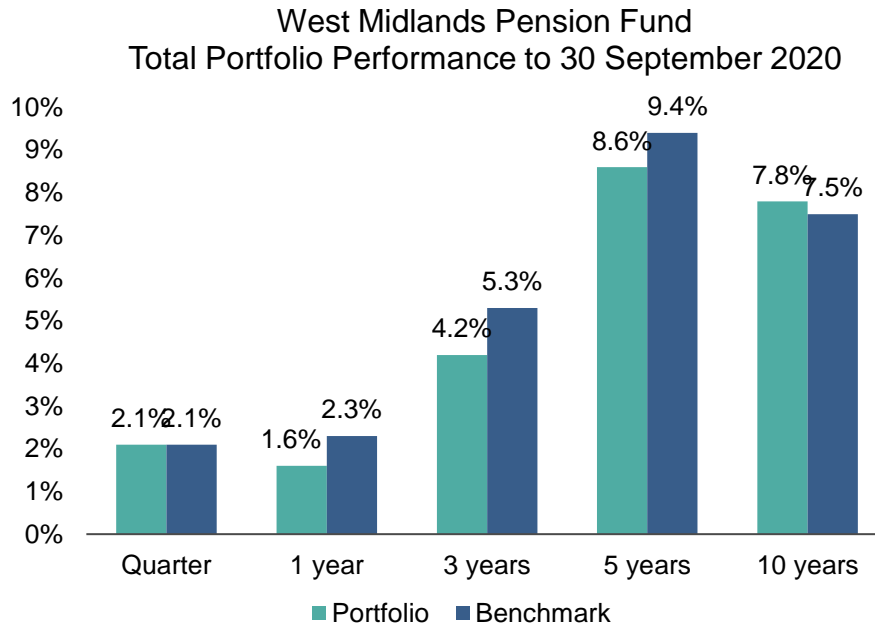
Asset Class Returns	3 months (%)	12 months (%)	3 years (%)
UK Equity	-2.9	-16.6	-3.2
Europe (ex UK) Equity	1.6	0.7	3.1
North America Equity	4.5	10.5	13.6
Emerging Market Equity	4.5	4.6	4.6
UK Gilts	-1.2	3.4	5.7
Index Linked Gilts	-2.2	0.4	6.4
Corporate Bonds	1.2	3.8	4.6
Property	0.5	-1.8	3.4
Cash	0.0	0.3	0.4

4.3 Equity performance varied by region with the UK again lagging. Government bonds (nominal and index-linked) fell as yields rose. Corporate bonds delivered positive returns. Uncertainty remains in commercial UK property markets with low transaction levels and ongoing rent deferrals.

5.0 West Midlands Pension Fund

Main Fund Performance Summary

- 5.1 The Main Fund delivered a return of 2.1% over the quarter in-line with its benchmark. The Fund's relative return remains negative over 1, 3 and 5 years.



- 5.2 Over 1-year Emerging Market Equity and Infrastructure are significant detractors, whilst over 3 years Insurance Linked Securities also contributed significantly to negative excess return. Strong returns from US Treasury Inflation-Protected Securities (TIPS) have been the largest positive contributor over recent periods.
- 5.3 The asset allocation of the Main Fund as at the quarter end, compared to strategic targets is set out overleaf. Note that this table and accompanying commentary refers to previous policy targets. The revised Strategic Investment Allocation Benchmark within the 2020 Investment Strategy Statement will be adopted as new strategies are implemented and meaningful allocation changes are made.
- 5.4 The Fund remained overweight in stabilising assets versus previous policy targets, as a result of the higher than normal levels of cash held and an overweight position in corporate bonds reflecting the revised target weighting (note corporate bonds will be reclassified as an 'income' asset type in the future).
- 5.5 The Fund's attention is focused on implementing the Strategic Asset Allocation (SAA) changes as agreed as part of the 2020 investment strategy review. Efforts are focused on fixed income assets, with steps being taken to move towards new target weights in multi-asset credit and illiquid credit in particular and cash holdings expected to be deployed over the coming quarters.

Asset class	Value (£m)	Fund allocation %	Current Benchmark %	Difference %
Growth				
Quoted equities	8,701	50.8	48.0	2.8
Private equity	1,190	6.9	10.0	-3.1
Special opportunities	215	1.3	2.0	-0.7
Currency Hedge	(25)	-0.1	N/A	N/A
Total growth assets	10,081	58.8	60.0	-1.2
Stabilising				
UK gilts	350	2.0	2.0	0.0
Index linked gilts	901	5.3	5.0	0.3
Cash	1,042	6.1	2.0	4.1
Corporate bonds	674	3.9	2.0	1.9
Cashflow matching fixed interest	315	1.8	3.0	-1.2
US TIPS	332	1.9	0.0	1.9
Total stabilising assets	3,615	21.1	14.0	7.1
Income assets				
Specialist fixed interest	549.3	3.2	3.5	-0.3
Emerging market debt	680	4.0	3.5	0.5
Property	1,263	7.4	10.0	-2.6
Insurance linked funds	154	0.9	3.0	-2.1
Real assets and infrastructure	785	4.6	6.0	-1.4
Total income assets	3,431	20.0	26.0	-6.0
TOTAL	17,128	100.0	100.0	-

6.0 West Midlands Pension Fund

Detailed Performance Commentary

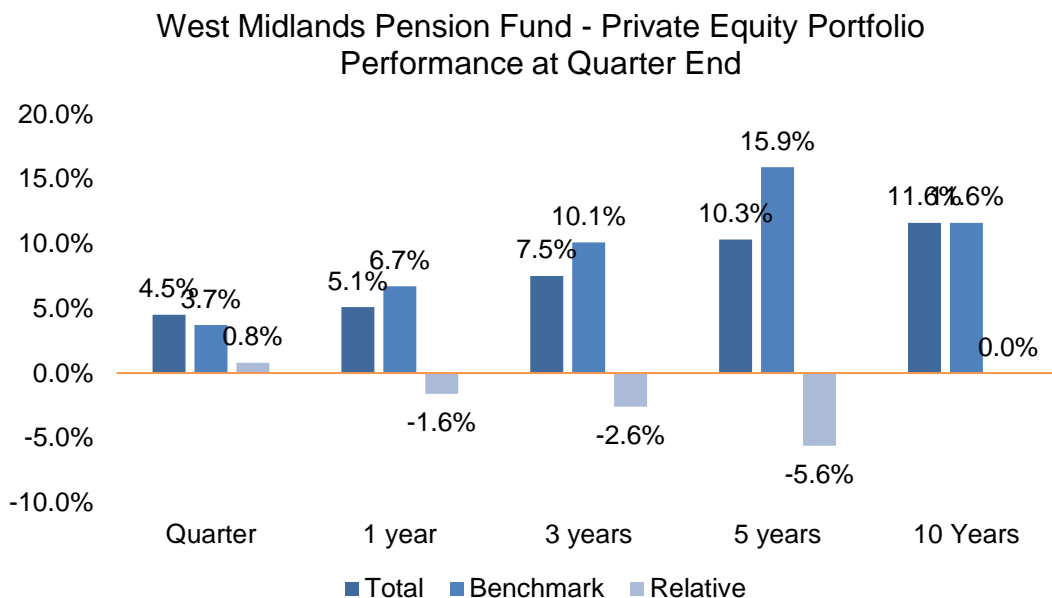
Growth Assets

- 6.1 The total Combined Equity Fund outperformed over the quarter and is as now marginally ahead of its benchmark over 1 year. On the longer term 10-year measurement, the portfolio is just ahead of its benchmark, having generated 8.9% p.a.
- 6.2 The Main Fund's passive equity assets are now almost exclusively managed by the investment pool company, LGPS Central Ltd with a large proportion of these assets held in an LGPS Central Ltd ACS Global Equity passive fund. All passive funds performed broadly in line with the respective benchmarks during the quarter.
- 6.3 Over the quarter the Fund's actively managed global equities comprised the LGPS Central Ltd (LGPSC) Active Equity fund, an allocation to sustainable equity managers and a basket of global equity futures.
- 6.4 For the quarter the LGPSC Global Active Equity Fund returned 4.2% against its specific benchmark of 3.8%. The LGPSC Global Active Equity Fund is a blended multi-manager portfolio consisting of 3 portfolios.

6.5 The Fund's Emerging Market Equities (EME) are actively managed externally by three specialist managers. All three managers outperformed the benchmark over the quarter to 30 September however they are significantly behind over the 1-year period. Whilst the combined Emerging Market Equity portfolio and its benchmark have both generated positive returns for the year, the portfolio has underperformed with -3.2% excess. Region and country allocation have detracted from relative performance, particularly an underweight position in China. A review of these managers is being undertaken prior to effecting the increase in allocation set within the 2020 ISS.

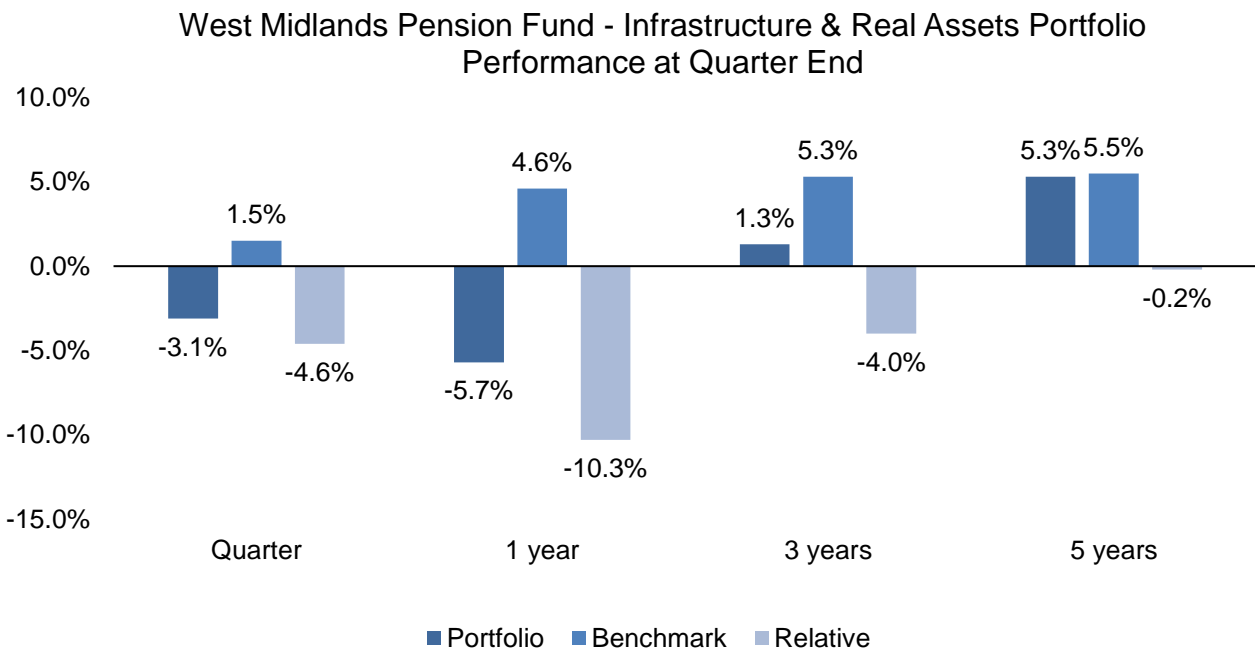
	Qtr to 30 Sept 2020		1 Year		3 Years	
	Return	Relative	Return	Relative	Return	Relative
LGPSC UK Passive	-2.7%	0.2%	-16.1%	0.5%	-3.0%	0.2%
LGPSC Global ex UK Passive	2.5%	0.0%	3.4%	0.1%		
LGPSC Climate Multi-Factor	4.7%	0.0%				
LGPSC Global Dividend Growth	1.4%	0.1%	-2.0%	0.1%		
LGPSC Global Active	4.2%	0.4%	4.7%	-2.5%		
Sustainable Managers	4.3%	1.2%				
Emerging Market Equity	6.0%	1.5%	1.4%	-3.2%	4.7%	0.1%
Total (vs custom benchmark)	2.9%	0.7%	0.8%	0.2%	5.0%	0.2%

6.6 For the 3-month period ending 30 September 2020, the Private Equity portfolio returned 4.5% against the benchmark return of 3.7% giving an outperformance to its benchmark of 0.8%. The benchmark used for this asset class comprises listed equities plus an outperformance target. During volatile periods the relative performance should be interpreted with caution.



Income Assets

- 6.7 The Property portfolio underperformed its benchmark during the quarter (-1.0%), however, continues to outperform on a longer-term basis (0.5% and 1.1% ahead over the 3-year and 5-year periods). The Direct portfolio performed well due to resilient performance from sectors such as industrial, supermarket and offices. The Indirect portfolio declined by -4.4% over the quarter and also detracted over long-term 5-year and 10-year periods.
- 6.8 With ongoing social distancing in place and risk appetite remaining low, transaction levels have been below normal levels. Valuation uncertainty persists and future rental levels remain unclear.
- 6.9 The infrastructure portfolio underperformed its benchmark (CPI+4%) by 4.6% for the quarter. Negative relative performance continues to be impacted by a fall in value of several UK assets which were significantly impacted by the impact of Covid19 and poor performance in the US Infrastructure segment. The full, longer-term impact on infrastructure sector valuations is still not clear. Whilst we see difficulties for the more economically sensitive investments, we also expect a degree of resilience from certain sectors.



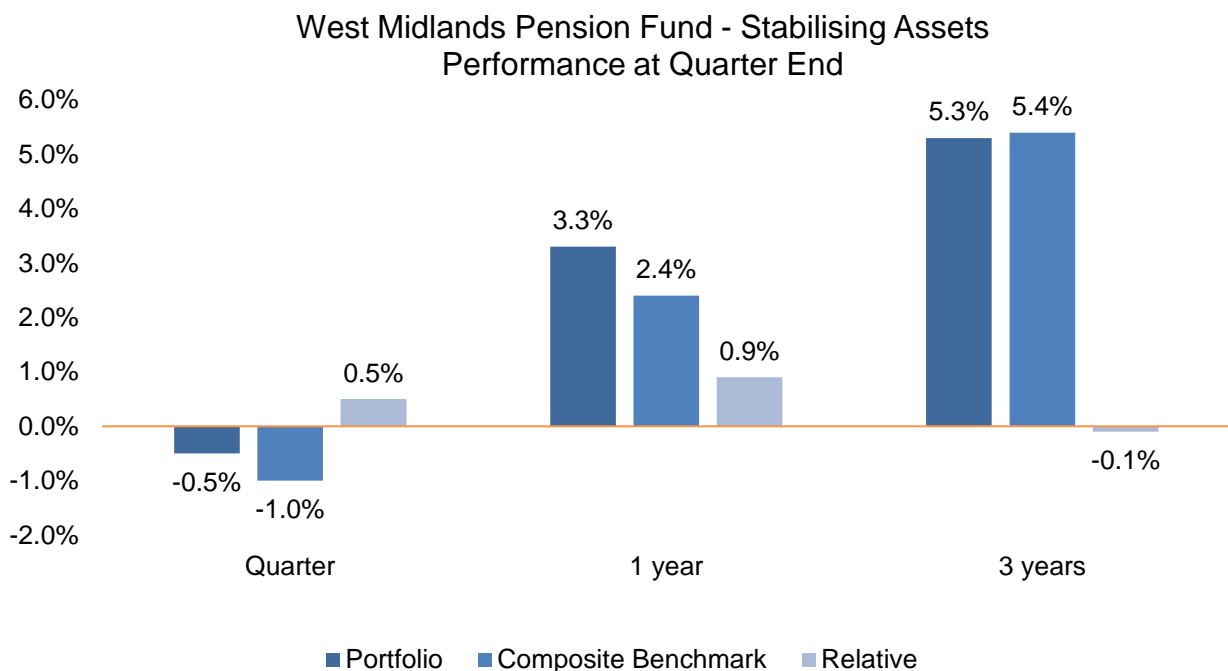
- 6.10 The aggregate fixed income portfolio has outperformed its benchmark on a quarterly and yearly basis (0.5% and 0.3% respectively) but remains behind over the 3-year period.
- 6.11 The Emerging Market Debt (EMD) component performed well again this quarter with strong performance from the hard currency fund and blended mandate. Multi-Asset Credit delivered positive absolute performance in the quarter, however underperformed its benchmark by 0.6%. This fund also remains a detractor over the 1-year period.

Relative Performance

	Quarter	1 year	3 years
Emerging Market Debt	1.3%	3.3%	-0.2%
Multi Asset Credit	-0.6%	-2.0%	

Stabilising Assets

- 6.12 Stabilising Fixed Income: The stabilising portfolio comprises the Fund’s exposure to government bonds and index linked securities, corporate bonds, cashflow matching and cash. The stabilising component of the fixed interest portfolio delivered negative absolute returns as rising yields led to capital declines for sovereign bonds (nominal and index-linked). The portfolio did, however, marginally outperform its benchmark. The active Corporate Bond mandates performed in-line with benchmark indices and continue to do well over most time periods.
- 6.13 Over the 1 year and the 3 year timeframe, the stabilising portfolio outperformed the benchmark as shown below:



Currency

6.14 The Fund changed its hedge ratios from 50% EUR and 25% USD to 25% EUR effective 16 September 2020. Over the quarter, Sterling was moderately down against the Euro but appreciated against the US dollar and Japanese Yen. This resulted in a small gain for the quarter when the hedge matured.

7.0 Admitted Body Sub Funds (ABSFs)

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

WMTL asset allocation:

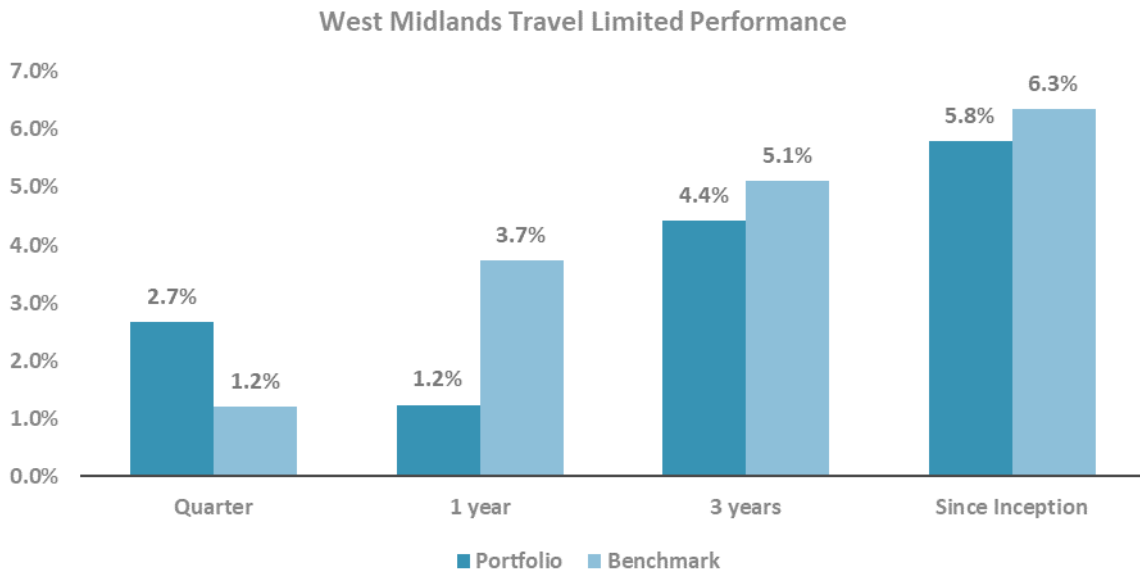
Asset Class	Value (£)	Fund allocation %	Policy target %	Difference %	Change from previous quarter %
Equities	75,773,202	15.3%	14.2%	1.0%	0.1%
Diversified Growth Funds (DGF's)	101,200,489	20.5%	18.6%	1.8%	0.4%
Total Growth	176,973,691	35.8%	32.9%	2.9%	0.6%
Fixed interest	37,673,733	7.7%	0.0%	7.7%	-0.2%
Multi-Asset Credit	47,438,858	9.6%	10.7%	-1.0%	0.2%
LDI	0	0.0%	9.0%	-9.0%	0.0%
Cash	2,235,400	0.5%	0.0%	0.5%	0.2%
Total Defensive	87,347,991	17.8%	19.6%	-1.9%	0.2%
Prudential Buy In*	229,400,000	46.5%	46.5%	0.0%	-0.8%
TOTAL	493,721,682	100.0%	99.0%	1.0%	0.0%

PB asset allocation:

Asset Class	Value (£)	Fund allocation %	Policy target %	Difference %	Change from previous quarter %
Equities	3,020,858	15.7%	15.0%	0.6%	0.4%
Total Growth	3,020,858	15.7%	15.0%	0.7%	0.4%
Fixed interest	10,978,311	56.9%	0.0%	56.9%	-1.3%
Multi-Asset Credit	5,192,346	26.9%	27.5%	-0.6%	0.9%
LDI	0	0.0%	57.0%	-57.0%	N/A
Cash	101,040	0.5%	0.5%	0.1%	0.0%
Total Defensive	16,271,697	84.3%	85.0%	-0.7%	-0.4%
TOTAL	19,292,555	100.0%	100.0%	0.0%	0.0%

WMTL performance

7.2 Outperformance in the quarter has not been enough to recover 1-year or longer-term performance. Relative performance is almost entirely driven by the Diversified Growth Funds and Multi-Asset Credit holdings, both of which are benchmarked against 'base rate plus target performance.



7.3 Performance Summary by Asset Class:

	Absolute performance		Relative performance	
	Quarter	1 Year	Quarter	1 Year
Equities	2.7%	2.9%	0.3%	0.9%
Diversified Growth Funds	3.9%	1.3%	3.0%	-2.8%
Bonds	1.3%	-0.5%	0.8%	-4.4%
Total return	2.7%	1.2%	1.5%	-2.5%

Fixed Income

7.4 Alongside the Multi-Asset Credit holding in the bond portfolio, there are passive Index Linked Gilts and actively managed Corporate Bonds. The Corporate Bond mandate is performing well, ahead of benchmark by 0.24% for the quarter and 0.67% over the 1-year period.

7.5 Multi-Asset Credit was introduced in Q3 2018. Despite a return of 12.4% for Q2 and 2.2% for Q3; the fund has lost 4.63% over one year, not yet fully recovering from the significant spread widening in Q1. As mentioned, underperformance from this strategy has been a significant detractor for total relative returns, in part driven by benchmarking performance for this asset against target returns (LIBOR+4.5%).

Diversified Growth Funds

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

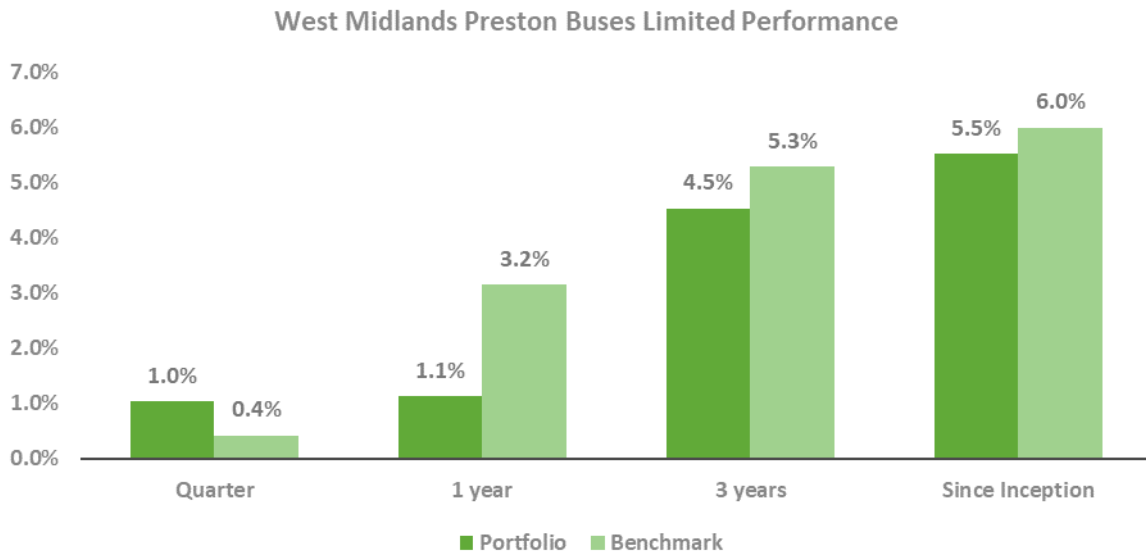
Equities

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

	Value (£)	% of Equity Portfolio	Quarter	1 year
UK	5,093,550	6.7%	-2.8%	-16.6%
North America	27,848,748	36.8%	4.5%	10.5%
Europe (ex-UK)	18,627,967	24.6%	1.5%	0.5%
Japan	7,015,964	9.3%	2.3%	2.5%
Pacific ex Japan	6,468,310	8.5%	0.8%	-3.0%
Emerging Markets	10,718,663	14.1%	4.4%	4.4%
TOTAL	75,773,202	100.0%	2.7%	2.9%

WM PB Performance Summary

7.8 WM PB performance is summarised below. As with WMTL, outperformance in the quarter has not been enough to recover 1 year or longer-term performance. Relative performance for PB is almost entirely driven by the Multi-Asset Credit allocation, for the same reasons as those described above (for WMTL).



7.9 Performance Summary by Asset Class is show below.

	Absolute performance		Relative performance	
	Quarter	1 Year	Quarter	1 Year
Equities	2.5%	2.2%	0.1%	-0.1%
Bonds	0.8%	0.9%	0.7%	-2.2%
Total return	1.0%	1.1%	0.6%	-2.0%

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

8.0 Investment Pooling Update – LGPS Central Ltd

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

8.2 Work has taken place alongside input from the Fund and other Partner Funds to establish a Multi-Asset Credit (MAC) sub-fund for which development and manager selection is underway. In addition, the Fund has worked with a number of Partner Funds and LGPSC to develop a mandate for Emerging Market Debt (EMD). Two managers have been appointed and a fund is expected to be launched later in Q4 2020.

9.0 Financial implications

9.1 The financial implications are set out throughout the report.

10.0 Legal implications

10.1 The report contains no direct legal implications.

11.0 Equalities implications

11.1 The report contains no direct equal opportunities implications.

12.0 Environmental implications

12.1 The report contains no direct environmental implications.

13.0 Human resources implications

13.1 The report contains no direct human resources implications.

14.0 Corporate landlord implications

14.1 The report contains no direct corporate landlord implications.

15.0 Schedule of background papers

15.1 Investment Strategy Statement 2020 -
<https://www.wmpfonline.com/CHttpHandler.ashx?id=16022&p=0>

15.2 Funding Strategy Statement 2020 -
<https://www.wmpfonline.com/CHttpHandler.ashx?id=12481&p=0>

16.0 Schedule of appendices

16.1 Appendix A – Redington Economic and Market Update Q3 2020.

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YOUR MARKET AND INVESTMENT UPDATE

Q3 2020

Page 37

West Midlands Pension Fund



Private and Confidential



WHAT HAPPENED DURING THE QUARTER



Philip Rose
(CIO, Strategy
& Risk)

Market Summary

Markets continued to recover in the third quarter but at a more modest rate than the strong rebound seen in the second quarter. Many equity and credit markets have made up most or all of their Q1 losses but in this regard are moving ahead of the economies of many countries, which - with the notable exception of China - have not yet recovered the losses caused by the ongoing pandemic.

The continued interplay between fiscal and monetary stimulus and the pandemic means there is continued divergence between the performance of different regions and sectors, meaning that diversification remains important. While central banks continue to try and pursue inflationary policies to date, generally they continue to undershoot their inflation targets.

Key Points for You

- Expected return remained constant at Gilts + 3.4%. The fall in expected return for public equities through the implementation of varying expected returns in our model was offset by an increased expected return for private equity. Additionally, the fall in expected return for credit assets resulting from tighter credit spreads was offset by our credit model refinements.
- Risk, as measured by VaR 95%, was broadly unchanged over the quarter: 15.6% at 30 September vs. 15.4% at 30 June.

Market Data







Equity Index	Level	Change since 30-Jun-20	Change since 30-Sep-19
FTSE 100 (Total Return)	5570	-4.0%	-18.1%
S&P 500 (Total Return)	6919	8.9%	15.1%
EuroStoxx 50 (Total Return)	1352	-0.7%	-8.0%
Nikkei 225 (Total Return)	38259	4.7%	8.7%
MSCI World (Total Return)	5325	6.7%	8.5%
MSCI Emerging Markets (Total Return)	642	8.6%	12.5%
FX			
USD vs GBP	1.29	4.2%	5.1%
EUR vs GBP	1.10	-0.1%	-2.2%
GBP vs JPY	0.7	-1.7%	-2.5%
Credit Spreads			
Sterling Non-Gilt Index	135	-14 bps	6 bps
Sterling Non-Gilt 15Y+ Index	188	-14 bps	-6 bps
Global Investment Grade	140	-25 bps	14 bps
US Investment Grade	156	-26 bps	13 bps
Global High Yield	518	-66 bps	131 bps
European High Yield	434	-33 bps	116 bps

Market Data

UK Gilts	Level	Change since 30-Jun-20	Change since 30-Sep-19
10Y	0.26	8 bps	-21 bps
30Y	0.82	14 bps	-18 bps
UK Nominal Swaps			
10Y	0.40	3 bps	-25 bps
30Y	0.58	15 bps	-13 bps
Gilt Breakeven Inflation			
10Y	3.27	17 bps	-19 bps
30Y	2.97	-1 bps	-20 bps
UK RPI Swap			
10Y	3.49	10 bps	-25 bps
30Y	3.01	-1 bps	-22 bps
UK Gilt Real Rates			
10Y	-3.01	-10 bps	-2 bps
30Y	-2.15	15 bps	2 bps
US TIPS			
20Y	-0.32	-25 bps	-91 bps
30Y	-0.23	-15 bps	-84 bps

VIEWS FROM THE ASSET CLASS SPECIALISTS



		<p>Kate Mijkowska LDI and Government Bonds</p>	<p>In August, the pace of the Quantitative Easing programme was reduced, and so the net gilt supply remains positive. The gilt market is now pricing in negative interest rates up to 6 years and the Bank of England has begun engaging with commercial banks on their readiness to deal with zero or negative rates. Overall, 20-year real yields were up 0.1%, driven by nominal yields as 20-year inflation was broadly flat. Breakeven inflation and real gilt yields rose 0.2% at the 5-year point. Repo remained 'cheap' at below Sonia +0.2% for 3m repo.</p> <p>The consultation on RPI reform closed in August 2020; however, the timing of the results remains uncertain following the Chancellor's decision to postpone the Autumn budget. Progress was, however, made on cessation of LIBOR; the International Swaps and Derivatives Association is expected to release the fallback supplement this month, with an effective date of 25 January 2021.</p>
<p>Page 39</p> 		<p>Oliver Wayne Liquid Markets: Equities</p>	<p>Equity markets delivered positive returns in the third quarter of 2020 as governments continued to provide stimulus to counteract the impacts of COVID-19. Asia and the US outperformed Europe, with the UK market delivering negative returns and extending its year-to-date underperformance. From a factor perspective, the dispersion in performance widened during the third quarter as momentum and growth factors continued to outperform. Conversely, value factors continued to materially underperform the broader market, extending the underperformance experienced during the first half of the year. The wide dispersion in factor performance has resulted in a wide dispersion of manager returns, with value investors facing a material headwind compared to growth-oriented investors. From a size perspective, smaller companies moderately outperformed larger companies as investor risk appetite remained elevated in both developed and emerging markets.</p>
		<p>Tom Wake-Walker Liquid Markets: Multi-Asset</p>	<p>Long-biased multi-asset portfolios benefited from predominantly positive performance across asset classes during the quarter. On the whole, we saw portfolio managers becoming more sanguine about the level of risk in markets. Commodities rose over the quarter, with metals and some energies leading the way. This, along with rising equity markets, supported risk parity allocations but did cause losses for some trend following strategies which experienced a particularly tough September. On the systematic side, equity market neutral and equity style premia strategies suffered from a continuation of the underperformance of the value factor. By some measures, this factor has had its worst period of performance in 100 years and is influencing managers' returns to varying degrees dependent on the weighting in their approach.</p>

VIEWS FROM THE ASSET CLASS SPECIALISTS



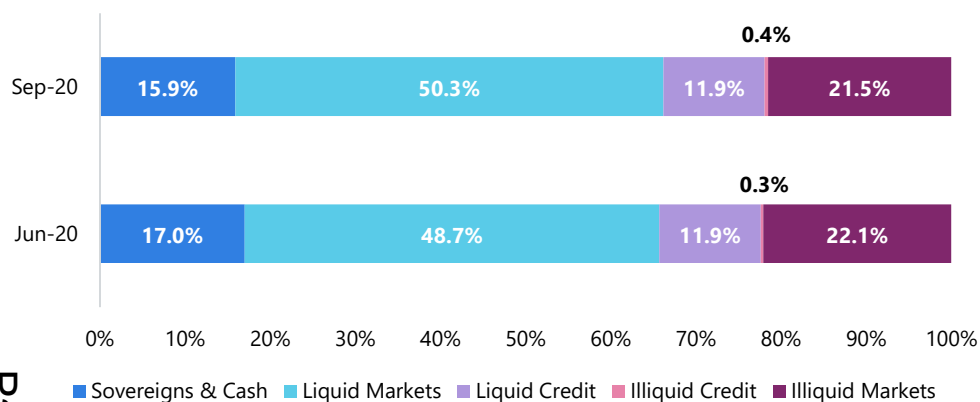
		<p>Chris Bikos Liquid & Semi-Liquid Credit</p>	<p>In bond markets the tone was predominantly “risk on” over the quarter, but became more muted in September amid rising COVID infection rates, uncertainty over the US election and political deadlock over a US fiscal stimulus package. Global central banks continued their monetary policy support, maintaining short-term interest rates near historical lows. In the US and the UK, government yield curves steepened slightly, with short-term yields moving lower and long-term yields rising. European government bonds performed well, and yields moved lower across all maturities. Moving to corporate credit, corporate spreads tightened across the board and risky assets delivered strong returns. Consequently, corporate bonds outperformed government bonds. High yield was a strong performer, with US, European and emerging market indices posting positive returns. Across geographies, both investment grade and structured credit delivered positive returns. Emerging market currencies were mixed, while local currency bonds made a modest positive return.</p>
		<p>Tom Duggan Illiquid Credit</p>	<p>In a quarter that would typically be defined by a lull in activity over the summer months, private markets saw somewhat of a resurgence in Q3. The market can be broadly defined into two categories and lending activities. First, businesses with tailwinds as a result of COVID-19 where deal flow is extremely healthy and pricing is at or below pre-COVID levels, albeit with higher arrangement fees. M&A activity was particularly strong in this cohort as Refinitiv reported that more than \$1trn worth of transactions globally were completed in September alone. These were mostly in coronavirus-resilient sectors such as healthcare, technology, telecoms etc. The second category are businesses that have been negatively affected by COVID-19 that have sought out rescue finance or restructured their balance sheets to more flexible, and more expensive, capital solutions. In terms of manager performance, on the whole we have seen outperformance relative to the March/April re-underwrite. Nonetheless, this remains within the context of higher default rates and increased monitoring of negatively affected portfolio companies.</p>
		<p>Jaspal Phull Illiquid Markets</p>	<p>Q3 saw a resemblance of a return to more normal levels of activity; however, there is still some way to go to recover to pre-pandemic levels. The Royal Institution of Chartered Surveyors paved the way for property funds to begin to reopen, having recommended a lifting of the material uncertainty valuation clause placed on most UK real estate assets. This had forced funds to gate in March in the wake of the lockdown measures. The continued low rates of rent collection – even from high-covenant strength tenants – continues to be a concern, with an estimated £4.5bn of rent withheld since the beginning of March. Property funds with high retail & leisure exposure are facing the greatest difficulties. Contracted infrastructure assets continue to fare well and retain a positive long-term outlook.</p>

Page 40

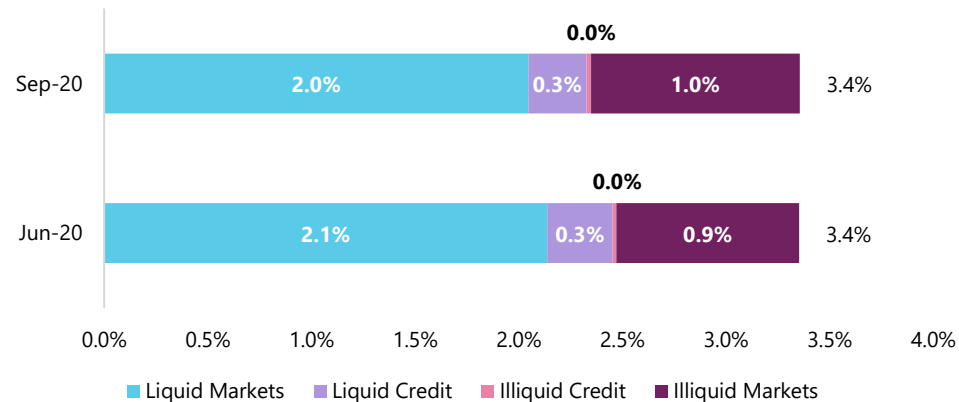
YOUR ASSET ALLOCATION AND EXPOSURE



Asset Allocation Change



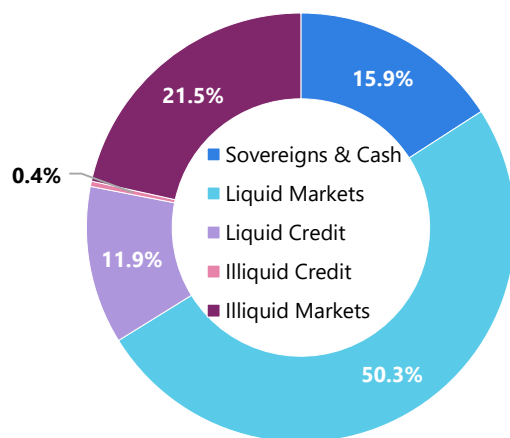
Expected Return Contribution Change (over gilts)



Note, asset class expected returns are in the appendix.

Page 41

Detailed Asset Allocation

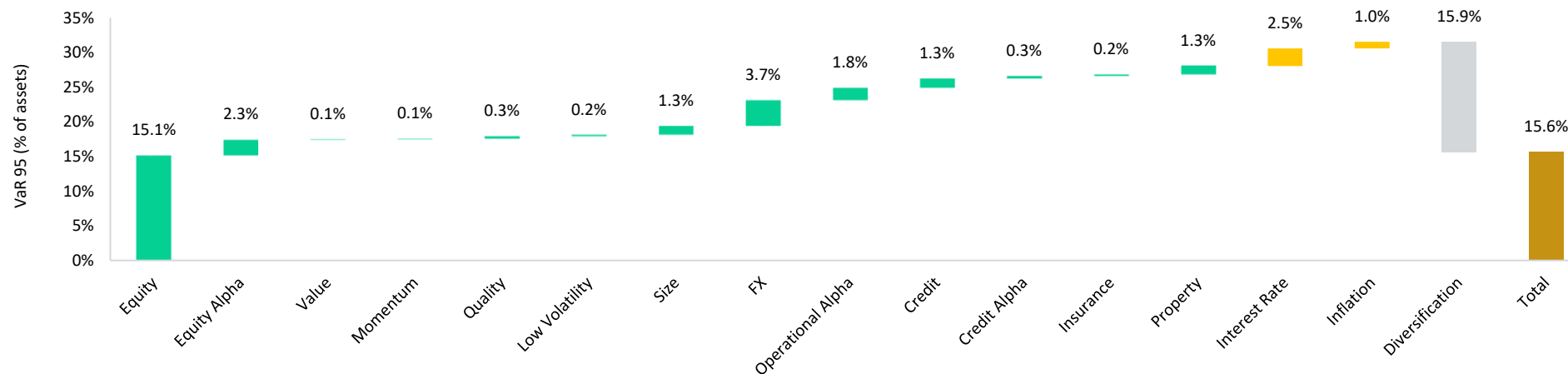


- 6.0% Cash GBP
- 5.9% Index-Linked Gilts
- 2.0% Nominal Gilts
- 1.9% US TIPS
- 5.3% ACS LGPS UK Equity Passive Fund
- 13.1% ACS LGPS Global Ex UK Passive Equity Fund
- 3.0% ACS LGPS Global Equity Dividend Growth Factor Fund
- 10.0% ACS LGPS All World Equity Climate Multi Factor Fund
- 5.3% Global Equities - External
- 1.2% Global Equities - Internal
- 2.2% Impax Sustainable Equity Fund
- 2.1% RBC Sustainable Equity Fund
- 0.6% WHEB Sustainable Equity Fund
- 0.1% Overseas Legacy Passive Equities
- 0.0% UK Equities
- 7.4% Emerging Markets Equities
- 3.9% UK Corporate Bonds
- 1.2% LGPS Central Global Active IG Corporate Bond Fund
- 2.8% Other Fixed Interest (Secured Loans)
- 4.0% Emerging Market Debt Funds
- 0.4% Securitised Opportunities
- 2.2% Direct Infrastructure
- 5.5% Direct Property
- 2.4% Indirect Infrastructure
- 1.9% Indirect Property
- 1.1% Insurance-Linked Securities
- 1.3% Opportunistic Funds
- 7.2% Private Equity/Secondaries

HELPING YOU UNDERSTAND YOUR RISK

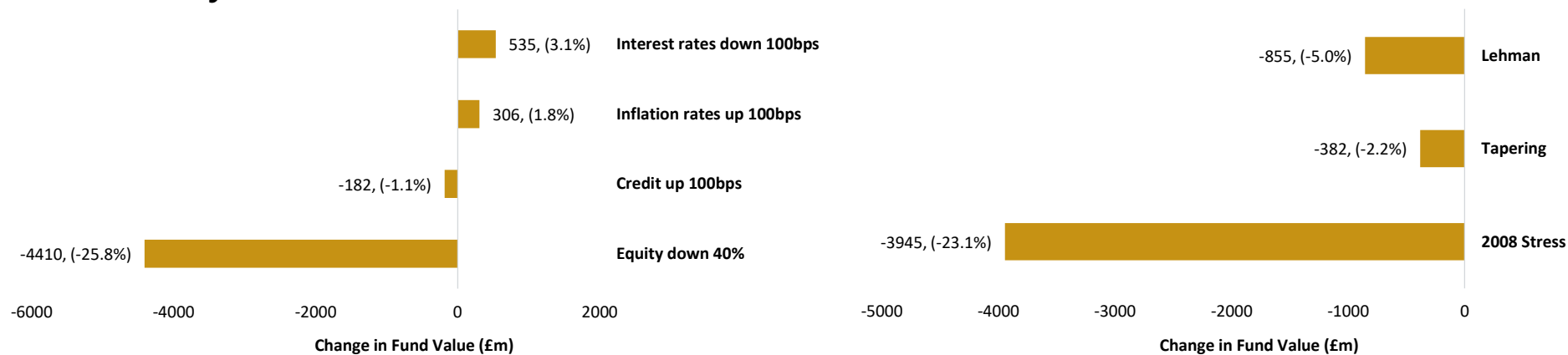


Current Value-at-Risk 95% (Asset Only)



Page 42

Scenario Analysis





APPENDICES

REDINGTON'S EXPECTED RETURNS – SEPTEMBER 2020



Asset Class	Expected Return (Gilts +)	Volatility	Expected Fees (p.a.)
Equity			
Developed Market Equities	3.9% ↓	17.8% ▬	0.0%-0.1%
Sustainable Equities	4.1% ↓	16.2% ↓	0.2%-0.4%
Emerging Markets Equities	4.4% ↓	20.7% ↓	0.1%-0.2%
China A Share Equities	5.7% ↓	31.2% ↑	0.3%-0.8%
Liquid Credit			
Corporate Debt GBP – Passive	1.0% ↓	5.8% ↓	0.1%-0.2%
Corporate Debt GBP – Active	1.4% ▬	5.9% ▬	0.2%-0.3%
Emerging Market Debt – Corporates	2.7% ↓	6.2% ↓	0.4%-0.6%
Emerging Market Debt – Local Currency Sovereign	3.3% ↓	14.1% ↓	0.5%-0.8%
Emerging Market Debt – Hard Currency Sovereign	2.4% ↓	8.8% ↓	0.5%-0.8%
Multi-Class Credit Global	3.7% ↓	7.2% ↓	0.4%-0.7%
Illiquid Credit			
Diversified Matching Illiquids (Uninvested)	2.3% ↓	6.8% ↓	0.3%-0.5%
Opportunistic Illiquid Credit	5.5% ↓	10.8% ↓	1.0%-1.5% (+ performance fee)
Securitised Opportunities	3.5% ↓	5.9% ↓	0.5%-0.7%
Special Situations	6.3% ↓	16.5% ↓	1.0%-1.5% (+ performance fee)
Illiquid Markets			
Private Equity	5.4% ↑	32.0% ↑	1.0%-1.5% (+ performance fee)
Insurance-Linked Securities	4.4% ↓	10.0% ↓	1.0%-1.5%
Renewable Infrastructure (Whole Projects)	3.8% ↓	14.2% ↓	0.5%-0.7%

Page 44

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

GLOSSARY



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

Page 45

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 9 December 2020
----------------------------------------------	----------------------------------------------

Report title	Responsible Investment Activities	
Originating service	Pension Services	
Accountable employee	Jill Davys	Assistant Director, Investment Partnerships
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	Email	Jill.Davys@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
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Recommendation for decision:

The Committee is asked to note and approve:

1. Publication of the Fund's first stand-alone report prepared in line with recommendations from the Taskforce on Climate Related Financial Disclosure (TCFD) [Appendix C – To Follow].

Recommendations for noting:

The Committee is asked to note:

1. The Fund's engagement and voting activity for the three months ending 30 September 2020 [Appendices A and B].
2. The research and engagement activity undertaken by LAPFF as set out in the Quarterly Engagement Report, available on the LAPFF website: https://lapfforum.org/wp-content/uploads/2020/10/LAPFF_QER3_2020.pdf.
3. The voting and engagement activity of LGPS Central, as set out in the Quarterly Stewardship Report, available on the LGPS Central website: <https://www.lgpscentral.co.uk/wp-content/uploads/2020/11/LGPSC-Quarterly-Stewardship-Update-Q2-2020-21-1.pdf>

1.0 Purpose

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

2.0 Background

- 2.1 The Fund has a longstanding policy of supporting good corporate governance in the companies in which it invests. The Fund will also challenge companies who do not meet either the standards set by their peers or reasonable expectations as measured by best practice. The Fund's approach is part of its overall investment management arrangements and its active responsible investment framework. There are three main pillars to the framework: selection (of assets), stewardship (of assets), and transparency & disclosure.
- 2.2 In line with discussions at Pensions Committee at the September 2020 meeting and a focused training session on climate change, officers continue to work on reviewing the Fund's climate strategy noting that the goals set out in the Climate Framework and Strategy 2019-2023 have largely been achieved. In addition, since 2017 when the Taskforce on Climate Related Financial Disclosure (TCFD) recommendations were first published, the Fund has disclosed on an annual basis its approach to climate risk management within its annual report and accounts. Given the increasing emphasis on transparency and disclosure in this area and the Fund's leading approach, it has produced for publication an initial more detailed standalone report from this year.

3.0 Responsible Investment Activities

Engagement through Partnerships

- 3.1 The Fund's strategy is to engage with its investee companies and other key stakeholders through partnerships and on its own. The Fund aims to protect and increase shareholder value by engaging on a range of financially material ESG investment factors. A significant part of the Fund's engagement programme is implemented through partnerships including the Principles for Responsible Investment (PRI), the Local Authority Pension Fund Forum (LAPFF), EOS at Federated Hermes ('EOS' - via a contract held by LGPS Central Ltd, the Fund's investment pool operator), the Institutional Investors Group on Climate Change (IIGCC), Climate Action 100+ (CA 100+) and the UK Pension Fund Roundtable.
- 3.2 Through LAPFF, the Fund undertook 38 engagements with 27 companies during the quarter. Thirteen of the engagements addressed climate change issues, with the remaining engagements focussing on environmental risk, human rights and governance. The majority of engagements were conducted through dialogue with the Chairperson; six

engagements are currently categorised and change in process, whilst substantial and moderate improvements were documented in four engagements.

- 3.3 Through LGPS Central and its engagement provider, Hermes EOS, the Fund engaged with 258 companies during the quarter, covering 726 environmental, social and corporate governance issues and objectives. Most engagements were conducted through letter issuance or company meetings, and LGPS or EOS, met or wrote to the Chair or a member of senior management. An overview of this engagement activity is provided in Appendix A.
- 3.4 The ongoing global pandemic Covid-19 continues to cause disruption with potentially long-lasting repercussions for the economy and society as a whole, and the Fund continues to reflect and engage on the impact that this is having for companies and their stakeholders.

Climate Change

- 3.5 Climate change is an unavoidable issue for governments, corporates and consumers alike. The Fund continues to engage with its external managers over climate change. With the US having finally completing their withdrawal from the Paris Accord, the election of Joe Biden to the Presidency could see that overturned and a much more positive policy stance being adopted.
- 3.6 This quarter engagement has taken place on climate change through LAPFF (which both WMPF and LGPS Central are members). Thirteen climate change engagements with a range of companies were undertaken during the period with substantial improvements documented through engagement with ArcelorMittal and JS Sainsbury.
- 3.7 Engagement to date with ArcelorMittal has led to a 30% carbon emission reduction target for its European operations by 2030. ArcelorMittal issued a press release at the end of September announcing a group-wide target to be carbon neutral by 2050. Testing of technology to reach this goal will include a direct reduced iron – electric arc facility for carbon-free steelmaking to be up and running in Hamburg by 2023.
- 3.8 A meeting between LAPFF and the chair of a major food retailer provided detail underpinning the company's net zero by 2040 target, which included a discussion on scope 3 emissions such as incentivising the use of electric vehicle for deliveries and by customers. The meeting also covered the response to the pandemic including doubling the companies' on-line sales and a focus on employee engagement. Progress towards the plastic reduction goal of 50% by 2025 was explored in addition to management of deforestation.

- 3.9 Climate change stewardship undertaken by LGPS Central Ltd continues to build on collaborations with the Climate Action 100+ initiative. During the quarter the LGPS Central's climate change engagement set comprised 148 companies with 183 engagements issues. There was engagement activity on 157 engagement issues and achievement of some or all engagement objectives on 73 occasions.

Climate Action 100 – specific engagements

- 3.10 Along with the LGPS Central and LAPFF, the Fund is proud to be a member of Climate Action 100+ (CA100+), a collaboration of 518 investor groups with \$47tn in assets. In September, letters went out to all CA100+ companies asking them to commit to a net-zero carbon emissions target by 2050 for their operations, products and services to end users. The letter also marks the start of a Benchmark Framework project that will allow evaluation of company progress on short-medium-and long-term trajectories to 2050, as well as scoring of companies within and across sectors. Using 30 indicators, the benchmark will provide comprehensive analysis on which companies are leading the transition to net-zero emissions, alongside a range of other indicators used by investors to inform investment and corporate engagement strategies.

Sustainable Food Systems

- 3.11 Global biodiversity targets for 2030 and 2050 will be agreed in 2021 and companies must be ready to deliver them. The financial materiality of biodiversity loss and ecosystem degradation to many sectors is apparent and can no longer be ignored as an inconvenient externality. There are also serious risks to the financial system and the global economy. Stewardship on these issues is a key means by which investors can ensure that companies recognise the importance of biodiversity and then take meaningful and concrete steps to protect it. Throughout the quarter the Fund has undertaken engagement under the Sustainable Food Systems umbrella through LAPFF and LGPS Central.
- 3.12 The impact of deforestation on climate change is a growing concern. Tropical forests play a crucial role in tackling climate change, protecting biodiversity and ensuring ecosystem services, all of which have an impact on economic development and the stability of well-functioning capital markets. During the last quarter, investors led by Storebrand (Norway) and BlueBay Asset Management (UK) formed an Investors Policy Dialogue on Deforestation (IPDD) initiative, of which LGPS Central is on the advisory panel. Last quarter the IPDD met with the Ambassador of the EU delegation in Brazil to outline the expectation that Brazilian authorities halt and reverse deforestation whilst allowing investors access data to monitor this progress.
- 3.13 Alongside the IPDD, 80 investors including LGPS Central have sent letters to three Brazilian meat processors, calling on the companies to better manage deforestation risks

and to provide full traceability across their entire cattle supply chain. Correspondingly, LAPFF held a meeting with another major food retailer to discuss how the company's meat supply chain might contribute to deforestation through its supplier. The soy, which is used to feed the cattle eventually purchased by the company as meat, is targeted by the campaign and has highlighted the complicated nature of commodity supply chains and the importance of conducting effective environmental and human rights due diligence on the entire supply chain, not just first or second tier suppliers.

Human Rights

- 3.14 The Fund supports the PRI view that human rights are universal and inherent to all human beings. Engagement provider EOS notes that every person around the world deserves to be treated with dignity and equality; we are all equally entitled to our human rights without discrimination. Human rights are a priority issue for investors as they underpin a company's wider corporate culture, business ethics and enterprise risk management. All these affect a company's reputation and the ability to create and preserve value over the long term.
- 3.15 The Fund has undertaken human rights engagement during the quarter through LAPFF and LGPS Central. The former undertook four human rights engagements during the quarter. During the quarter, LAPFF representatives joined a supply chain due diligence workshop hosted by the newly independent Workforce Disclosure Initiative. Attendees discussed what companies and investors can do to improve workplace standards at supplier facilities.
- 3.16 The Fund continues to support CCLA's FTSE 100 Mental Health Engagement initiative. Since inception in April 2020, responses acknowledging the problem of mental ill-health in the workplace have been received from 74 of the original 100 targeted companies, and steps have been put in place to begin to address this. Findings to-date highlight that 89% of respondents have an Employee Assistance Programme (EAP), or an equivalent, and have been signposting the resource throughout the Covid-19 crisis. More than half of the companies that responded offer specific, targeted mental health training for managers. Conversely, only ten companies said that they had relaxed or reviewed performance appraisals in light of the pandemic. In addition, whilst EAPs are widely offered, usage is rarely monitored.

Responsible Financial Management

- 3.17 The Covid-19 pandemic, and the global response to it, poses a threat not only to global health, but to communities, economies and investments. The Principles for Responsible Investment (PRI) has stipulated that as long-term stewards of capital, investors can and should act now to help reduce harmful impacts. The Covid-19 crisis impacts all investors and their beneficiaries – regardless of holdings, strategy or role in the investment chain.

Responses to the crisis must therefore be predicated on the basis of systemic integrity and long-term universal returns being more important than relative company performance. The Fund reached out to its investment managers to obtain assurance on their management of Covid-19 and its impact on their business operations, which provided comfort on the effectiveness of managers in dealing with the crisis.

- 3.18 During the quarter LGPS Central undertook engagement with ten companies on eleven fair tax payment issues. The Pool expects continued scrutiny from investors and other stakeholders on responsible tax behaviour during the prolonged Covid-19 pandemic.
- 3.19 On behalf of LGPS Central, EOS at Federated Hermes engaged a European banking services company on various ESG issues including tax transparency and responsible tax behaviour. EOS requested a meeting with the Chair of the Board Sustainability Committee and agreed to provide views on a sustainable banking impact scorecard and the Company's latest tax transparency.
- 3.20 LGPS Central have continued to collaborate with five European investors to engage a selection of companies across vulnerable sectors. The investors have had several conversations with a US-domiciled software and services company regarding its approach to tax and how it defines and manages tax related risks. Despite the company establishing a Global Corporate Income Tax Matter Policy in the 2019, the investors are concerned about the potential use of tax havens and will continue engagement with the company.
- 3.21 LAPFF has responded to the Business, Energy and Industrial Strategy (BEIS) Select Committee Inquiry following up on its 2019 Future of Audit Inquiry. The Committee addressed progress on implementing the findings of the Competition and Markets Authority Review of the audit market, and the Kingsman Review into replacing the Financial Reporting Council. LAPFF was pleased with the direction of each of the reviews, however it was concerned with the slow progress in their implementation.

Voting Globally

- 3.22 The Fund's voting policies are currently executed by EOS via a contract held by LGPS Central Ltd, the Fund's asset pool company. The Fund has contributed to and endorses LGPS Central's Voting Principles.
- 3.23 The voting activity for the quarter across markets and issues can be found in Appendix B. During the period, the Fund voted at a total of 309 company meetings (3,842 resolutions) – 104 UK, 66 Europe, 29 North American, 55 Developed Asia, 10 Australasian and 45 in Emerging and Frontier Markets. At 149 meetings we recommended opposing one or more resolutions. The largest number of resolutions that were opposed concerned remuneration and board structure (usually voting against non-independent non-executive

directors where the Fund or its advisors do not see sufficient independent oversight on a company board).

Correspondence

- 3.24 Following the Supreme Court ruling on the case of the Palestine Solidarity Campaign (PSC) vs the Secretary of State for Housing, the Fund received correspondence from both a national campaign group (received in common with a number of other local authority pension schemes) and local representatives. The Wolverhampton Palestinian Solidarity Campaign raised queries regarding a number of companies that currently operate within Occupied Palestinian Territories (OPT) who were felt not to be adhering to the UN's guiding principles on Human Rights. The Fund's engagement partner LAPFF continues to progress engagement having communicated with a number of companies to convey concern on company involvement in the OPT/ Israel Territories and looking to further discussions with them over the coming months. The Committee will be kept updated on progress in this engagement.
- 3.25 As noted in the September Responsible Investment report, the Fund had received a number of communications from correspondence from individual members of the public in connection with climate change and calls for divestment. The Fund maintains its position that engagement rather than divestment continues to be a more effective long term approach and is able to point to the collaborative work it engages on with others to deliver success in ensuring companies to set carbon targets and to focus on managing their own climate risks. The Fund responded to all correspondents.

4.0 Climate Change Update and Taskforce on Climate Related Financial Disclosure (TCFD) Reporting

Climate Strategy

- 4.1 Climate change, and the risks and opportunities it presents to the Fund as a long-term investor has been a key consideration for a number of years. The Fund recognises that action on climate change requires commitment by all parties on a worldwide scale and as a global investor the Fund has a key role to play in promoting and leading transition to a low carbon economy. The Fund recognises the scale of the challenge and actions required, not just by investors but more broadly by companies and consumers. Furthermore, the Fund believes collaboration with like-minded investors on climate change is essential in driving change and therefore has and continues to be active participants in selected collaborative initiatives where supportive of our stewardship aims.
- 4.2 The development of the Fund's approach to climate change continues to be an area of focused activity and following on from discussions at the September 2020 Committee meeting and the focused training session in October, officers continue to work on a

review of the climate framework and strategy. The Climate Change Framework and Strategy (2019-2023) agreed by Pensions Committee in March 2019 set out a number of ambitions. Significant progress has been made against those ambitions two years into the Framework and Strategy, and in recognition of the increase in pace of global action required, it is appropriate to review what has been delivered, with an outline of the Fund's strategic actions on Climate Change set out at a high-level below:

- Measurement of climate and observation of climate risks and opportunities – The Fund has revisited climate risk analysis under a range of scenarios and has shown improvement against those scenarios (see TCFD report). The Fund has engaged with a range of advisers to incorporate climate change into the advice it receives. It is however, recognised that at this time, measurement of climate risk is an inexact science and the Fund is supportive of measures to ensure improved data collection, for example through the Transition Pathway Initiative (TPI).
- Reflecting climate change priorities in asset allocation – The Fund has reflected the importance of climate change within its investment beliefs and includes within the Fund's Investment Strategy and Funding Statements. The Fund set some clear ambitions to have 10-15% of the Fund invested in low carbon and sustainable investments and has already achieved this ambition with its investments in the Climate Factor Fund and Global Sustainable Equities, along with renewable infrastructure investments. The Fund also sought to reduce its exposure to pure-play thermal coal producers and again has met this ambition.
- Ensuring that climate change is incorporated into the Fund's selection and due diligence processes – Climate risk factors for major asset classes are incorporated into the decision-making process when considering new investments. For example, the Fund was instrumental in the development of the LGPS Central Ltd Climate Factor Fund and developed a Global sustainable equity framework open to the pool, to enable access to a range of dedicated strategies, including those which target development sustainable solutions and technology to support transition to a low carbon economy.
- Maintaining purposeful stewardship in relation of climate change – Climate change continues to be one of the Fund's four key engagement themes and has also been adopted by the Fund's investment pool provider. Through its collaborative and partnership arrangements, the Fund campaigns for greater awareness, transparency, disclosure and action on climate change. Engagement and voting are undertaken by LGPS Central Ltd's appointed voting and engagement provider Hermes EOS.

- Providing transparency and disclosure in relation to climate change – The Fund has reported against the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations since they were introduced in 2017 and following review, the Fund is enhancing reporting with a standalone disclosure report this year. As noted above voting on behalf of the Fund is undertaken by Hermes EOS through LGPS Central Ltd and where appropriate they will pre-declare voting intentions on shareholder resolutions e.g. Barclays.

4.3 Nearly two years in to the Fund's four year Climate Change Framework and Strategy, the ambitions it set out in 2019 have largely been delivered, recognising that climate change is a fast evolving space and it is appropriate to revisit those ambitions to update the Climate Framework and Strategy which is in development for Pensions Committee, March 2021.

4.4 The Fund has already committed to align itself to the Paris Agreement whose

“central aim is to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius”

A consensus which has emerged since the Fund's Strategy and Framework was developed in 2019 is the view that meeting the goals of Paris will require transition to a “net zero” economy by the middle of the century. There remains debate amongst commentators, policy makers and industries as to the definition of net zero and the Fund is actively supporting work being undertaken by the IIGCC on the development of a Net Zero Investment Framework, to inform further development of the Fund's strategic objectives in response to climate change.

4.5 As the Committee are aware, the Fund continues to adopt engagement rather than divestment, viewing this as the most appropriate response to climate change. As a large scale investor the Fund is of necessity invested across a diversified range of assets and recent efforts on engagement have provided evidence that certainly across a range of companies this is starting to have an impact in their approach to climate change, the Fund alongside other investors will continue to pursue greater steps to ensure these companies hold good on those commitments and to move at greater speed to deliver the climate transition with a reallocation of capital to climate friendly investments.

Taskforce on Climate-related Financial Disclosures

4.6 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 and has continued 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 proposes in the interests of transparency and fuller disclosure to publish a separate standalone TCFD report this year and going forwards, recognising that this is the first of such more detailed disclosures and work will be ongoing to further enhance reporting going forwards.

4.7 TCFD recommendations have four key elements for disclosure, namely:

- Governance - The organisation's governance and how it oversees 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 and Targets - The metrics and targets used to assess and manage relevant climate-related risks and opportunities

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.

4.8 The standalone report for 2020 is contained in Appendix C. The Committee are invited to approve the report for publication.

4.9 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 Financial implications

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

6.0 Legal implications

6.1 The report contains no direct legal implications.

7.0 Equalities implications

7.1 The report contains no direct equalities implications.

8.0 Environmental implications

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

9.0 Human resources implications

9.1 The report contains no direct human resources implications.

10.0 Corporate landlord implications

10.1 The report contains no direct corporate landlord implications.

11.0 Schedule of background papers

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

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

12.0 Schedule of appendices

12.1 Appendix A – WMPF Engagement Activity

12.2 Appendix B – WMPF Voting Activity

12.3 Appendix C - Taskforce for Climate-related Financial Disclosure (TCFD) report 2020 –
To Follow.

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West Midlands Pension Fund

EOS at Federated Hermes

Engagement by region

Over the last quarter we engaged with **258** companies held in the West Midlands Pension Fund portfolios on a range of **726** environmental, social and governance issues and objectives.

Global

We engaged with **258** companies over the last quarter.



Australia & New Zealand

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



Developed Asia

We engaged with **39** companies over the last quarter.



Emerging & Developing Markets

We engaged with **32** companies over the last quarter.



Europe

We engaged with **51** companies over the last quarter.



North America

We engaged with **85** companies over the last quarter.



United Kingdom

We engaged with **44** companies over the last quarter.



Engagement by theme

Over the last quarter we engaged with **258** companies held in the West Midlands Pension Fund portfolios on a range of **726** environmental, social and governance issues and objectives.

Environmental

Environmental topics featured in **31.0%** of our engagements over the last quarter.



- Climate Change **79.1%**
- Forestry and Land Use **3.1%**
- Pollution and Waste Management **12.9%**
- Supply Chain Management **2.7%**
- Water **2.2%**

Social and Ethical

Social and Ethical topics featured in **22.0%** of our engagements over the last quarter.



- Bribery and Corruption **1.2%**
- Conduct and Culture **15.6%**
- Diversity **21.2%**
- Human Capital Management **23.8%**
- Human Rights **30.0%**
- Labour Rights **5.6%**
- Tax **2.5%**

Governance

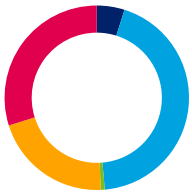
Governance topics featured in **27.1%** of our engagements over the last quarter.



- Board Diversity, Skills and Experience **28.9%**
- Board Independence **16.2%**
- Executive Remuneration **41.6%**
- Shareholder Protection and Rights **9.1%**
- Succession Planning **4.1%**

Strategy, Risk and Communication

Strategy, Risk and Communication topics featured in **19.8%** of our engagements over the last quarter.



- Audit and Accounting **4.9%**
- Business Strategy **43.8%**
- Cyber Security **0.7%**
- Integrated Reporting and Other Disclosure **20.8%**
- Risk Management **29.9%**



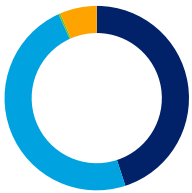
West Midlands

EOS at Federated Hermes

Over the last quarter we made voting recommendations at **309** meetings (**3,842** resolutions). At **149** meetings we recommended opposing one or more resolutions. We recommended voting with management by exception at **20** meetings and abstaining at **one** meeting. We supported management on all resolutions at the remaining **139** meetings.

Global

We made voting recommendations at **309** meetings (**3,842** resolutions) over the last quarter.



- Total meetings in favour **45.0%**
- Meetings against (or against AND abstain) **48.2%**
- Meetings abstained **0.3%**
- Meetings with management by exception **6.5%**

Australia and New Zealand

We made voting recommendations at **ten** meetings (**52** resolutions) over the last quarter.



- Total meetings in favour **60%**
- Meetings against (or against AND abstain) **40%**

Developed Asia

We made voting recommendations at **55** meetings (**480** resolutions) over the last quarter.



- Total meetings in favour **54.5%**
- Meetings against (or against AND abstain) **45.5%**

Emerging and Frontier Markets

We made voting recommendations at **45** meetings (**525** resolutions) over the last quarter.



- Total meetings in favour **26.7%**
- Meetings against (or against AND abstain) **66.7%**
- Meetings with management by exception **6.7%**

Europe

We made voting recommendations at **66** meetings (**897** resolutions) over the last quarter.



- Total meetings in favour **40.9%**
- Meetings against (or against AND abstain) **57.6%**
- Meetings with management by exception **1.5%**

North America

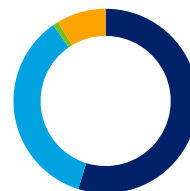
We made voting recommendations at **29** meetings (**302** resolutions) over the last quarter.



- Total meetings in favour **24.1%**
- Meetings against (or against AND abstain) **51.7%**
- Meetings with management by exception **24.1%**

United Kingdom

We made voting recommendations at **104** meetings (**1,586** resolutions) over the last quarter.



- Total meetings in favour **54.8%**
- Meetings against (or against AND abstain) **35.6%**
- Meetings abstained **1.0%**
- Meetings with management by exception **8.7%**

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

Global

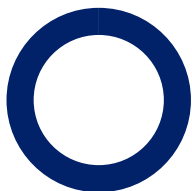
We recommended voting against or abstaining on **397** resolutions over the last quarter.



- Board structure **36.5%**
- Remuneration **35.5%**
- Shareholder resolution **6.0%**
- Capital structure and dividends **11.8%**
- Amend articles **2.5%**
- Audit and accounts **5.0%**
- Poison pill/Anti-takeover device **0.3%**
- Other **2.3%**

Australia and New Zealand

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



- Remuneration **100%**

Developed Asia

We recommended voting against or abstaining on **52** resolutions over the last quarter.



- Board structure **67.3%**
- Remuneration **1.9%**
- Capital structure and dividends **15.4%**
- Amend articles **1.9%**
- Audit and accounts **13.5%**

Emerging and Frontier Markets

We recommended voting against or abstaining on **86** resolutions over the last quarter.



- Board structure **33.7%**
- Remuneration **30.2%**
- Shareholder resolution **3.5%**
- Capital structure and dividends **18.6%**
- Amend articles **4.7%**
- Audit and accounts **4.7%**
- Other **4.7%**

Europe

We recommended voting against or abstaining on **121** resolutions over the last quarter.



- Board structure **37.2%**
- Remuneration **34.7%**
- Shareholder resolution **0.8%**
- Capital structure and dividends **12.4%**
- Amend articles **3.3%**
- Audit and accounts **7.4%**
- Other **4.1%**

North America

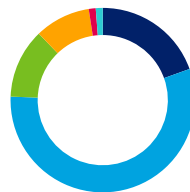
We recommended voting against or abstaining on **49** resolutions over the last quarter.



- Board structure **40.8%**
- Remuneration **38.8%**
- Shareholder resolution **20.4%**

United Kingdom

We recommended voting against or abstaining on **82** resolutions over the last quarter.



- Board structure **19.5%**
- Remuneration **56.1%**
- Shareholder resolution **12.2%**
- Capital structure and dividends **9.8%**
- Amend articles **1.2%**
- Poison pill/Anti-takeover device **1.2%**

CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 9 December 2020
----------------------------------------------	----------------------------------------------

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

Recommendation for decision:

The Committee is recommended to:

1. Approve the write-offs detailed in section 13 of this report.

Recommendations for noting:

The Committee is asked to note:

1. The applications approved by the Director of Pensions and the Chair or Vice-Chair of Pensions Committee for admission to the West Midlands Pension Fund.
2. The impact of COVID19 on the workload across service areas supporting pension administration.
3. The update on progress of the Fund's Digital Transformation Programme.
4. The enhanced processes in place to routinely test and improve accuracy of Fund member records.

1.0 Purpose

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

2.0 Background

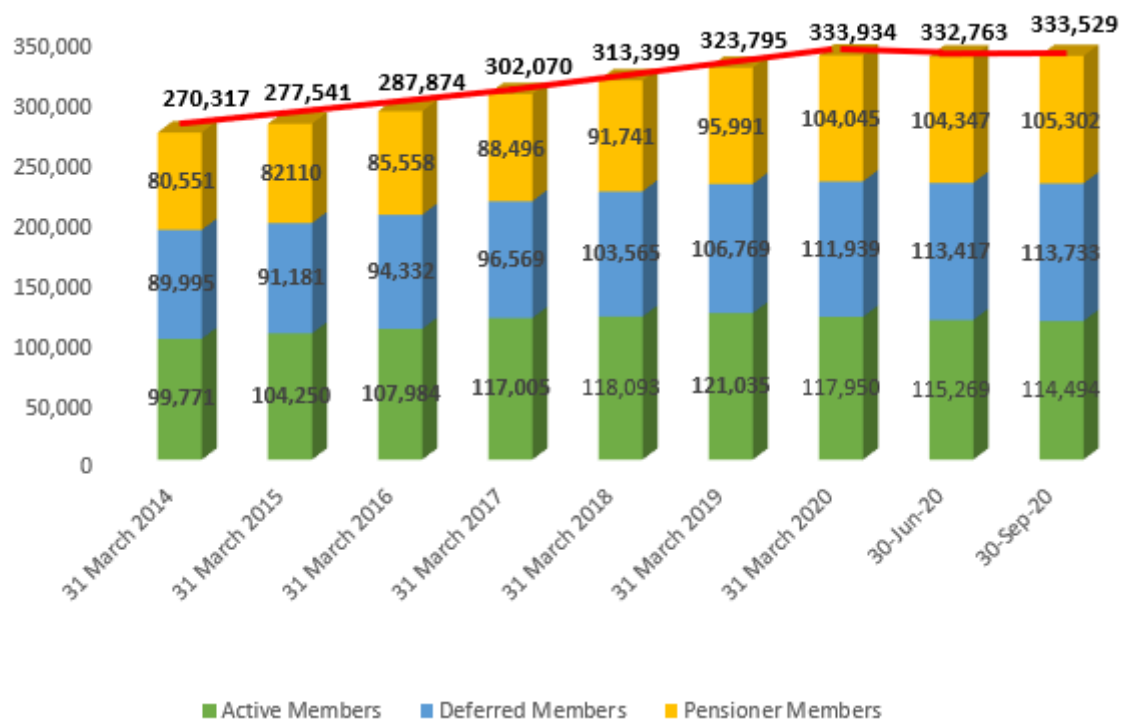
- 2.1 The Fund provides a pension administration service covering employer, customer and member services, data processing, benefit operations, payroll and systems/technical support. A report is provided to Committee on a quarterly basis to assist monitoring of the activity and performance of these functions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

3.0 Scheme Activity

3.1 Membership Movement – Main Fund

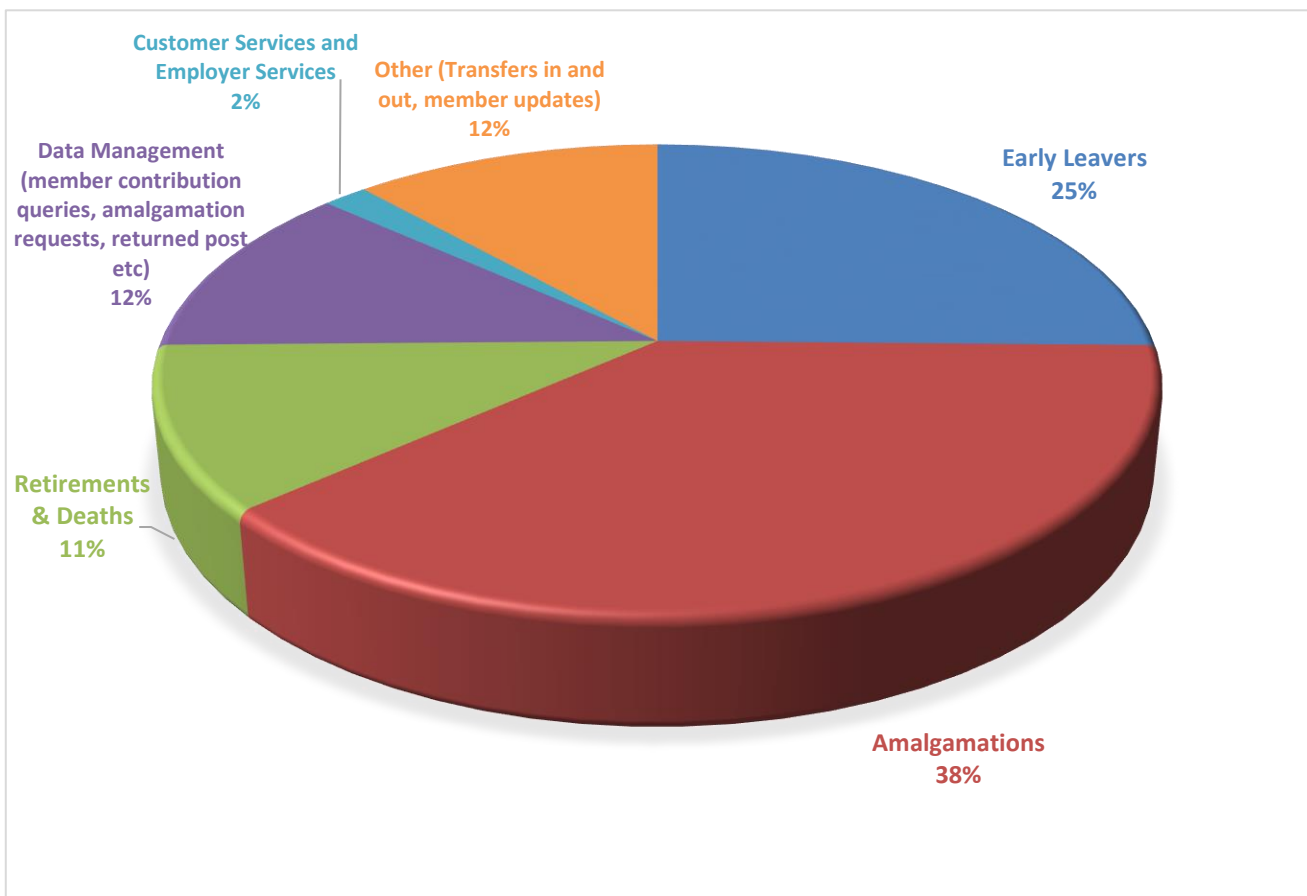
- 3.1.1 The total number of scheme member records in the Fund at 30 September 2020 stands at 333,529, with an overall increase since June 2020 of 1,297. The long-term trend over a 12-year period in membership continues to illustrate a move towards a more mature profile whereby, in general, pensioners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

- 3.2.1 The process analysis statistics (Appendix A) show details of 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.
- 3.2.2 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.
- 3.2.3 The overall impact of COVID 19 to date has seen the overall volume of incoming work and processes completed reduce compared to the same period last year. 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. A summary of the processes started and completed is detailed in Appendix C.
- 3.2.4 The total number of processes outstanding remains high but continues to stabilise and can be broken down into the following key categories:



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

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

4.0 Digital Transformation Programme

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

4.2 Since the September 2020 report to Committee, 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 Committee, following the amendment to the regulations to allow deferred members to access their pension from age 55, the Fund has seen a significant increase in the number of requests for members, and has been working with our software provider to develop functionality to enable members to self-service and perform a retirement estimate online. In April, this was made available to members, and a total of 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 by 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 is now being prepared to go live by the end of the year.

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.

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 Customer Services

6.1 An overview of our front-line customer contact activity is shown in Appendix D. This outlines the variety and volume of support provided by the Fund to address members' pension queries. An indication of the statistics for the previous year are included within the charts as a comparative measure.

6.2 The most popular queries to our contact centre remain as follows:

- Customers following up on an existing Fund process
- Requests for Pensions Portal support
- Enquires about accessing pension benefits
- Request for support with a Fund Letter/Form
- Members updating their personal details

6.3 Calls were lower throughout July to September, however, written enquiries and change of address processes have increased. We continue to explore ways in which efficiencies can be identified to manage the customer contact received. As detailed in the Customer Engagement Report, a number of mailings have been issued during the period, and these have been issued in a phased delivery to members, smoothing the impact on the contact centre and reducing call queries / written response times, allowing us to better serve our customers and reduce waiting times.

6.4 The email form on our website, which requests all of the necessary security information at the first point of contact, has continued to have a noticeable impact on email volumes and customer experience. The link to this form has now replaced our email address on our letterhead, and as a result, even more members are using the form, receiving a more streamlined experience.

Our 'Google Mybusiness' profile is being utilised to respond to customer questions and reviews, whilst Google Posts (in addition to those on our website) allow us to advertise key information such as coronavirus service updates, pension pay dates and pension increase information, allowing us to keep our members informed and also help them self-serve.

6.5 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%. 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 partnered with a third party provider to increase security and efficiency for both members and the Fund.

7.0 Complaints

7.1 The Fund has a complaint monitoring framework, which enables regular monitoring and reporting of the volumes and key trends for the key performance indicator.

Where a complaint highlights an improvement area, this is investigated and monitored to help shape future services and improve overall customer satisfaction going forward. This mirrors the process undertaken for general customer feedback as outline within the Customer Engagement Update.

7.2 The number of complaints received by the Fund is proportionally low compared to the number of scheme members, with 105 complaints received for the last quarter (less than 1%). During the reporting period 62% of complaints were upheld. Two areas most commonly raised issues during the period relate to processing timescales and portal access. We are enhancing the information available to members on our website and reviewing the online facilities following feedback.

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

8.0 IDRP (Internal Dispute Resolution Procedure) Casework

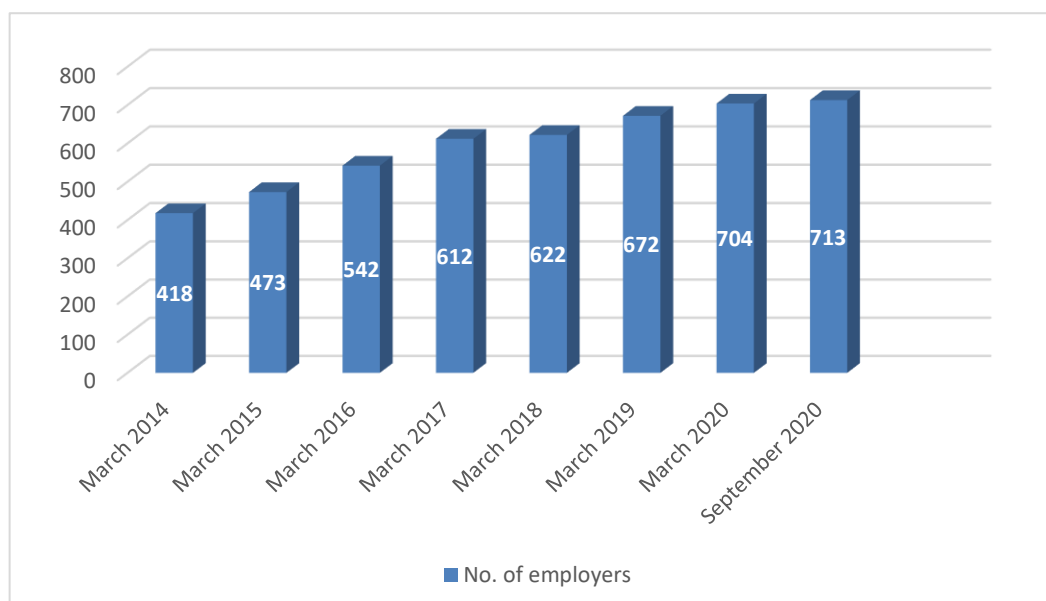
8.1 For 2019/2020, one case remains on-going relating to a medical appeal.

8.2 Year to date for 2020/2021, 6 cases have been referred to stage one of the procedure, against the Fund, one case has been partially upheld, with five cases not being upheld.

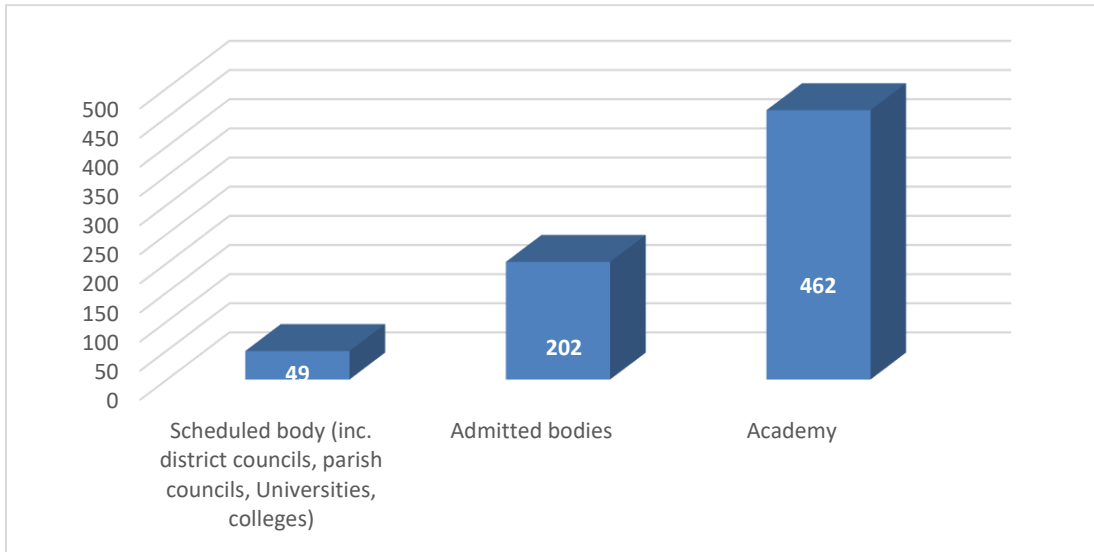
8.3 Four cases have progressed to Stage two on appeal to the Fund, and these cases are still under investigation. There are currently no Stage two appeals against employer decisions being investigated.

9.0 Employer Membership

9.1 The Fund has seen an increase in employer numbers this reporting period, with the overall number of employers registered with the Fund was 713 as at 30 September 2020 - a 70% increase since March 2014 as shown in the graph below.



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



9.3 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

10.0 Application for Admission Body Status

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

10.2 There have been seven approvals requested from Committee regarding applications for admission to the Fund, which have been reviewed during the period by the Director of Pensions and either the Chair or the Vice Chair of Pensions Committee, which are detailed in Appendix E.

11.0 Pensions in Payment

11.1 The gross annual value of pensions in payment to September 2020 was £566.22m, £15.92m of which (£8.17m for pensions increase and £7.75m for added year's compensation) was recovered from employing authorities and other bodies as the expenditure was incurred.

11.2 Monthly payroll details were:

Month	Number	Value (£)
July 2020	86,791	£ 39,947,402
August 2020	86,960	£ 39,923,040
September 2020	96,665	£40,936,583

The September figure includes pensioners paid on a quarterly basis.

12.0 Member Address Tracing and Mortality Screening

- 12.1 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 2019/20.
- 12.2 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 which 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.
- 12.3 To assist in the review and update of data held, in 2019/20 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.
- 12.4 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.

13.0 Write-off Policy Decisions

- 13.1 A write-off relates to pensions overpaid to members, after following the debt recovery policy, these cases become uneconomical to pursue or the estate has insufficient funds to recover. In general, an overpayment is generated by late notification of death of members.
- 13.2 A write-on relates to monies due to the members estate in order to make pension payments up to date of death. After correspondences, the legal representative is untraceable or does not wish to claim the funds.

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

Individual Value	Write Off		Write On	
	Number	Total (£)	Number	Total (£)
Less than £100	0	0.00	13	615
£100 - £500	16	2989	0	0.00
Over £500	2	1,620	0	0.00
TOTAL	18	4,609	13	615

Of the cases where the overpayment has been written off:

- 13 cases are where the Fund has not received a response or are unable to trace the Next of Kin
- 2 cases are where the Next of Kin has stated there is no money in the estate to make the repayment
- 2 cases the funeral was arranged by the council
- 1 case the Next of Kin is now deceased

Of the cases where the underpayment has been written on:

- 10 cases the Fund has received no response from the Next of Kin
- 3 cases where the Next of Kin did not want to receive payment

14.0 Transfer Out Cases

14.1 During the period 1 July to 30 September 2020, 205 transfer values were issued to members considering transferring their benefits out of the scheme (previous 1 July 2019 to 30 September 2019, 293 transfer values were issued to members).

14.2 In total 28 transfer payments made during the period 1 July 2020 to 30 September 2020 resulting in a total amount transferred of £2,210,566 (previous 1 July 2019 to 30 September 2019 a total of 58 transfer payments were made (£3,464,084 was transferred out) This amount is broken down as follows:

Value of Transfer Payments	Number of Transfer Payments
0 to £30,000	16
£30,001 to £100,000	6
£100,001 to £200,000	2
£200,001 to £300,000	2
£300,001 to £400,000	1
£400,001 to £500,000	1
Above £500,001	0
Total	28

14.3 In light of recent industry concerns regarding the potential for increased pensions scams during this time, the Fund has implemented additional steps and measures

within the processes for transfer out requests which includes a enhanced level of manager review before payment of funds is actioned. Overall, there has been a decrease in the number of transfer out requests, however, this is being monitored in consideration of the extension of lockdown and furlough scheme where individuals might be experiencing financial constraints and are being provided with information about transfer and the options for release of pension.

15.0 Financial implications

15.1 The report contains financial information which should be noted.

15.2 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.

16.0 Legal implications

16.1 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.

17.0 Equalities implications

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

18.0 Environmental implications

18.1 The report contains no direct environmental implications.

19.0 Human resources implications

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

20.0 Corporate landlord implications

20.1 The report contains no direct corporate landlord implications.

21.0 Schedule of background papers

21.1 None.

22.0 Schedule of appendices

22.1 Appendix A: Process Summary

22.2 Appendix B: Detailed process analysis

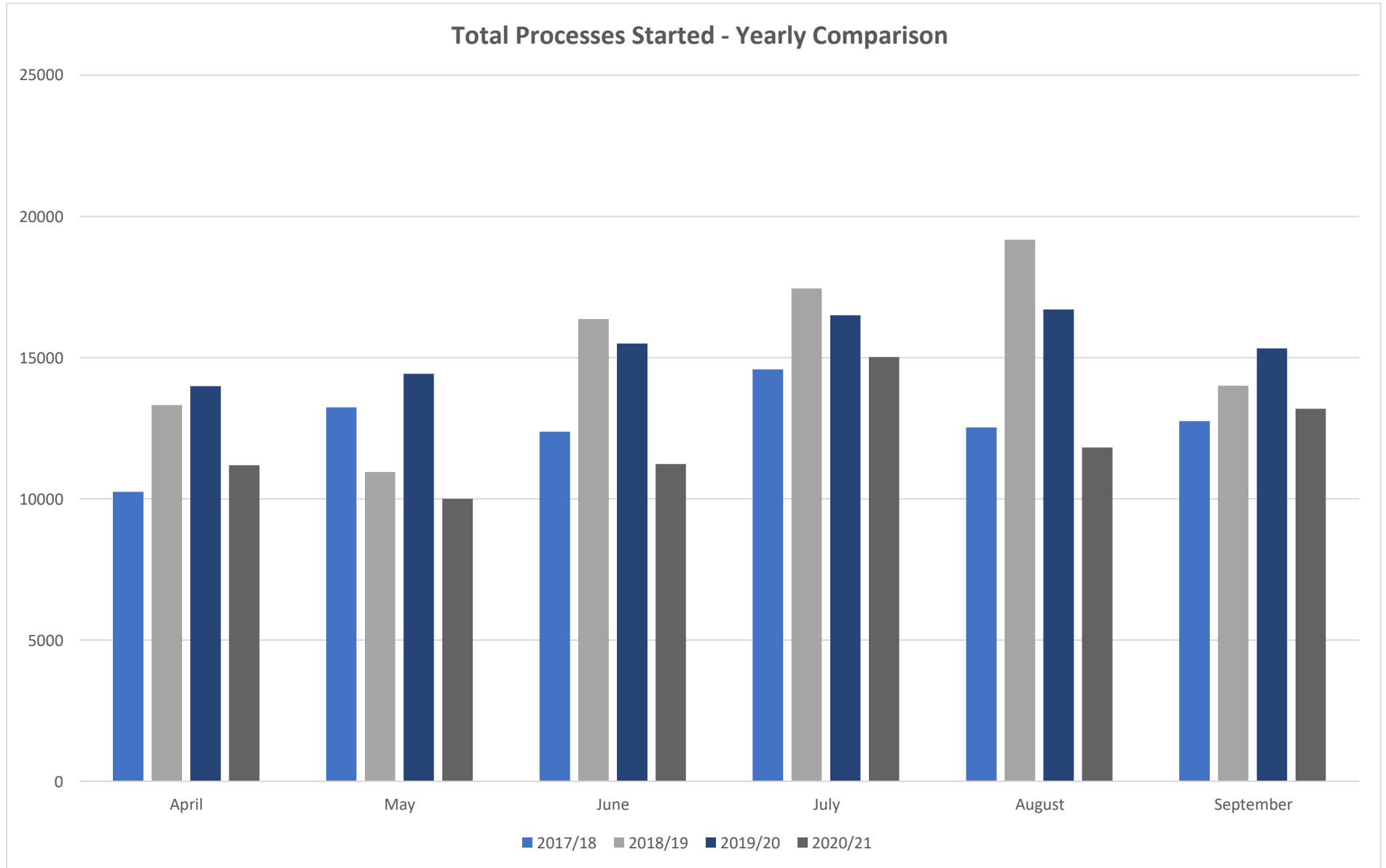
22.3 Appendix C: Key performance indicators (KPIs)

22.4 Appendix D: Customer service statistics

22.5 Appendix E: Admitted Body Applications

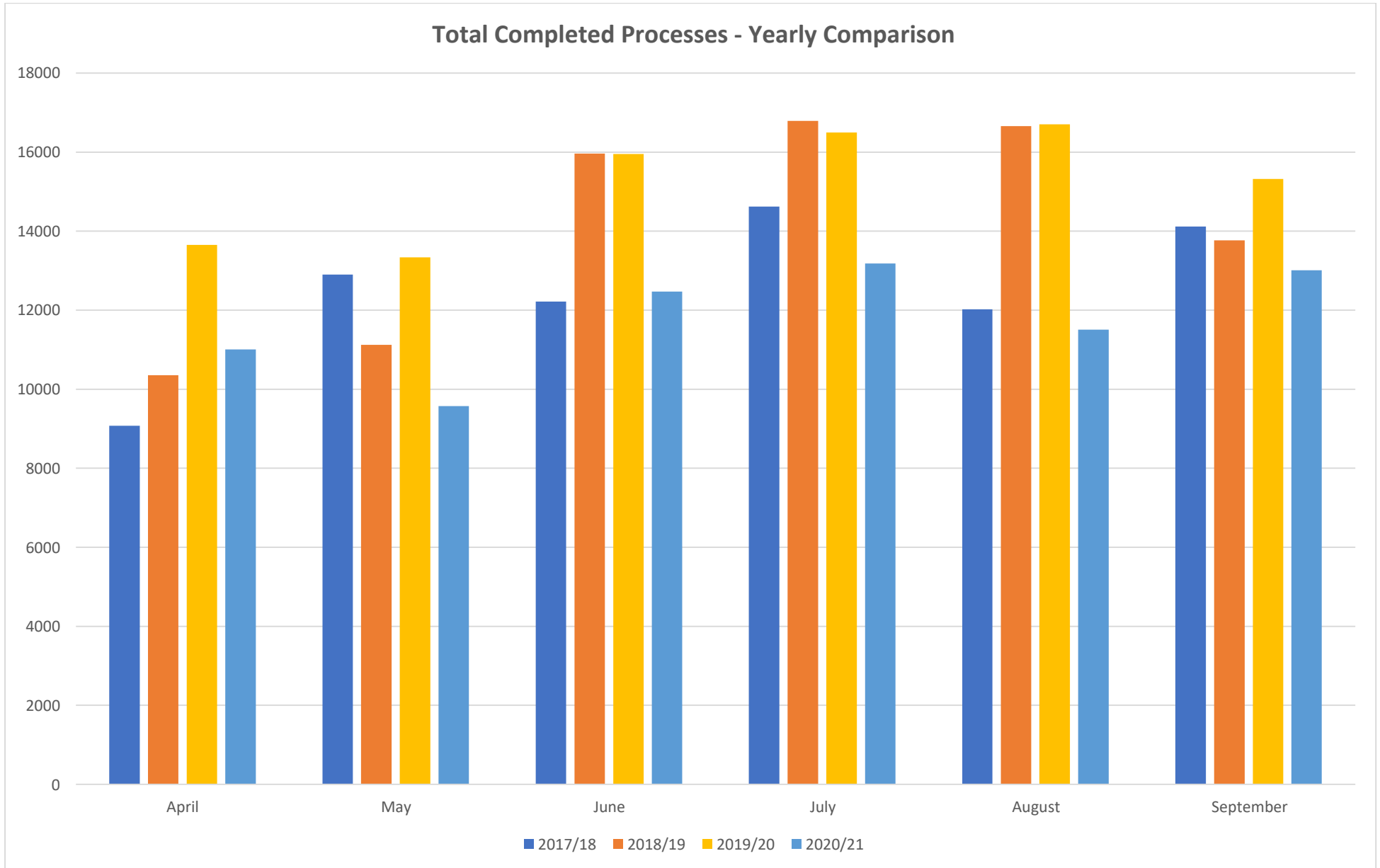
Total Processes Started - Yearly Comparison

Page 75



Total Completed Processes - Yearly Comparison

Page 76



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

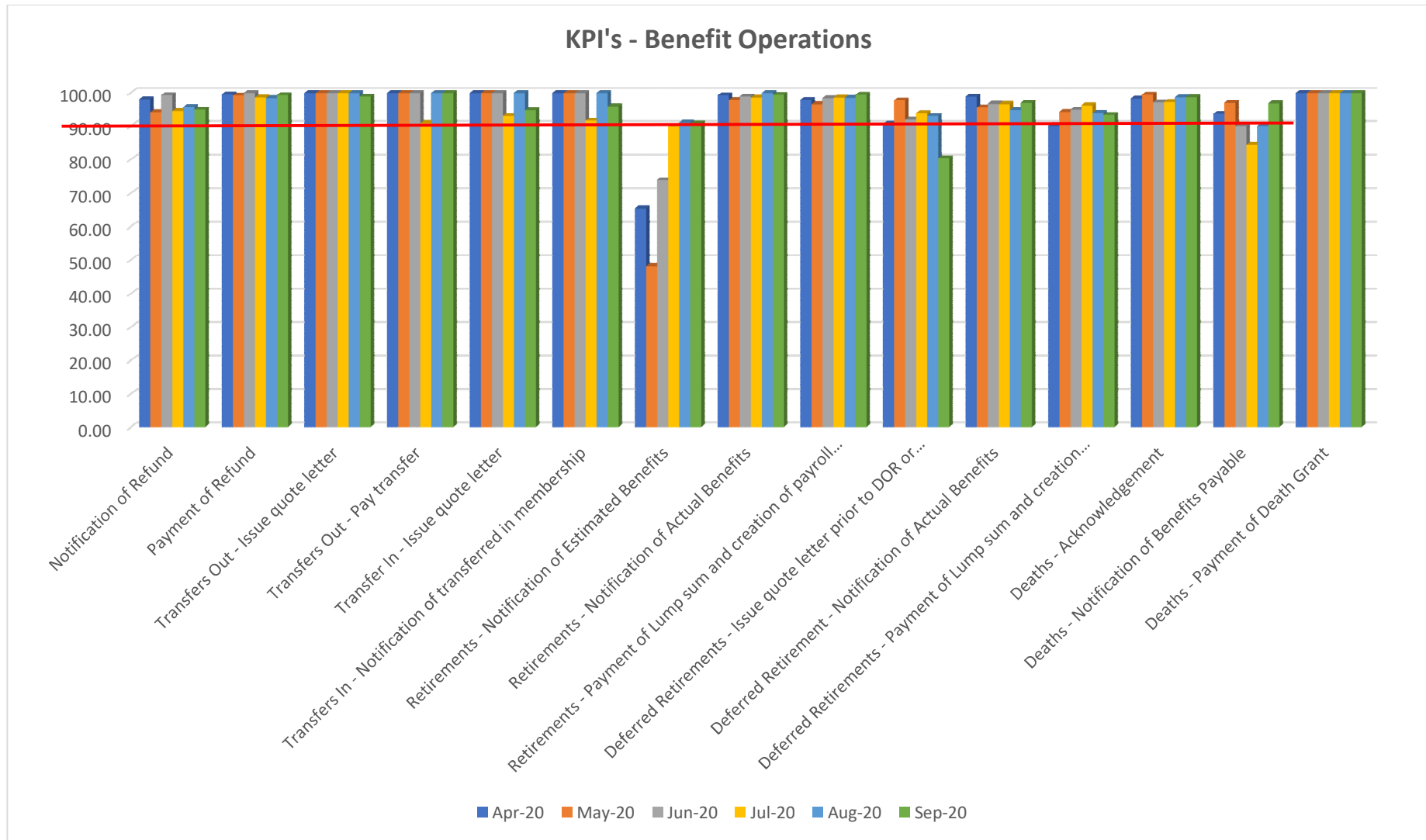
Process type																	
Joiners and Rejoiners (Bulk)	8,763	6,403	11,138	13,558	9,816	16,688	20,227	17755	25509	19939	1677	1099	741	1472	1757	2616	9362
Changes in circumstances eg change in hours	18,759	15,303	12,385	11,273	6,391	8,752	6,370	5386	5725	6658	347	311	519	554	504	535	2770
Deferments	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

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

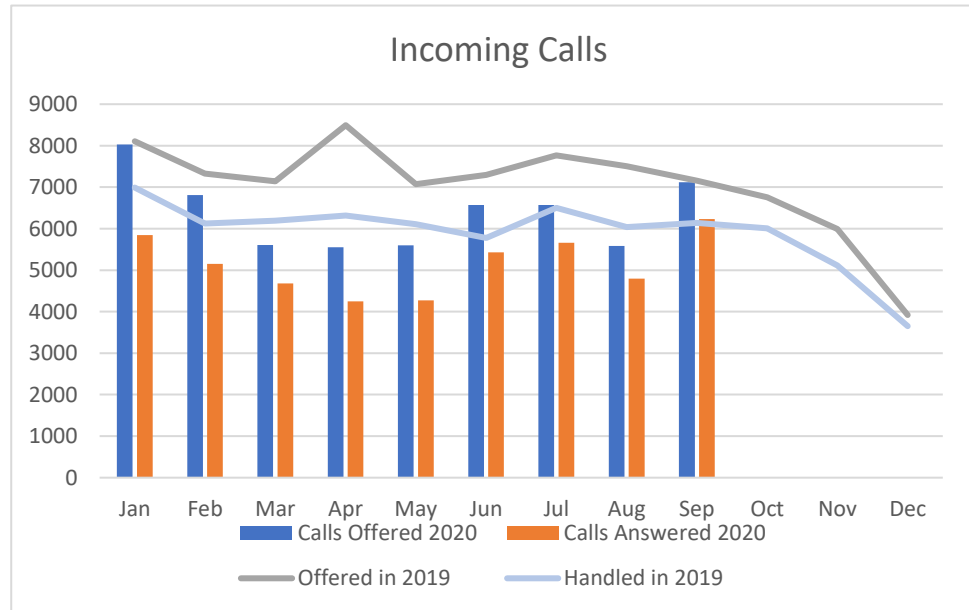
Payroll										Total	April	May	June	July	August	September	YTD
Actual number paid	792,724	837,189	870,804	895,018	913,864	888,954	915,275	945,196	979,819	1,019,295	86,596	86,460	95,847	86,791	86,960	96,665	539,319

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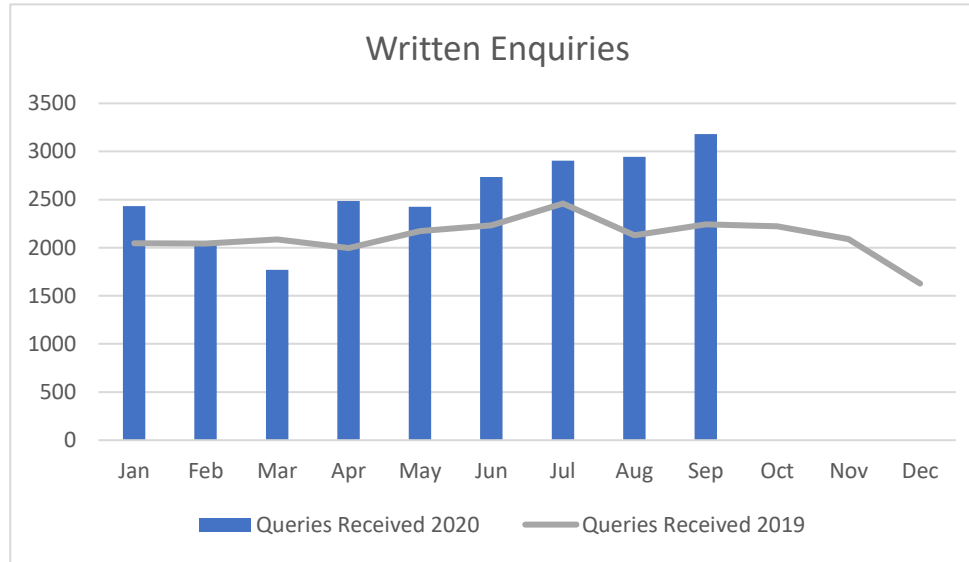
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Appendix D: Customer Services Statistics July - September 2020



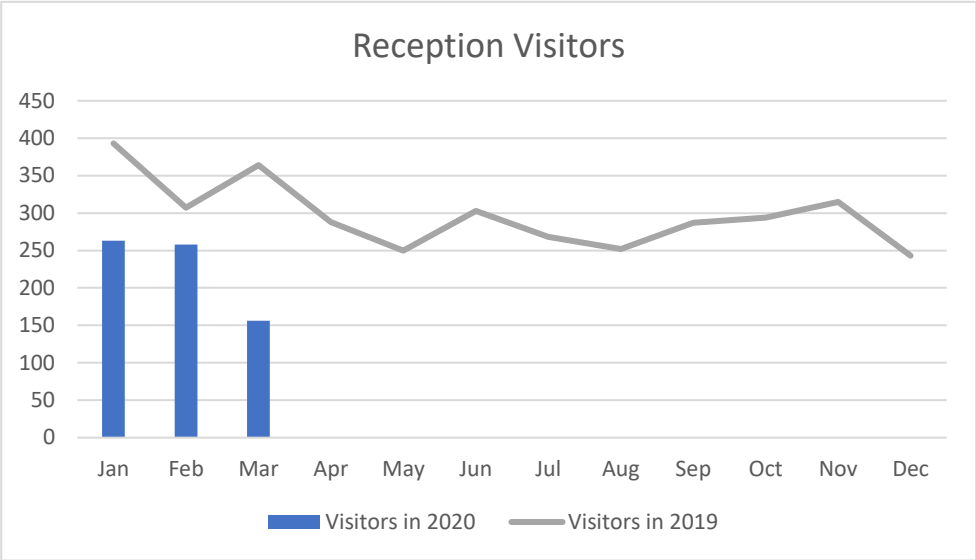
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Calls Offered 2020	8031	6812	5603	5552	5601	6572	6574	5587	7121			
Calls Answered 2020	5842	5149	4682	4252	4273	5426	5664	4798	6231			
Offered in 2019	8106	7325	7140	8494	7070	7294	7764	7503	7157	6753	5995	3920
Handled in 2019	6991	6120	6193	6315	6105	5773	6498	6042	6139	6010	5113	3651
Answer Rate (Target 85%)	72.74%	75.59%	83.56%	76.59%	76.29%	82.56%	86.16%	85.88%	87.50%			

**Appendix D: Customer Services Statistics
July - September 2020**



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Queries Received 2020	2431	2039	1770	2485	2427	2734	2904	2945	3181			
Queries Received 2019	2046	2044	2087	1997	2173	2234	2459	2129	2241	2224	2091	1627

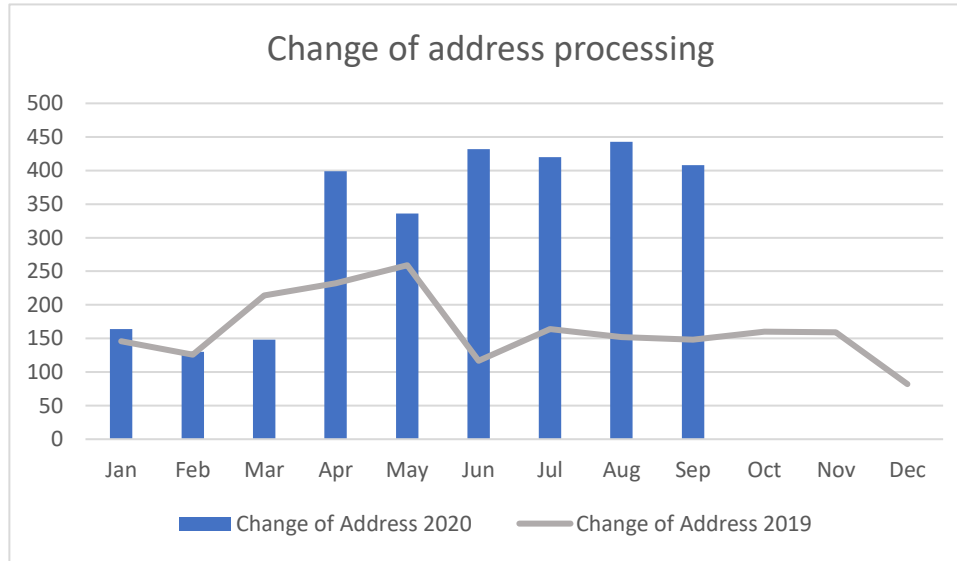
**Appendix D: Customer Services Statistics
July - September 2020**



Visitors in 2020
Visitors in 2019

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

**Appendix D: Customer Services Statistics
July - September 2020**



Change of Address 2020
Change of Address 2019

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Change of Address 2020	164	130	148	399	336	432	420	443	408			
Change of Address 2019	146	126	214	232	259	117	164	152	148	160	159	82

Appendix E: Applications for Admission Body Status

Employer name	Guarantee Status (Agreement)	No. of employees (Scheme members) Agreement type	Status (Approved/pending approval)
Bespoke Cleaning Services Ltd (Walsall College – Hawbush and Whitehall)	Walsall College	Awaiting confirmation (Awaiting confirmation) Closed	Pending approval
Dudley Council for Voluntary Service	Dudley MBC	2 (2) Closed	Pending approval
Maxim FM Ltd (Dame Elizabeth Cadbury School)	Matrix Academy Trust	Awaiting confirmation (Awaiting confirmation) Closed	Pending approval
Caterlink Ltd (Tudor Grange Academies Trust)	Tudor Grange Academies Trust	74 (22) Closed	Pending approval
Mellors Catering Services Ltd (Plantsbrook Learning Trust)	Plantsbrook Learning Trust	2 (1) Closed	Pending approval
Fit for Sport (Blue Coat Federation)	Blue Coat Federation	Awaiting confirmation (Awaiting confirmation) Closed	Pending approval
Pendergate Ltd (Queensbridge School)	Birmingham CC	1 (1) Closed	Pending approval

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 9 December 2020
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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

Recommendation for decision:

The Committee is asked to approve:

1. The proposed further postponement to review the Pensions Administration Strategy (PAS) and the associated consultation.

Recommendation for noting:

The Committee is asked to note:

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

1.0 Purpose

- 1.1 To provide Committee with an update of the Fund's customer engagement activity from 1 July 2020 to 30 September 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 consultations 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. Further details of volumes and associated service levels are provided in the Pensions Administration report, with good levels of customer satisfaction retained during this period.
- 3.5 Customer feedback is key to understanding our customer's journey, highlighting our strengths and any gaps in the service we deliver, so that we can continually improve the services we offer. Some service enhancements already made include:

- 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 is the first year we partnered with Target to undertake 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 Funds 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 during the period 1st - 11th September with support provided by the Funds 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 this 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 Internal Engagement

5.1 Recognising the importance of ensuring internal stakeholders are kept up to date on the Fund's progress and associated developments during the Covid-19 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.

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

6.0 Pensions Administration Strategy (PAS): review and consultation

6.1 As part of the 17 June 2020 meeting and following the recommendation within the Customer Engagement report, Committee approved delaying the review of the PAS and associated Employer Engagement Roadmap to the latter part of 2020 given the shift in priorities aligned to the Covid-19 pandemic.

6.2 Since the June report, 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.

- 6.3 In light of the above and subject to Committee approval, it is proposed that the review of the PAS be deferred to the first quarter of 2021/22 year with employer consultation and Committee approval to follow.

7.0 Future Engagement

- 7.1 The Funds bi-annual employer survey closed to responses on 31st October. The survey sought to explore further the operational, financial and funding challenges on the horizon, in particular those which might impact on mid to longer-term covenant. Results are being collated for review and action. More in depth feedback will be provided in the next reporting period.
- 7.2 Engagement will begin to take 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.
- 7.3 A number of targeted employer briefing notes are being drafted 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.
- 7.4 Annually, the Member Service Team delivers pension tax presentation 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.
- 7.5 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. At the time of compiling this report, the Fund has received confirmation of our re-accreditation by CSE with the draft report highlighting areas of outperformance designated 'compliance plus'.
- 7.6 Ahead of HMT's new exit cap regulations to restrict exit payments in the public sector, an in-depth briefing note was produced for internal staff to raise awareness of the changes and potential new options members will have. Briefing notes will also be prepared for issue to employers and members over coming weeks and months as further information and guidance emerges for the Scheme.
- 7.7 The Fund has started to bulk email Deferred members with their 2020 "Pension Smart" newsletter, **41,879** emails will have been sent over the month of November.

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

7.9 The West Midlands Pension Fund has partnered up with larger employers to produce a digital support package to assist members with buying any additional pension contributions relating to mandatory unpaid leave, this includes an animated video, electronic leaflet, bulk email and an invite to a bespoke webinar. The support package will be 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 large local authorities who have implemented mandatory unpaid leave over the Christmas period to offer similar levels of support.

7.10 New for 2020, the Member Service Team has designed new Deferred member webinar sessions, 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 have been delivered throughout October and November; feedback will be covered in the next reporting period.

8.0 Financial implications

8.1 The report contains no direct financial implications.

9.0 Legal implications

9.1 The report contains no direct legal implications.

10.0 Equalities implications

10.1 The report contains no direct equalities implications.

11.0 Environmental implications

11.1 The report contains no direct environmental implications.

12.0 Human resources implications

12.1 This report contains no direct human resources implications.

13.0 Corporate landlord implications

13.1 The report contains no direct corporate landlord implications.

14.0 Schedule of background papers

14.1 None.

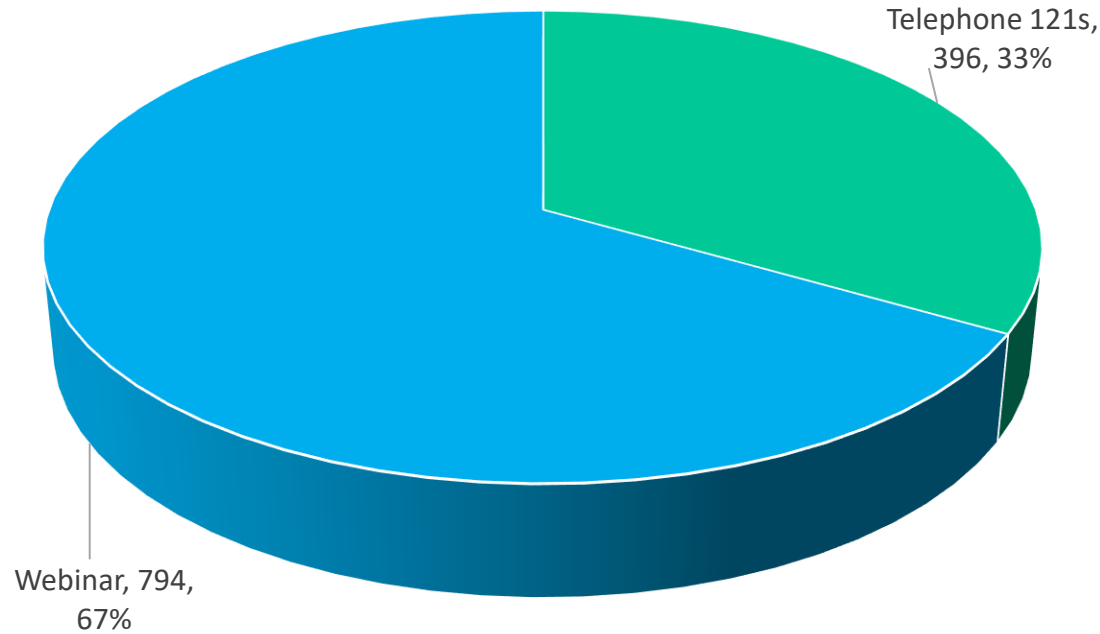
15.0 Schedule of appendices

- 15.1 Appendix A – Events attended July - September 2020
- 15.2 Appendix B – Webinar feedback, September 2020
- 15.3 Appendix C – Individual pension consultation feedback, September 2020



Member Services Team – Events Attended

1st July – 30th September 2020

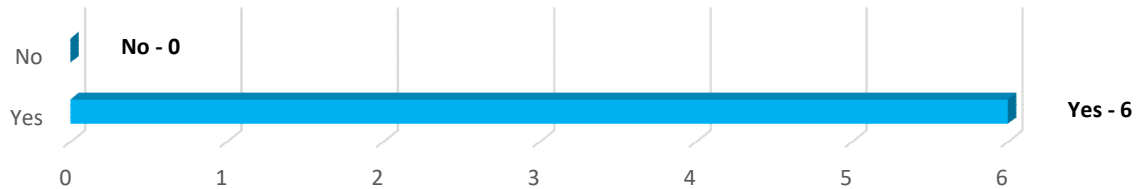


Event Type	Attendance
Telephone 121s	396
Webinar	794
Total	1190

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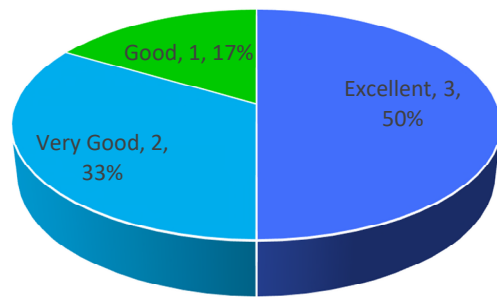
Member Services Webinar Feedback - September 2020

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

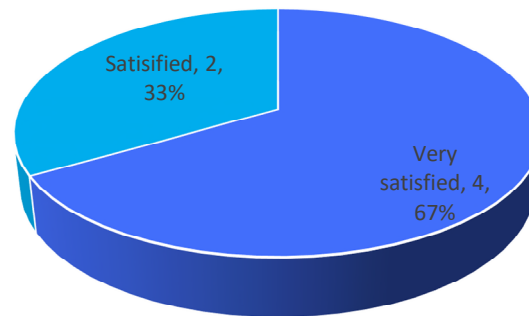


3 webinars delivered; 50 members in attendance, 6 members provided feedback.

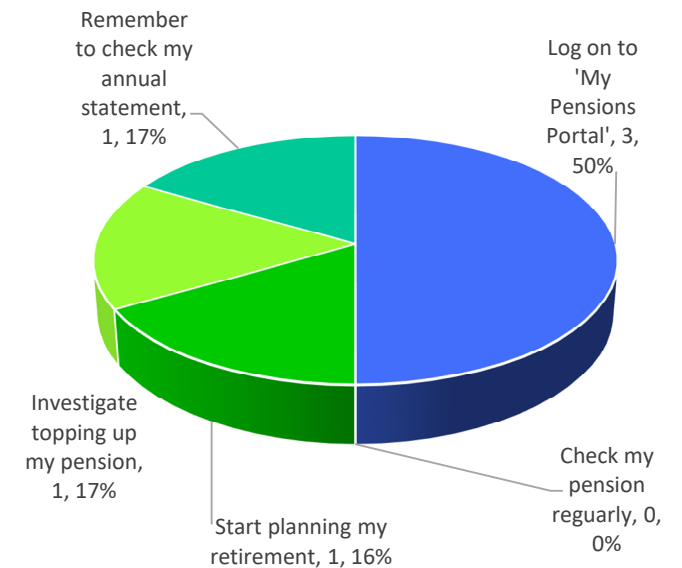
Overall, how would you rate the webinar?



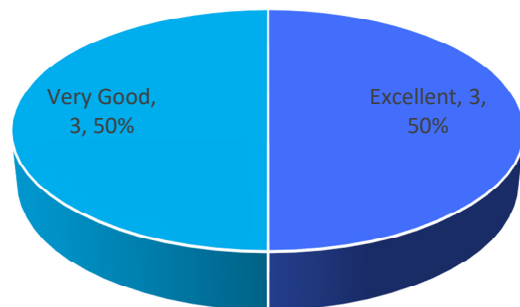
How satisfied are you with your most recent interaction with WMPF?



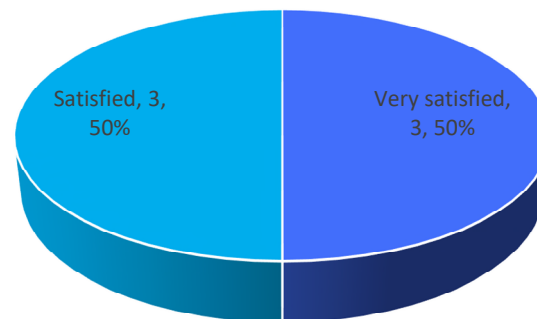
What are you going to do following this webinar?



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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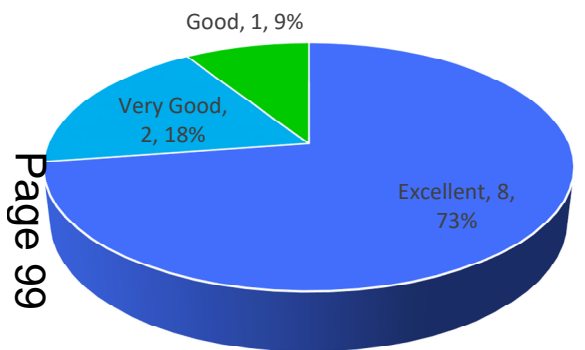
Member Services Individual Pension Consultation Feedback - September 2020

116 consultations delivered; 11 members surveyed.

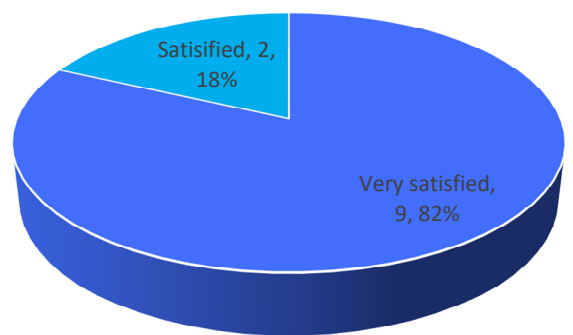
Would you recommend a colleague to attend this type of event?



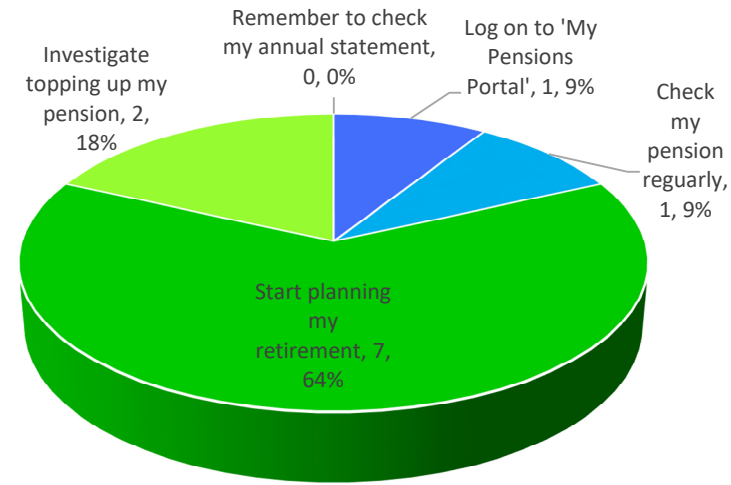
Overall, how would you rate the personal consultation?



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



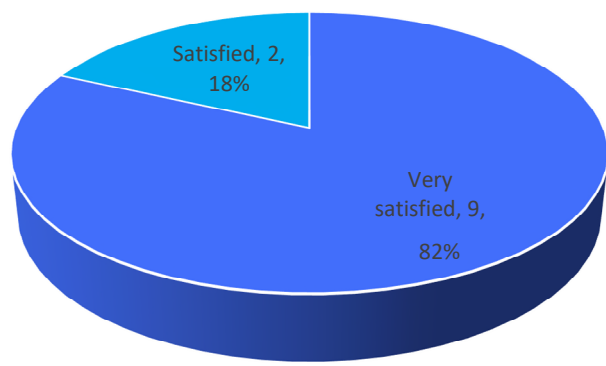
What are you going to do following this consultation?



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 Committee 9 December 2020
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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 Committee is asked to note:

1. The initial results and key outcomes of the benchmarking exercises undertaken for 2019/20 for the Fund's Pension Administration Services.
2. The achievement of the Pension Administration Standards Association (PASA) Accreditation.

1.0 Purpose

- 1.1 To inform Committee of the outcomes of the benchmarking exercises undertaken in relation to 2019/20 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 8 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 2018/19. 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, and 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, which will support the 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 our 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 Financial implications

- 6.1 The report contains no direct financial implications.

7.0 Legal implications

- 7.1 The report contains no direct legal implications.

8.0 Equalities implications

- 8.1 The report contains no direct equalities implications.

9.0 Environmental implications

9.1 The report contains no direct environmental implications.

10.0 Human resources implications

10.1 The report contains no direct human resources implications.

11.0 Corporate landlord implications

11.1 The report contains no direct corporate landlord implications.

12.0 Schedule of background papers

12.1 None.

13.0 Schedule of appendices

13.1 None.

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 9 December 2020
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Report title	Governance and Assurance	
Originating service	Pensions – Governance and Corporate Services	
Accountable employee	Rachel Howe	Head of Governance
	Tel	01902 552091
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Report to be/has been considered by	Rachel Brothwood	Director of Pensions
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Recommendations for noting:

The Committee is asked to note:

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

1.0 Purpose

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

2.0 Risk Management

2.1 Operational Risks

- 2.1.1 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.
- 2.1.2 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 and the £95k cost cap/exit payments reform.
- 2.1.3 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.

2.2 Strategic Risk Register

- 2.2.1 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.
- 2.2.2 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.
- 2.2.3 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 it's reliance on third party providers, to support those changes, with increases in risk noting a specific focus on the £95k cap and exit pay reforms currently out for consultation. This is reflective of the 'gap' in regulatory timing noted in our report to Committee in September. Risks which were new or had increased 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 is attached at Appendix A.

2.3 Areas of Concern

- 2.3.1 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".
- 2.3.2 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 are attached at Appendix B.

3.0 Compliance Monitoring

3.1 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.

3.2 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 Wolverhampton City Council, who operate in accordance with statutory timescales.

3.3 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.

4.0 Annual Regulator Activity

- 4.1 The Fund are in the process of completing tPR's annual Scheme Return for submission to the regulator prior to the deadline of the 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 member's 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.
- 4.2 TPR have also published the results of the 2019 Governance and Administration survey on their website, the survey aims to highlight common areas requiring improvement and areas of good practise across public sector schemes and is used to feed into their corporate strategies. 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 (Committee will recall the Fund changed the frequency of its meetings from 2 to 4 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.
- 4.3 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 Committee.

5.0 Key Performance Indicators

- 5.1 The Fund's KPIs for this quarter 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 Committee. 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.

6.0 Data Management

- 6.1 Committee 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 89% of Deferred Statements. A final production run of annual benefit statements is due to take place on 11 December to further maximise production.

6.2 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.

7.0 Financial implications

7.1 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.

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

8.0 Legal implications

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

9.0 Equalities implications

9.1 The report contains no direct equalities implications.

10.0 Environmental implications

10.1 The report contains no direct environmental implications.

11.0 Human resources implications

11.1 The report contains no direct human resources implications.

12.0 Corporate landlord implications

12.1 The report contains no direct corporate landlord implications.

13.0 Schedule of background papers

13.1 [Public Service Governance and Administration Survey 2020](#)

14.0 Schedule of Appendices

14.1 Appendix A - Strategic Risk Register.

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

14.3 Appendix C - Key Performance Indicators – Quarter 2 monitoring.

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Appendix A		West Midlands Pension Fund Strategic Risk Register		
Risk Theme	Area of Focus	Risk Description	Controls	Risk Movement this Quarter
Pandemic	Covid 19	Impact of current global health concerns across all types of risk (regulatory, operational, funding, reputation) and potentially impacting the ability of the Fund to deliver services.	The Fund 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 (<50%), 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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Appendix B		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 ongoing 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 exit 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 policies in place which will be reviewed in consideration of new guidance when issued.	↔
Operational	Available resource to respond to service change and increase in regulatory requirements	A number of statutory changes and amendments are on the horizon which potential change redundancy and compensation payments which may affect the calculation and application of pension benefits. The Fund will require statutory guidance on how these changes are implemented with a number proposed to come before year end (Dec).	High	The Fund is fully engaged in all consultations with senior officers sitting on national working groups to inform the statutory drafting. The Fund's Technical team will seek to implement temporary solutions through manual calculation of pension benefits to support the transitional changes 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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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%		89.00%	↑	
Financial management and cost transparency	CONTRIBUTIONS RECEIVED						
	M	Main Fund - Contributions received from employers and validated by accountancy statement	98%	Head of Finance	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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