

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

Venue Council Chamber

Membership

Chair Cllr Milkinderpal Jaspal (Lab)

Vice-chair Cllr Craig Collingswood (Lab)

Labour

Cllr Keith Inston

Cllr Phil Page

Cllr Clare Simm

Cllr Tersaim Singh

Cllr Paul Sweet

Cllr Rashpal Kaur

Cllr Stephen Simkins

Conservative

Cllr Paul Singh

Cllr Andrew Randle

District Members

Cllr Angela Sandison (Solihull Metropolitan Borough Council.)

Cllr Bally Singh (Coventry City Council)

Cllr Alan Taylor (Dudley Metropolitan Borough Council)

Cllr Vera Walters (Walsall Council)

Cllr Peter Allen (Sandwell Metropolitan Borough Council)

Trade union observers

Malcolm Cantello

Martin Clift

Ian Smith

Janice Wadrup (GMB)

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:

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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 | Notification of substitute members |
| 3 | Declarations of interests (if any) |
| 4 | Minutes of the Previous Meeting (Pages 5 - 14)
[For approval.] |
| 5 | Matters arising
[To consider any matters arising from the minutes of the previous meetings.] |
| 6 | Pensions Committee Annual Governance (Pages 15 - 28)
[To approve the Annual Governance matters of Pensions Committee.] |
| 7 | Governance and Assurance (Pages 29 - 56)
[To receive an update on the work of the Fund to deliver a well governed scheme.] |
| 8 | Statement of Accounts 2020-2021 (Pages 57 - 82)
[To approve the draft Statement of Accounts for the year ending 31 March 2021.] |
| 9 | Pensions Administration Report to 31 March 2021 (Pages 83 - 120)
[To receive an update on the routine operational work undertaken by the pensions administration service areas during the period 1 January 2021 to 31 March 2021.] |
| 10 | Customer Engagement Update (Pages 121 - 172)
[To receive an update of the Fund's customer engagement activity from 1 January 2021 to 31 March 2021.] |
| 11 | Annual Report of the Local Pensions Board (Pages 173 - 180)
[To note the report from the Local Pensions Board.] |
| 12 | Internal Audit Annual Report 2020-2021 (Pages 181 - 192)
[To receive an outline of the work programme for internal audit during 2020 – 2021.] |
| 13 | Budget Monitoring and Quarterly Accounts to 31 March 2021 (Pages 193 - 202)
[To receive an update on the forecast out-turn against operating budget and present the quarterly accounts to 31 March 2021.] |
| 14 | Quarterly Investment Report to 31 March 2021 (Pages 203 - 224) |

[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 (Main Fund and Admitted Body Sub Funds).

- 15 **Responsible Investment Activities** (Pages 225 - 238)
[To receive an update on the work undertaken in relation to responsible investment activities.]

- 16 **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

- 17 **Investment Strategy and Activity Update** (Pages 239 - 246)
[To receive an update on the investment strategy and activity in the WMPF and Admitted Body Sub Funds over the quarter.]

- 18 **CEM Benchmarking** (Pages 247 - 268)
[To receive a report on the Fund's Investment Management Benchmarking exercise.]

- 19 **Annual Report on the Investment Advisory Panel** (Pages 269 - 274)
[To note the work of the Investment Advisory Panel for 2020 – 2021.]

- 20 **Fund Structure Update** (Pages 275 - 284)
[To provide an update on staffing developments and requirements to support the Fund service delivery.]

- 21 **LGPS Central Pool** (Pages 285 - 304)
[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.]

Attendance

Members of the Pensions Committee

Cllr Stephen Simkins
Cllr Jasbinder Dehar
Cllr Keith Inston
Cllr Phil Page
Cllr John Reynolds
Cllr Clare Simm (Vice-Chair)
Cllr Paul Singh
Cllr Muhammad Afzal (Birmingham City Council)
Cllr Rose Martin (Walsall Metropolitan Borough Council)
Cllr Bally Singh (Coventry City Council)
Cllr Councillor Alan Taylor (Dudley MBC)
Cllr Joe Tildesley (Solihull Metropolitan Borough Council)

Trade Union observers

Malcolm Cantello (Unison)
Martin Clift (Unite)
Victor Silvester (Unite)
Ian Smith (Unite)

Employees

Rachel Brothwood	Director of Pensions - West Midlands Pension Fund
Rachel Howe	Head of Governance and Corporate Services - West Midlands Pension Fund
Amy Regler	Head of Operations
Holly Slater	Governance Officer
Simon Taylor	Assistant Director – Pensions
Tom Davies	Assistant Director – Investment Strategy
Darshan Singh	Head of Operations
Hayley Reid	Regulatory Governance Manager

Part 1 – items open to the press and public

Item No. *Title*

- 1 **Apologies for absence (if any)**
Apologies were received from Councillor Milkinder Jaspal, Councillor Harman Banger, Claire Nye, Director of Finance and Martin Clift, Trade Union Representative.

It was agreed that the Vice-Chair of Pensions Committee, Councillor Clare Simm would Chair the meeting in Councillor Milkinder Jaspal's absence. The Committee gave their best wishes for his ongoing recovery. A minute silence was held to pay respect to Councillor Sandra Hevican who had passed away earlier in the month following a short period of illness. Councillor Hevican served as representative of Sandwell Metropolitan Borough Council on the Pensions Committee for six years. It was noted that the Committee's condolences had been sent to the member's husband and family.

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

Councillor Stephen Simkins declared an interest as the Cabinet Member for City Economy for item 10 of the agenda, Corporate Plan 2021-2026.

3 **Minutes of the Previous Meeting**

That the minutes of the previous meeting held on 9 December 2020 be approved as a correct record.

4 **Matters arising**

Ian Smith, Trade Union Representative, advised the group, as per item 4 of the minutes of the previous meeting, that work had been conducted between himself, Councillor Muhammed Afzal and Simon Taylor, Assistant Director - Pensions and that a report would go to Birmingham City Council at the end of the month to support resolution of the issue around delayed employer admission and payment of benefits to members.

5 **Customer Engagement Update**

The Assistant Director - Pensions, presented the report on the Fund's customer engagement activity from 1 October 2020 to 31 December 2020 and the planned customer engagement activity in the context of the Fund's Customer Engagement Strategy.

The Assistant Director - Pensions commented that ongoing development had been underway to widen the Fund's social media presence alongside other methods of communication used by the Fund. Councillor John Reynolds emphasised the importance of continued use of paper and face to face communication methods to ensure accessibility across the Fund membership.

The Fund's Customer Engagement Plan had been updated to include planned events for all stakeholders up to 31 March 2022.

The Committee were advised that the Fund had continued an on-going campaign to raise member awareness on the importance of retirement planning, with bulk emails circulated to active members. Bulk mailing to members of the Fund had also been circulated, to raise further awareness on the risks of pensions scams.

The Committee expressed their thanks to the Assistant Director - Pensions and his teams for the ongoing development and delivery of customer engagement activity.

Resolved:

1. That the Communications Policy March 2021 in Appendix E, be approved.
2. That the engagement activity and informed service development be noted.

6 **Pensions Administration Report from 1 October to 31 December 2020**

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

The Committee were advised that although the Fund saw an increase in volume of case work relating to membership deaths throughout December 2020 and January 2021, the Fund had been monitoring workloads and ensured that resources were re-

allocated where required to maintain service delivery and mitigate the impact on timescales and performance relative to KPI targets.

Resolved:

1. That the 12 applications for admission from employers into the Fund be approved and the 3 cases approved by urgent decision by the Director of Pensions, be noted.
2. That the updated Internal Dispute Resolution Procedure be approved.
3. That the write-offs detailed in section 13 of the report be approved.
4. That the performance and workloads of the key pension administration functions be noted.
5. That the development of the Fund's membership and participating employers be noted.
6. That the ongoing work to improve efficiency and ensure consistency of processing and record keeping be noted.
7. That the Fund's pledge to the Pension Regulator to combat pension scams and protect scheme members be noted.

7 **Governance and Assurance**

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

The Committee were advised that the Fund continued to monitor potential risks to the Fund, noting the ongoing review of potential regulatory change in the LGPS with the launch of the Regulator's single code of practice.

It was noted that the Fund continued to operate a mix of office and home working to ensure all vital services of the Fund continued. Employee wellbeing had been a key focus for the Fund and staff were encouraged to take lateral flow testing twice a week. The Fund's response would continue to be assessed following any changes to Covid regulations issued by the Government.

Resolved:

1. That the latest strategic risk-register and areas being closely monitored in the current environment be noted.
2. That the compliance monitoring activity undertaken during the quarter be noted.
3. That the Fund's Key Performance Indicators and the action taken to support service delivery be noted.
4. That the steps taken by the Fund in response to the Covid pandemic and the ongoing assessment of service delivery impact be noted.

8 **Regulatory Update**

The Head of Governance and Corporate Services presented the report on the key developments impacting the regulatory environment in which the Fund operated.

The Committee were advised that as of 25 February 2021, Central Government had revoked the Exit Payment Regulations, previously issued to the public sector for implementation on 4 November 2020. The Fund anticipate a revised approach to exit payments for the public sector to be announced, followed by consultation later in the year.

On 15 February 2021 the Scheme Advisory Board (SAB) published phase three of the SAB Good Governance Review. This includes a number of recommendations that the Fund are currently reviewing.

Committee we also advised the consultation on the Pensions Regulator's code of practice had now been released and that the Fund were currently reviewing with a view to developing a response.

The Committee were further advised that a HM Treasury consultation on increasing the normal minimum pension age from age 55 to age 57 from April 2028 was running to 22 April 2021. The impact on the LGPS would be subject to MHCLG review and amendment of scheme regulations, including consideration of protected pension ages.

Following discussion, the Head of Governance and Corporate Services reassured members that the Fund continue to monitor consultations and look to respond to those that affect the Fund and its members. The Fund would continue to monitor and communicate with members in the event of Scheme change.

Resolved:

1. That the updates to the current regulatory environment within the LGPS and how the Fund had been responding to change and emerging developments within the Scheme and wider pensions industry be noted.

9 **Funding Strategy Statement Review 2021**

The Assistant Director - Pensions, presented the report on the proposed changes to the Funding Strategy Statement (FSS) following the publication of amendments to LGPS Regulation which enabled employer funding flexibility.

The Committee were advised that changes to the Strategy had been made to incorporate policy enabling utilisation of new employer flexibility regulations and an informal consultation with the Fund's Employer Peer Group on the recommended changes took place during March 2021 with a formal consultation with scheme employers commencing in April 2021 for a period of 4-6 weeks. The Committee were advised that as per section 7.3 of the report, subject to consultations responses, the target date for publication of the revised FSS was 1 June 2021.

Resolved:

1. That the proposed changes to the Funding Strategy Statement incorporating revised Termination Policy and Policy on Contribution Reviews Inter-Valuation as new addendums following enabling change to the LGPS regulations, be approved.
2. That delegation to the Director of Pensions to finalise the 2021 Funding Strategy Statement in consultation with the Chair and/or Vice Chair of Pensions Committee, following completion of the consultation to include participating employers, be approved.

10 **Corporate Plan 2021-2026**

The Head of Governance and Corporate Services, presented the report covering the Fund's Corporate Plan 2021 – 2026, which includes areas of focus and drivers for change over the next five years together with the goals and ambitions for continued development in the Fund and the continued delivery of high-quality services to customers.

The Committee were advised that the Fund has consulted with stakeholders, customers, members, employers and both the Pensions Committee and Pensions Board on the proposed Corporate Plan for 2021-2026. The figures within the report would be updated, prior to publication, to include March 2021 figures. Following questions from Malcolm Cantello (Unsiön), the Head of Governance and Corporate Services confirmed to the Committee that the Fund were continuing to progress plans for changes to the Fund office arrangements.

Resolved:

1. That the Corporate Plan 2021 – 2026 be approved and adopted.

11 **Budget Monitoring 2020-2021 and Quarterly Accounts 31 December 2020**

Darshan Singh, Head of Finance, presented the report on the forecast out-turn against operating budget for 2020 - 2021 and the quarterly accounts to 31 December 2020.

The Committee were advised that the estimated value for the Fund at 31 December 2020 had been £18.7 billion, an increase of £3.4 billion from 31 March 2020. The Fund anticipated a forecast outturn in excess of budget which was attributable to implementation of change to the investment strategy and the increase in asset values during the year.

Following queries in regard to the estimated increase in investment management costs, the Committee were advised that estimated costs had increased in line with Fund assets value and that cost needed to be considered in context of performance. Committee were informed that independent global benchmarking on value add from investment activity had been commissioned again for 2021 and would be reported to Committee at a future meeting.

Resolved:

1. That the quarterly accounts for the period ending 31 December 2020 which estimated the value of West Midlands Pension Fund at this date to be £18.7 billion, an increase of £3.4 billion (22%) 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 December 2020 was an overspend of £2m primarily attributable to increased estimates for investment management costs on implementation of planned changes to the investment strategy be noted.

12 **Budget 2021/2022 and Financial Plan to 2025/2026**

The Head of Finance presented the report on Operating Budget for 2021- 2022 and the Medium-Term financial plan for the five years up to and including 2025 - 2026.

The Committee were advised that an increase of £0.6million be provided to operating budget, to increase capacity to delivery customer-facing services and support implementation of statutory changes to the Scheme and member benefits as a result of the McCloud remedy. Following questions from Malcom Cantello, Rachel Brothwood, Director of Pensions advised the Committee that following a period where the Fund's the membership numbers had increased membership rates had now levelled off and allowance for this had been made in budget forecasts of cost per member.

Following Councillor Afzal's concerns with regards to the projected increase in management costs, Tom Davies, Assistant Director - Investment Strategy, advised the Committee that a 5% per annum growth rate had been applied to Fund assets which in turn was reflected in projected costs. The Committee were advised that further work continues to be undertaken to collect and analyse investment cost data to increase transparency in manager reporting and Fund disclosure and inform future investment decision making.

Resolved:

1. That the Operating Budget for 2021 - 2022 be approved.
2. That the Medium-Term financial plan for the period to 2025 - 2026 be approved.

13 **Accounting Policies 2020/2021**

The Head of Finance presented the report on the accounting policies to be used in preparing the Funds' accounts for the 2020 - 2021 financial year.

The Committee were advised that CIPFA had issued an updated 2020 - 2021 Code of practice which had been reviewed and there were no changes within this which impacted materially on the approach undertaken by the Pension Fund.

Resolved:

1. That the West Midlands Pension Fund accounting policies for the 2020 - 2021 financial year be approved.

14 **External Audit Plan 2021**

The Head of Finance presented the report on the plan for the external audit of the Fund's Annual Report and Accounts for 2020 - 2021.

The Committee were advised that the outcome from Grant Thornton's work would be included as part of the Fund's annual statement of accounts and annual report. The audited statement of accounts would be brought for Committee approval in September 2021 ahead of the extended statutory publication deadline of 30 September 2021.

Following questions from Malcolm Cantello (Unison), in regard to Covid-19 health and safety regulations and the audit process the Head of Finance, advised that the 2020 year-end audit work had all been conducted remotely and this arrangement would continue for the audit for 2020 - 2021.

Resolved:

1. That the management responses to questions from the external auditors, Grant Thornton LLP, as part of their audit planning, be approved.
2. That Delegated authority to the Chair and Vice Chair of Pensions Committee to approve the final publication of the 2020 - 2021 Statement of Accounts following audit in September and approval of the draft by Committee in June 2021, be approved.
3. That the external audit plan for the 2020 - 2021 Annual Report and Accounts as prepared by Grant Thornton, be noted.

15 **Internal Audit Plan 2021-2022**

Peter Farrow, Head of Audit, presented the report on the outlined work programme for internal audit during 2021 – 2022.

The Committee were advised that the plan had been developed taking into account the revised programme of audit work undertaken over 2020 - 2021, the changing regulatory environment and the Fund's latest strategic risk register. The Committee would be kept up to date on any changes/developments to the risks.

Following a question from Malcolm Cantello (Unison), in regard to cyber security and the audit plan the Head of Audit, advised the Committee that an internal audit on cyber security had been completed as part of the 2020 -2021 programme of work. The Head of Operations confirmed to the Committee that Internal Audit had conducted a review of the Fund's cyber security and that details of the outcome were scheduled for presentation at the next Committee meeting.

Resolved:

1. That the Internal audit plan for 2021 - 2022 be noted.

16 **Quarterly Investment Report to 31 December 2020 and Investment Strategy Statement Review 2021**

The Assistant Director - Investment Strategy presented the report on the 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).

The Committee were advised that the main Fund's assets had delivered a positive return of 6.0% in the latest quarter, therefore achieving a total return of 6.8% for 2020.

The Committee were advised that minor changes were proposed to be made to the Investments Strategy Statement (ISS) following its annual review and that these changes were detailed in the report.

Following a question from Malcolm Cantello (Unison), about the levels of cash held by the Fund, the Assistant Director - Investment Strategy advised that the Fund would start to see a decrease over the next couple of months following recent allocations, but a level of cash would be required to be held by the Fund and this would be monitored and managed closer to the target weight as those commitments were drawn down over time.

Resolved:

1. That the completion of the annual review of the WMPF's Investment Strategy Statement (ISS), with only very minor changes proposed, be approved.
2. That the global market and investment update paper prepared by the Fund's Investment Consultant, Redington, be noted.
3. That the Asset Allocation and Performance Reporting for the West Midlands Pension Fund (WMPF), Main Fund and Admitted Body Sub Funds, be noted.

17 **Responsible Investment Activities**

The Director of Pensions presented the report on the work undertaken in relation to responsible investment activities since the last Pensions Committee meeting.

The Committee were advised that Rachael Lem, had been appointed as a Responsible Investment Officer within the Fund and would provide the Committee with updates moving forward. The Committee were advised that MHCLG looked to follow the Department for Work and Pensions (DWP) guidance published on the climate risk reporting and governance regulations for pension funds in January 2021. The Fund has responded to DWP consultations and is participating in discussion on this these may apply to the LGPS, with further consideration of the Fund approach to be reviewed following publication of MHCLG proposed changes to LGPS regulations and consultation.

The Committee were advised that the Responsible Investment Framework had been reviewed and updated to reflect the regulation changes that have occurred since its last review.

Following a question from Malcolm Cantello (Unison), the Director of Pensions advised the Committee that human rights had been included within one of the four engagement themes. It was agreed that details on company pledges and their progress would be included as and when received in future Committee reports.

Following a query from Councillor Bally Singh, the Director of Pensions advised that all correspondence received would be responded to and information would be sign posted accordingly.

Resolved:

1. That the Responsible Investment Framework March 2021 (Appendix A) be approved.
2. That the Fund's engagement and voting activity for the three months ending 31 December 2021 (Appendices B and C) be noted.
3. That the issues discussed by LAPFF are set out in the Quarterly Engagement Report which is available on the LAPFF website be noted:
https://lapfforum.org/wpcontent/uploads/2021/01/LAPFF_QER4_2020_final.pdf

18 **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.

19 **Investment Strategy and Activity Update**

The Assistant Director - Investment Strategy presented the report on the investment strategy and activity over the quarter.

Resolved:

1. That the update on the development and implementation of investment strategies for the main Pension Fund and Admitted Body Sub Funds be noted.
2. That the product developments and planned transitions to the LGPS Central pool be noted.

20 **LGPS Central Pool Shareholder Update**

The Director of Pensions presented the report on the matters considered and presented to Shareholders at the LGPS Central Limited General Meeting on 10 February 2021 and the company and pool progress.

The Committee were advised that further dialogue on the outcome measures for the six focus areas and potential for operational efficiencies was planned ahead of the Company AGM in September 2021.

Resolved:

1. That the Director's update on Shareholder business relating to LGPS Central Limited be noted.
2. That the Shareholder approval of the Company's 2021 - 2022 business plan and budget be noted.

21 **Procurement Programme**

The Head of Operations presented the report on the programme of work to procure key systems and professional services / advisors.

Resolved:

1. That the status of the programme of procurement activities currently being undertaken by the Fund, which would see the review and appointment of a number of key providers and advisers to the Fund over the next 12 months, be noted.
2. That the work of the Fund in supporting the development of the National LGPS Frameworks, in particular the establishment of the Custodian Framework; the on-going review of the Actuarial and Benefits Consultancy Framework and the upcoming review of the Stewardship Framework, be noted.

22 **Cyber Security**

The Head of Operations presented the report on the Fund's Cyber Security Strategy and the activity undertaken in 2020 - 2021 in relation to protect the Fund's data and assets against cybercrime.

It was noted that the City of Wolverhampton Council's ICTS provided the services and support to the Fund. They provided the Fund with an annual assurance report on any activity undertaken and any concerns/risks were incorporated into the Committee reports.

Resolved:

1. That the Fund's Cyber Security Strategy 2021- 2022 be approved.
2. That the work undertaken in 2020 - 2021 by the City of Wolverhampton Council as the Fund's ICTS provider be noted.

23

Guaranteed Minimum Pension Reconciliation

The Assistant Director – Pensions presented the report on the rectification of members' pensions in payment following the reconciliation of members contracted records held by HM Revenue and Customs (HMRC) with the member data held on the Fund's pension administration system.

Resolved:

1. That proposals to reduce pensions identified as overpaid, with no recovery of overpayments be approved.
2. That proposals to increase pensions identified as underpaid, with payment of arrears with interest be approved.
3. That proposals to apply a minimum threshold of change for review of GMP records be approved.
4. That delegation to the Director of Pensions to review individual cases where a broader review of circumstances may be required prior to change of pension in payment be approved.
5. That the action taken by the Fund on GMP rectification be noted.

CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 23 June 2021
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Report title	Pensions Committee Annual Governance	
Originating service	Pension Services	
Accountable employee	Rachel Howe Tel: Email:	Head of Governance & Corporate Services 01902 55 2091 Rachel.Howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel: Email:	Director of Pensions 01902 55 1715 Rachel.Brothwood@wolverhampton.gov.uk

Recommendations for action or decision:

The Pensions Committee is recommended to:

1. Approve the revised Terms of Reference for the Pensions Committee.
2. Confirm the re-appointment of the Unite and Unison Trade Union representatives and the appointment of the GMB representative to the Committee for the municipal year 2021/2022:
 - Martin Clift and Ian Smith – Unite
 - Malcolm Cantello – Unison
 - Janice Wadrup – GMB
3. Approve the revised Training Policy developed for members of the Fund's governing bodies.

Recommendation for noting:

The Pensions Committee is asked to:

1. Note the following dates and time of the meetings of the Pensions Committee:

Pensions Committee – 10am
29 September 2021
15 December 2021
30 March 2022

1.0 Purpose

- 1.1 To seek approval for the Annual Governance matters of Pensions Committee, ensuring effective due diligence in decision making through regular review of delegated powers, terms of reference and the continued engagement of the Fund's stakeholders on its governing bodies.

2.0 Pensions Committee Terms of Reference

- 2.1 In accordance with best practice, the Fund, in conjunction with the Chair of Committee, has reviewed the terms of reference for Pensions Committee to ensure they remain effective, and compliant with the changing regulatory environment in which the Fund operates. The terms of reference have been drafted to effect efficient decision making with transparent accountability to the Fund's stakeholders.
- 2.2 In consideration of the changing environment in which the Fund operates, and noting the potential changes which may bear out from national review (such as the introduction of the Pensions Regulators Singular Code of Practice, the Scheme Advisory Board's Good Governance Review and forthcoming changes to the CIPFA knowledge and skills requirements), the Terms of Reference have been developed and expanded to ensure such regulatory changes are incorporated and clearly referenced in the Council's constitution, however it is noted that these elements are still under consultation and may require further changes once formally effected (with statutory guidance) later in the year.
- 2.3 The draft revised terms of reference are presented at Appendix A; changes include increasing the minimum quorum to nine voting members to ensure political balance and representation from all participants as outlined in the proposed representation policy.

3.0 Appointment of Trades Union observer representatives

- 3.1 Trade Union member representatives are invited to sit on the Committee to represent the Pension Fund members. Trade Unions Representatives are invited observers, they may participate in debate, but hold no voting rights on the matters presented.
- 3.2 Following receipt of nominations from the Trades Unions, the Committee is asked to;
- confirm the reappointment of the following Trade Union observer representatives to the Pensions Committee for the 2020/2021 Municipal Year:
 - Martin Clift and Ian Smith – Unite
 - Malcolm Cantello – Unison
 - confirm the appointment of Janice Wadrup to the vacant Trade Union representative seat following nomination from the GMB Union.

4.0 Governing Bodies Training Policy

- 4.1 The West Midlands Pension Fund believes a well governed scheme is led from the top, by its governing bodies and decision makers. To support the members of those bodies in their roles, equipping them with the knowledge and understanding of relevant issues the Fund has established a formal training policy which details the minimum requirements expected of governing body members to support and enable policy decision and oversight of implementation, where delegated.
- 4.2 The Pensions Regulator (tPR) have released a draft singular code of practice which include knowledge and skills expectations for members of Pensions and Committee. In addition, the Scheme Advisory Board's Good Governance Review has recommended that knowledge and understanding requirements apply to all LGPS decision-making bodies (previously requirements only applied to the Local Pension Board). The Fund has developed its training policy in accordance with these requirements.
- 4.3 In addition, members are advised to note that the Chartered Institute of Public Finance and Accountancy (CIPFA) are currently in the process of reviewing their Knowledge and Skills Framework, the Fund has provided input for this review through the CIPFA Pensions Panel and will continue to update and enhance its policies in accordance with any new requirements.
- 4.4 Recognising the importance of training in the developing landscape of the Scheme, the Fund have included details on the training requirements of the Governing Bodies within its Governance Compliance Statement. The Fund reviews its training policy on an annual basis to ensure it remains compliant with best practice and delivers a comprehensive suite of opportunities for the Committee (and the Local Pensions Board) to develop knowledge and understanding. Outlined in the Scheme Advisory Board's Good Governance Review is also a recommended requirement for funds to report Senior Officer training, this will be built into the Fund's annual reporting as this requirement becomes effective during the year.
- 4.5 Committee are asked to consider and approve the training policy, included at Appendix B.

5.0 Dates and times of meetings for 2021/2022

- 5.1 The Committee are asked to note the following dates and times of meetings of the Committee for the remainder of the current Municipal Year:

Pensions Committee – 10am

29 September 2021

15 December 2021

30 March 2022

5.2 The Local Pensions Board also meet four times a year, meetings continue to be held two to four weeks after Pensions Committee, when outcomes from the Committee, together with any matters the Committee would like the Board to consider are raised. Any points raised by the Board for consideration by the Committee will be reported to the Committee for consideration no later than the next scheduled Committee meeting.

6.0 Financial implications

6.1 The Fund have established a budget for Governing Body training which is reported on and monitored in accordance with Fund procedures.

7.0 Legal implications

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

8.0 Equalities implications

8.1 All Fund policies are subject to an equalities impact assessment, undertaken by Fund's Equalities, Diversity and Inclusion Opportunity group.

9.0 All other implications

9.1 There are no other direct implications.

10.0 Schedule of background papers

10.1 [The Pensions Regulator Singular Code of Practice Consultation](#)

10.2 [Scheme Advisory Board – Good Governance Review – Phase 3 Report](#)

11.0 Schedule of appendices

11.1 Appendix A: Pensions Committee Terms of Reference

11.2 Appendix B: Governing Bodies Training Policy

Delegations to the Pensions Committee

DELEGATIONS TO THE PENSION COMMITTEE

- To exercise all those functions of City of Wolverhampton Council which are required to be performed by it in its role as Administering Authority for the Local Government Pension Scheme under the Public Service Pensions Act 2013 (and any associated legislation) adhering to the principles required by Statutory Guidance and the Code of Practice issued by the Pensions Regulator.
- Under Section 4 of the Public Service Pensions Act 2013 the Scheme Manager for the Administering Authority shall be the City of Wolverhampton Council's Pensions Committee. ~~The Administering Authority shall at Full Council every year approve the delegation of Scheme Manager under Section 101 of the Local Government Act 1972 to the Pensions Committee and appoint representatives to sit on the Committee for that year.~~
- To exercise all the general powers and duties of the Council granted to the Cabinet and Cabinet Panels and Regulatory or other Committees provided that those parts of the Council's Financial Procedure Rules and Contracts Procedure Rules which relate to the acquisition and disposal of land, Fund Investment transactions, custody of assets, appointment of advisors and approval of expenditure and their related activities, shall not apply in relation to ~~such acquisitions and disposals and expenditure in connection with the~~ West Midlands Pension Fund.
- The Council's financial procedure rules, contract procedure rules and internal financial limits concerning procurement do not relate to the Pensions Committee who, by delegation from Council, has authority to enter into contracts, procure services, purchase goods and manage financial investment through the internal controls of the West Midlands Pension Fund and in compliance with all applicable legislation.
- To ensure that consideration is given to the impact which the Committee's policies and provision of services have with regard to environmental matters. Provided such considerations are in line with the duty of the Pension Committee, as Scheme Manager, to manage investments in accordance with fiduciary duty and the overall duty to secure investment returns.
- The Pensions Committee may call upon the Local Pensions Board to seek assistance on matters to be discussed at the committee meeting. Where such assistance is sought it must be considered as part of the decision-making process.
- Any reference within the Council's constitution that refers to Council or Cabinet and includes powers relevant to the work of the Pensions Committee should be

read to include Pensions Committee, including the setting of the Budget and Policy framework of the **West Midlands Pension Fund**.

TERMS OF REFERENCE

- The Pensions Committee shall adhere to the Standing Orders of the City of Wolverhampton Council and all matters of due process so far as they do not conflict with the statutory duty of Scheme Managers.

MEMBERSHIP

- The membership of the Pensions Committee shall consist of **the following**;
- 10 City of Wolverhampton Council elected Councillors, ~~nominated by Full Council at the Annual Council Meeting in each year.~~
- ~~The Pensions Committee will invite, in each municipal year, one representative from each of the six district councils to sit as a member of Pensions Committee for that year.~~ **6** District representatives, one elected Councillor from each of the Metropolitan District Councils participating within the West Midlands Pension Fund. District council representatives **are invited to will sit** as full members of the committee with debate and voting rights on the matters presented.
- ~~In addition, the Pensions Committee will invite each municipal year, four~~ **4** Trade Union member representatives ~~to sit as observers to its committee meetings~~ **are invited** as observers from three main trade unions from across the region. Trade Union representatives are invited observers to the committee meetings, they may participate in debate but hold no voting rights on the matters presented.
- The quorum for a Committee meeting is ~~eight~~ **9** voting members.
- ~~Due to the statutory knowledge and capacity requirements, there will be no substitutions accepted to Pensions Committee.~~
- Should an elected Councillor no longer be a member of their Authority, their appointment on the Committee shall cease and a further nomination will be sought from that Authority.
- The Committee shall meet **on a formal basis** a minimum of 4 times a year **with additional informal meetings throughout the year as required.**
- ~~Councillors appointed to the Committee will be bound by their own authority's Code of Conduct when undertaking their public roles.~~ **Councillors sitting on the Pensions Committee do so as a representative of the West Midlands Pension Fund, taking decisions in the best interest of the Fund. Whilst politically balanced, the Committee meets on a non-political basis with all members meeting collectively in compliance with statutory duties as outlined in legislation and statutory guidance.**

- Trade Union representatives who observe committee meetings will adhere to the formal meeting process, and have regard to the Nolan Principles of Public Life ~~when in attendance~~ **and the expected behaviours for Governing Body members as set out by regulatory bodies.**
- Persons sitting on the Committee are expected to make themselves available to attend committee meetings. Persons who fail to attend three or more events (to include committees and training) ~~may be asked to leave~~ **removed from** the committee and a replacement sought from their nominating body, unless there are exceptional reasons for their failure to attend. Such reasons to be considered by the committee, **notably the Chair and Vice-Chair.**
- Persons sitting on the Committee are required to undertake training in line with the Scheme Manager's adopted training policy.
- Trade Union observers are invited to attend training session to assist in informing debate in committee meetings.

CHAIRING THE COMMITTEE

- ~~It will be the first business of the Committee at its annual meeting to receive nominations of a Chair and Vice Chair from Full Council who will sit for the term of one year.~~ **The Chair and the Vice Chair of the Committee will be appointed by Full Council at the Annual General Meeting.**
- In the event of a tie of votes, the Chair will have the casting vote.
- In the event the Chair is not present for the meeting, the Vice Chair will assume the role of the Chair for that meeting. Should neither the Chair or the Vice Chair be present, a Chair will be nominated from the Elected Members present at the meeting, providing always that the quorum for the meeting is met.

URGENT DECISIONS

- **The Chair, Vice Chair or nominated person in consultation with the Director of Pensions shall be able to exercise the powers of the Committee in any matter of immediate urgency which cannot wait until the next meeting. Decision made under this provision will be reported to the next available meeting of the Committee.**

DUTIES OF THE PENSION COMMITTEE

- To adhere to the principles set out in the Statutory Guidance and Codes of Practice issued by the Scheme Advisory Board and the Pensions Regulator and undertake its duties in compliance with the obligations imposed on it as Scheme Manager.
- **To approve the Fund's operational budget and receive reports on matters of staffing and employment where significant budget implications occur. To**

~~determine staffing structures, changes to vacant posts or the establishment of new posts and to receive reports on matters of staffing and employment of officers within the Fund where significant budget impacts occur. Always in consideration of their obligations from statutory guidance to ensure the Fund has adequate resource and skill to perform their duties.~~

- To communicate with **represent the views of** members of the Fund-keeping accurate records and publishing information as required about the Fund and its **work in the management and administration of the Fund.**
- To ensure that equality issues are addressed in the development of policies and the provision of services and are appropriately monitored.
- To determine the ~~asset allocation~~ investment strategy **and supporting responsible investment policy and framework** of the Fund in consideration of the long-term liabilities and duties to pay pension benefits.
- To monitor investment activity and the performance of the Fund's investments. To take independent and specialist advice on matters to be determined, including advice from Senior Officers of the Fund, adhering to the advice given when taking decisions.
- To ~~provide independent assurance to members of the Fund of the adequacy of the~~ **ensure effective operational and financial** risk management framework and ~~the associated control environment, responsible for the Fund's financial and non-financial performance to the extent that it affects the Fund's exposure to risk.~~ and to receive reports on actions identified in the Fund's internal control framework.
- Reviewing and adopting the statutory policies of the Fund, **in accordance with the Fund's policy framework.** including the;
 - ~~Investment Strategy Statement~~
 - ~~Funding Strategy Statement~~
 - ~~Administration Policy (Discretions)~~
 - ~~Pension Administration Strategy~~
 - ~~Governance Assurance Statement~~
 - ~~Communication and Customer Engagement Strategy~~
- On an annual basis to receive and approve the Annual Report and Accounts.

INVESTMENT POOLING

- To select, appoint and dismiss an investment pool operator ~~to manage the collective investment of assets~~ in line with Statutory Requirements.
- **To include provisions for investment pooling in the Fund's Investment Strategy Statement.**

- ~~To nominate on an annual basis the representative on the Joint Committee of the investment pool operator~~
- ~~Ensuring that appropriate measures are in place to monitor and report on the ongoing costs of investment pooling as they apply to West Midlands.~~
- ~~Ensuring the responsible investment, corporate governance and voting policies of the Fund are delivered effectively both in the Fund's direct/indirect investments and those collectively invested in the pool.~~

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Governing Bodies Training Policy

Scope

The Fund is required by law (section 248a of the Public Service Pensions Act 2013), and statutory guidance (Pensions Regulator's Code of Practice and Scheme Advisory Board Statutory Guidance), to ensure that members of its Governing Bodies (the Pensions Committee and the Local Pensions Board), have an appropriate level of knowledge and understanding, to undertake the roles and functions of the positions they have been appointed to.

As such, this policy applies to individuals appointed to both the West Midlands Pension Fund's Local Pensions Board and the Pensions Committee as outlined in their terms of reference.

Background

Individuals appointed to the Local Pensions Board or Pensions Committee must be conversant with:

- the rules of the scheme, and
- any document recording policy about the administration of West Midlands Pension Fund which is for the time being adopted in relation to the scheme.

In addition, individuals must have knowledge and understanding of:

- the law relating to pensions, and
- any other matters which are prescribed in regulations and statutory guidance.

The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of the role that they have been appointed to. Individuals are required to invest sufficient time in their learning and development in order to meet required standards relating to knowledge and understanding. These standards are applicable from appointment and apply to both individuals and the Pensions Committee and the Local Pensions Board as a whole. However, the Fund acknowledges that individuals are not expected to become technical experts, and levels of knowledge will vary depending on experience. Governing Body members should have the ability to interpret and challenge the information provided by Fund Officers and contribute effectively to discussions and decisions made.

The aim of this policy is to:

- Outline the duties and responsibilities of persons appointed to the Pensions Committee or Local Pensions Board in relation to knowledge and understanding

- Outline how the Fund complies with meeting statutory expectations on knowledge and understanding through a tailored and structured programme of knowledge development
- Assist individuals in meeting these requirements through an effectively managed programme of development.

In conjunction with this policy, the Fund has established an annual training plan linked to both CIPFA's Knowledge and Skills Framework and the items considered as key, as outlined by the Pensions Regulator's Code of Practice.

Implementation

Upon appointment, members of the Pensions Committee and Local Pensions Board will be provided with a Governing Body handbook, outlining the statutory elements of their role and highlighting information they are required to be conversant with. They will be invited to attend an in-house induction training session facilitated by Fund Officers which will provide an overview of their role and responsibilities (including those related to training) together with details of key policies and current issues.

An annual training plan will be produced by Fund Officers, linked to both CIPFA's Knowledge and Skills Framework and the items outlined in the Pensions Regulator's Code of Practice, to ensure that training is delivered effectively and focusses on key knowledge areas. Regular opportunities will be provided for members to feedback on the training programme and highlight individual training needs to identify gaps in knowledge, areas for further development and to take into account any changes to regulation, together with individual's own self-assessment of their knowledge and understanding of the issues they are being asked to consider at their regular meetings.

Members of the Pensions Committee and Local Pensions Board are requested to commit to undertaking minimum training requirements annually, in order to fulfil knowledge and understanding requirements.

Training will include a mixture of face to face, independent learning, briefing notes with regular opportunities to engage and to network with colleagues and counterparts from other LGPS Funds, as well as through independent reading. Further support will be available through the facilitation of regular training sessions, and the production of briefing notes providing updates, key issues and Fund developments.

Where training is being delivered on specialist topics the Fund may invite external stakeholders and experts to deliver sessions where appropriate.

Reporting

The Fund will maintain appropriate records of all learning and development activities undertaken by individual members and the Pensions Committee and the Local Pensions Build as a whole. In accordance with statutory guidance and best practice this information (individual training hours) will be reported in both the Fund's Governance and Compliance statement, and Annual Report and Accounts with regular updates reported to the Chair of Pensions Committee and the Chair of the Local Pensions Board.

Support

To support members of the Pensions Committee and Local Pensions Board undertake their role, the Fund has an established Governance team who have responsibility for day-to-day engagement with members, offering support and information to help them achieve their training requirements.

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 23 June 2021
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Report title	Governance and Assurance	
Originating service	Pension Services	
Accountable employee	Rachel Howe	Head of Governance and Corporate Services
	Tel	01902 55 2091
	Email	Rachel.Howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 55 1715
	Email	Rachel.Brothwood@wolverhampton.gov.uk

Recommendations for decision:

The Pensions Committee is recommended to approve:

1. The Governance and Compliance Statement.
2. The Fund's Representation Policy.
3. Establishment of a Special Appointment Committee with membership to be agreed with the Chair and Vice Chair of the Pensions Committee, to support in the appointment of the Assistant Director of Investment and Stewardship to the Fund.

Recommendations for noting:

The Pensions 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 action taken to support service delivery.
4. Updates on potential regulatory changes and statutory guidance emerging from the LGPS and wider pensions industry.

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 Governance Compliance Statement and Representation Policy

- 2.1 In accordance with Local Government Pension Scheme Regulations the Fund is required to produce a Governance and Compliance Statement confirming its Governance arrangements, outlining the functions and responsibilities of its Governing Bodies (the Pensions Committee and the Local Pension Board). A copy of the Fund's Governance Compliance statement for 2021/2022 is attached at appendix A, the statement has been updated to reflect changes in governance arrangements.
- 2.2 Proposed changes to statutory guidance recommended by the Scheme Advisory Board's Good Governance review will require LGPS Fund's to publish a policy on representation of scheme members and non-administering authority employers on its Governing Bodies (the Pensions Committee and the Local Pensions Board). To demonstrate its commitment to Good Governance the Fund have established a Representation Policy alongside the review of its Governance and Compliance Statement and the delegations to its Governing Bodies, the Fund's Representation Policy is attached for approval at appendix B.

3.0 Special Appointments Committee

- 3.1 In line with the City of Wolverhampton Council's Constitution, an appointments committee is required and will be established on a representative and politically balanced basis, to support with the appointment to the post of Assistant Director - Investment and Stewardship. The role is currently being advertised following a vacancy emerging in January 2021 and review of the future requirements for the role. Applications forthcoming will be reviewed to create a long list in late June, shortlist during early July and, subject to suitable applications and shortlisting, final interview is proposed with the appointments committee before the summer recess.
- 3.2 Subject to finalising arrangements with the Chair and Vice Chair, the committee will comprise of the Chair and Vice Chair, together with up to five other Pensions Committee members, including district and trade union representatives, advised by the Director of Pensions and HR Business Partner. A report, updating on progress, will be provided to the full Pensions Committee in September 2021.

4.0 Risk Management

4.1 Strategic Risk Register

- 4.1.1 The Fund continues to evolve its Risk Management practices to ensure effective management and mitigation of risk, both operational, financial and potential risk on the horizon which may arise from statutory change.
- 4.1.2 In line with its Risk Management framework, the Fund holds operational risk maps for each service area, each map is owned by individual Senior Managers and is bespoke to the risks and impacts of that service area. While risks may be cross functional across all service areas and therefore repeated in operational risk maps (resourcing being one) the effect of that risk and the impact is individual to each with each having individual mitigants to manage the impact.
- 4.1.3 From this, themes have been identified which are compiled on the attached strategic risk register. This is where there is overlap of risks across service areas, with the highest rating of risk from the risk maps (noted in the risk ID column) leading the rating on the strategic risk register. As the risks are now themed, the register also notes the current driver for that risk which represents the current area of concern. It is anticipated that the themes of risk on this strategic register will not change however there will be varying drivers throughout the year that may change the rating on the theme.
- 4.1.4 This approach makes the management of risk much more live and means that over the course of the year, the movement of risk will be reflective of the environment in any reporting period.
- 4.1.5 The Strategic Risk Register is attached at Appendix C. This quarter, focus remains on the changing regulatory environment, the Fund's ability to resource and recruit key roles with some senior roles being advertised at this time.

5.0 Compliance Monitoring

5.1 Data Protection

This quarter the Fund is reporting nine data breaches, an increase of four since the previous quarter, the Governance team have attributed this rise to the recently re-issued annual data-protection training which has heightened awareness amongst our colleagues. This is a comparative trend each year with the launch of annual training. All of the breaches were minor and involved minimal amounts of data with the majority raising concerns rather than true breaches. This reporting is welcomed as it supports good data management and affords pre-emptive action prior to a formal breach occurring. The Governance Team continue to identify actions in order to improve procedures and prevent further instances, and work with colleagues across operational teams to enhance data management processes.

5.2 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.

5.3 Subject Access Requests (SARs)

This quarter the Fund has received four Subject Access Request, an increase of one since the previous quarter. In addition, seven third party requests for member information have also been received. As reported previously, the majority of third-party requests for information were received from claims companies seeking information in connection with a member's decision to transfer out their pension to another provider.

5.4 Cyber Risk Management

Following the recent report to Committee at the March meeting, the Fund continues to develop its programme of activity to ensure effective management of Cyber risk. As part of this the Fund has taken part in an independent assessment by consultants AON, alongside other Funds to measure the controls and activities in place to manage cyber risk. The initial report received shows that the Fund scored higher than the average of the other local government Funds, in particular around the areas of governance, technology, member data and dealing with members. Since undertaking this assessment the Fund has implemented a number of additional activities to further increase this score.

6.0 Key Performance Indicators

6.1 Attached at Appendix D are the Fund's Key Performance Indicators at the year-end which note a continued upward trend in operational and workload performance indicators at quarter four, this is despite the increase in work volumes over the three months leading to the year end, the majority of KPI's remain either within or close to target.

6.2 Attached at Appendix E is an overview of performance year on year, this shows that on the whole performance is in line with last year and that KPI's remain on target despite the current environment in which the Fund continue to operate as a result of the Covid-19 pandemic. The Fund has seen a drop in performance for the timely completion of IDRPs cases, however this is due to factors outside of Fund control where delay has occurred in the receiving of medical reports, attributable to the current Covid environment.

7.0 Regulator Activity

7.1. The Pensions Regulators (TPR) Single Code of Practice

7.1.1 TPR released their consultation on the single code of practice during April, as previously reported, TPR are reviewing their 15 codes with the intention of creating one single code of practice. The Fund have responded to the consultation and a copy of the Fund's response is available on the website. Details of the TPR's response will be reported to a

future meeting of the Pensions Committee, along with details of the work being undertaken by the Fund in respect of preparation for the introduction of the single code of practice.

7.2 TPR Corporate Plan

7.2.1 TPR have released their three year Corporate Plan, the plan outlines the regulator's priorities for the next three years which have been linked to five strategic priorities; Security, Value for Money, Scrutiny of decision making, embracing innovation and bold and effective regulation, these themes run through the goals and ambitions set out in the Fund's Corporate Plan, presented to Committee at its meeting in March.

8.0 Financial implications

8.1 Poor management of the Fund's data, financial information and assets can result in additional costs and detract from investment returns. Effective monitoring of the management arrangements, facilitated by timely disclosure of information, is required to ensure the Fund is well placed to ensure the delivery of its administration, funding and investment strategy.

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

9.0 Legal implications

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

10.0 Equalities implications

10.1 There are no implications

11.0 Other Potential implications

11.1 There are no other potential implications

12.0 Schedule of background papers

12.1 [Fund's Corporate Plan 2021-2026](#)

12.2 [TPR Single Code](#)

12.3 [TPR Corporate Plan](#)

13.0 Schedule of appendices

13.1 Appendix A: Governance and Compliance Statement

13.2 Appendix B: Representation Policy

13.3 Appendix C: Strategic Risk Register

13.4 Appendix D: KPI's Quarter Four

13.5 Appendix E: KPI's year on year



GOVERNANCE COMPLIANCE STATEMENT JUNE 2021



West Midlands Pension Fund

INTRODUCTION

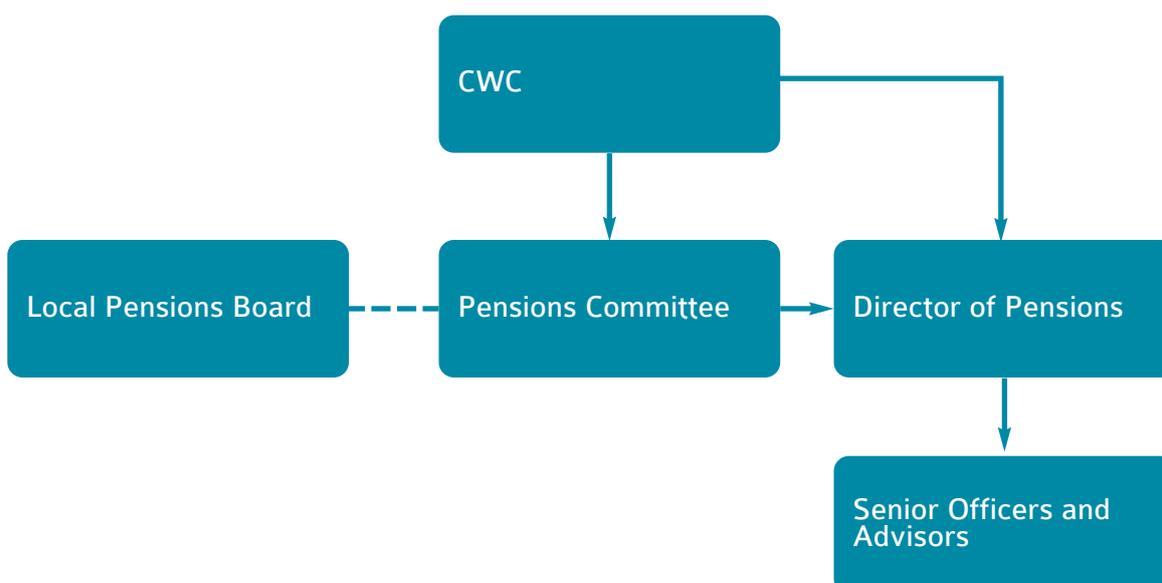
The Fund is required to publish a Governance and Compliance Statement under Regulation 55 of the Local Government Pension Scheme Regulations 2013 (as amended) and review that statement on an ongoing basis. This statement sets out the Fund's Governance Structure, scheme of delegation, and the terms of reference for its Governing Bodies, the Pensions Committee and the Local Pensions Board.

RELATIONSHIP WITH THE ADMINISTERING AUTHORITY – THE CITY OF WOLVERHAMPTON COUNCIL

The City of Wolverhampton Council (CWC) is the Administering Authority for the West Midlands Pension Fund (the Fund) under the Local Government Pension Scheme Regulations 2013 and is the Scheme Manager as defined by Section 4 of the Public Service Pension Act 2013. CWC are required, by virtue of the statutory provisions in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 to manage the Pension Fund's assets and liabilities separately to those it holds to perform its functions as a local government authority and to carry out all other activities associated with the management and administration of the scheme, in accordance with legislation and statutory guidance for the benefit of its members, employers and other stakeholders.

GOVERNANCE STRUCTURE

Under its constitution and in accordance with Section 101 of the Local Government Act 1972 CWC have delegated responsibility for the management of the Fund to the Pensions Committee and the Director of Pensions. As required by the Public Service Pensions Act 2013, CWC have also established a Local Pensions Board to assist in the good governance of the scheme by ensuring compliance with legislation and statutory guidance. The Fund's Governance arrangements are outlined in the diagram below.



THE PENSIONS COMMITTEE

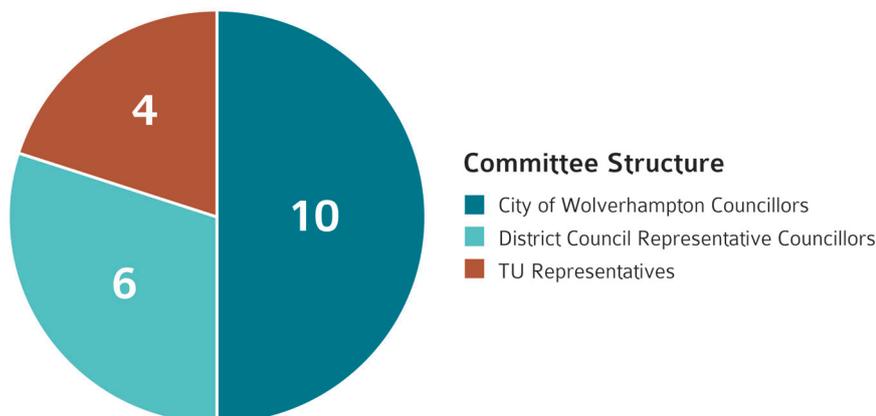
The Pensions Committee is responsible for exercising all of the functions that are required as an Administering Authority for a Local Government Pension Scheme under the Public Service Pensions Act 2013. Adhering to the principles required by Statutory Guidance, The Pensions Regulator's (TPR) Code of Practice and performing the duties set out in the Terms of Reference for the Pensions Committee as detailed in CWC's Constitution available on its website.

Members of the Pensions Committee are responsible for the Fund's activities, ensuring that the Fund is managed in the best interest of all its members, employers, and beneficiaries. This can sometimes mean that members may have to make decisions in a non-political context.

The key duties of the Pensions Committee as set out in the terms of reference are as follows:

- To exercise all those functions of City of Wolverhampton Council which are required to be performed by it in its role as Administering Authority for the Local Government Pension Scheme under the Public Service Pensions Act 2013 (and any associated legislation) adhering to the principles required by Statutory Guidance.
- To adhere to the principles set out in the Statutory Guidance and Codes of Practice issued by the Scheme Advisory Board and the Pensions Regulator and undertake its duties in compliance with the obligations imposed on it as Scheme Manager.
- To approve the Fund's operational budget and receive reports on matters of staffing and employment where significant budget implications occur.
- To represent the views of members in the management and administration of the Fund.
- To ensure that equality issues are addressed in the development of policies and the provision of services and are appropriately monitored.
- To determine the investment strategy and supporting responsible investment policy and framework of the Fund in consideration of the long-term liabilities and duties to pay pension benefits.
- To monitor investment activity and the performance of the Fund's investments. To take independent and specialist advice on matters to be determined, including advice from Senior Officers of the Fund, adhering to the advice given when taking decisions.
- To ensure effective operational and financial risk management and to receive reports on actions identified in the Fund's internal control framework.
- Reviewing and adopting the statutory policies of the Fund, in accordance with the Fund's policy framework.
- On an annual basis to receive and approve the Annual Report and Accounts

The membership of the Pensions Committee is detailed in the diagram below.



The 10 CWC Councillors and six District Councillors are all voting members of the Committee, whilst the four TU Representatives are invited to represent the Fund’s members as observers who can participate in debate but do not have voting rights. Further details about the Pension Committee Membership can be found in the Fund’s Representation Policy which is available on the Fund’s website. The Pensions Committee meet on a quarterly basis and are managed and operate as a Section 101 delegated Committee.

THE LOCAL PENSIONS BOARD

As required by the Public Service Pensions Act 2013, CWC as administering authority established the Local Pensions Board to assist in the good governance of the scheme by ensuring the Fund’s compliance with legislation and statutory guidance. The terms of reference for the Local Pensions Board are available on the Fund’s website.

The role the local Pensions Board is to assist in the good governance of the Local Government Pension Scheme through the monitoring of compliance with statutory regulation and guidance and to act as a representative both for and on behalf of the employer and member base ensuring effective governance and administration in the management and payment of pension benefits.

Pension Board members are non-political, they represent the Funds members and employers (not political group, trade union or individual employer) and must consider the Fund’s overriding objective, which is to pay members benefits when they fall due.

As detailed in the diagram below, the Pensions Board consists of 6 employer and 6 member representatives, 2 of which (one from each category) are CWC elected Councillors.



Each member of the Board has a right to vote on matters brought before it. The positions of Chair and Vice Chair are appointed to annually by vote of the membership, with a rotation of employer and member representatives each year. Further information with regards to representation on the Local Pensions Board can be found in the Representation Policy which is available on the Fund's website. Appointments to the Local Pensions Board are made in accordance with the Fund's Local Pensions Board Appointments process which is also available on the website. In line with Pensions Committee, the Board also meet on a quarterly basis.

The Board establishes an annual programme of work focused on the Fund's governance and administration processes, monitoring the Fund's compliance with statutory and regulatory guidance and working with officers to ensure the highest standards are met. The workplan covers the broad range of functions undertaken by the Fund including data management, financial management, funding policy and investment governance and stewardship. A report on the work of the Pensions Board is provided to the Pensions Committee on an annual basis.

INVESTMENT POOLING

ROLE OF INDIVIDUAL ADMINISTERING AUTHORITY

In compliance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the West Midlands Pension Fund has outlined its approach to investment pooling in its Investment Strategy Statement. Working collectively with Partner Funds, the West Midlands Pension Fund created and owns LGPS Central Limited, an FCA regulated company responsible for product development and offerings to the 8 Administering Authorities as its clients.

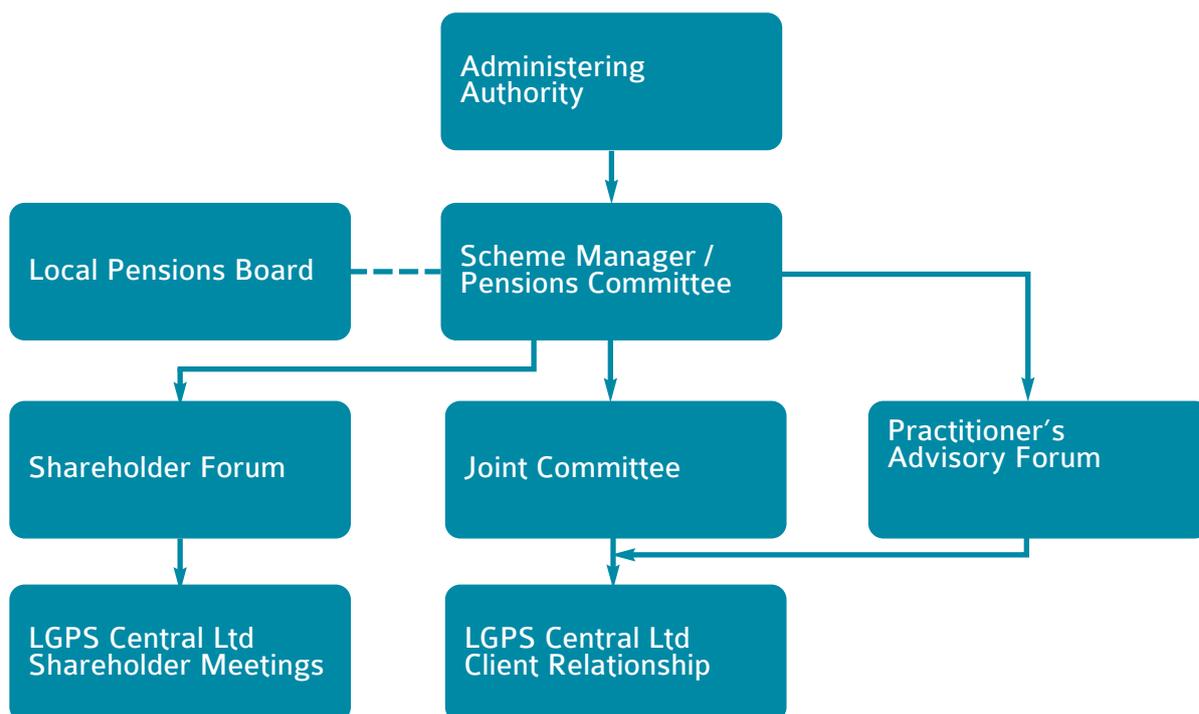
In conjunction with its Partner Funds, West Midlands Pension Funds takes 2 roles in this structure:

- **Role as Shareholder**

To oversee, challenge and ensure the company's goals, ambitions and overall performance achieve the objectives set out in its annual business plan (including the budget), ensuring such business plan is fit for purpose in the context of its customers, their needs and ambitions, including the creation and delivery of products which meet those needs.

- **Role as Client/Customer**

To receive services (under agreement) and to manage the performance of that agreement in line with contract management processes.



DIRECTOR OF PENSIONS

In accordance with Section 101 of the Local Government Act responsibility for the day to day administration, and investment management for the Fund within the policy's and strategies agreed by the Pensions Committee is delegated to the Director of Pensions.

The Director of Pensions has lead responsibility for the West Midlands Pension Fund in accordance with the statutory provisions imposed on Administering Authorities who hold a Local Government Pension Scheme function, as governed by the Public Service Pensions Act 2013 (and associated legislation). The delegations to the Director of Pensions are reviewed on annual basis by the Pensions Committee to ensure ongoing compliance with regulation and statutory guidance. The full delegations to the Director of Pensions are available in CWC's constitution.

The Director of Pensions may authorise Senior officers from within the Fund to exercise on their behalf the functions delegated to them. Any decisions taken under this authority shall remain the responsibility of the Director of Pensions who shall remain accountable and responsible for such decisions.

ACCOUNTABILITY AND PUBLICATION OF INFORMATION

Details of Pensions Committee and Local Pension Board meetings, including minutes agendas and reports presented are publicly available on the Administering Authority's website. Members of the Local Pensions Board have full access to the information presented to the Pensions Committee and visa-versa.

Meetings of the Pensions Committee are open to members of the public.

The Pensions Board workplan is published on the Fund's website and a report on the work of the Pensions Board is presented annually to the Pensions Committee, this report is published on CWC's website.

The Fund prepares and publishes a Corporate Plan and an Annual Pension Fund Report and Accounts detailing Fund activities and performance during the year. The Annual Report includes details of the training records for members of the Fund's Governing Body's (The Pensions Committee and Local Pensions Board), with copies available on the Fund website.

GOVERNING BODY KNOWLEDGE AND SKILLS

The Fund is required by law (section 248a of the Public Service Pensions Act 2013), and statutory guidance (Pensions Regulator's Code of Practice and Scheme Advisory Board Statutory Guidance), to ensure that members of its Governing Body's (the Pensions Committee and the Local Pensions Board), have an appropriate level of knowledge and understanding, to undertake the roles and functions of the positions they have been appointed to.

The Fund have established a Governing Bodies training policy which is available on its website, the policy sets out the Fund's approach to supporting Governing Body members to meet statutory expectations with regards to knowledge and understanding through a tailored and structured training programme and evidencing compliance with these expectations.

GOVERNING BODY CONFLICTS OF INTEREST

A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's ability to undertake the functions of the role they have been appointed to. A conflict could arise where an individual has been appointed to a Governing Body (the Pensions Committee or Local Pensions Board) who at the same time has a separate personal interest or responsibility (financial or otherwise) in a matter being discussed. The Fund have established a Conflicts of Interest policy that sets out its approach to identifying, monitoring, and managing conflicts which is available on its website. Members of the Pensions Committee and Local Pensions report are required to complete annual declarations of interest and the Fund maintain a register of interest declared. Declaration of Interests is also a standing agenda item at all meetings of both The Pensions Committee and the Local Pensions Board. In addition, elected members are expected to follow the policies agreed by their Local Authority, including the relevant Councillor Code of Conduct.

COMPLIANCE STATEMENT

The Fund fully complies with the best practice guidelines on governance, issued by the Ministry of Housing, Communities and Local Government (MHCLG), for details see the table below.

Principle	Fully Compliant
A – Structure	
The Management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council.	✓
That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	✓
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	✓
That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	✓

Principle	Fully Compliant
B – Representation	
<p>That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee (the Local Pensions Board) structure. These include;</p> <ul style="list-style-type: none"> • Employing authorities (including non-scheme employers (e.g. admitted bodies)) • Scheme members (including deferred and pensioner scheme members) • Independent professional observers • Expert advisers 	✓
<p>That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights.</p>	✓
Selection and role of lay members	
Principle	Fully Compliant
<p>That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee</p>	✓
<p>That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda</p>	✓
Voting	
<p>The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees</p>	✓

Training/Facility Time/Expenses	Fully Compliant
That in relation to the way in which statutory and related decisions are taken by the Administering Authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process	✓
That where such a policy exists, it applies equally to all members of committees, sub- committees, advisory panels or any other form or secondary forum	✓
Meetings	
That the Administering Authority's main committee or committees meet at least quarterly.	✓
That an Administering Authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	✓
That Administering Authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders be represented	✓
Access	
That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	✓
Scope	
That administering authorities have taken steps to bring the wider scheme issues within the scope of their governance arrangements.	✓
Publicity	
That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	✓

Version	Author	Document Title	Approved By	Approval Date	Next Review
1	Rachel Howe	Governance and Compliance Statement 2020	Pensions Committee	25 March 2020	March 2021
2	Hayley Reid	Governance and Compliance Statement 2021			

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Representation Policy

Background

In accordance with best practice the Fund has established a policy on representation of scheme members and non-administering authority employers on its Governing Bodies (Pensions Committee and the Local Pensions Board) detailing its approach to representation and voting rights for each party.

Pensions Committee

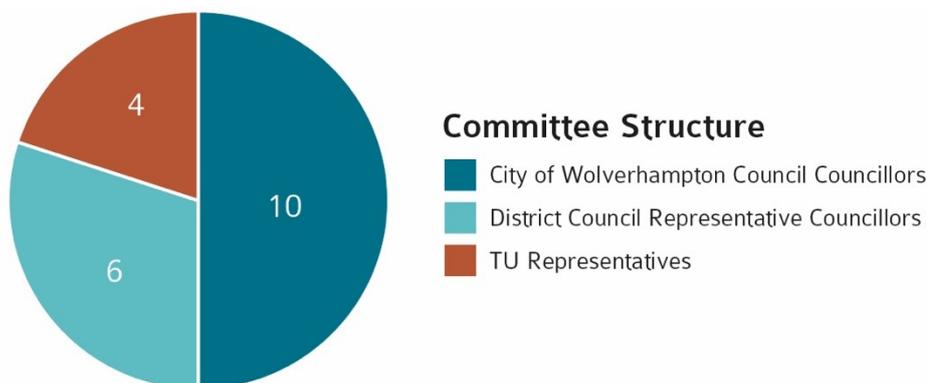
The City of Wolverhampton Council's Pensions Committee have delegated responsibility to undertake the role of the Scheme Manager in accordance with Section 4 of the Public Service Pensions Act 2013.

The Committee is responsible for; exercising all of the functions that are required as an Administering Authority for a Local Government Pension Scheme under the Public Service Pensions Act 2013, adhering to the principles required by Statutory Guidance, The Pensions Regulators (tPR) Code of Practice and performing the duties set out in the Terms of Reference for the Pensions Committee as detailed in the Administering Authority's Constitution [available, on it's website.](#)

Members of the Pensions Committee are accountable for all the Fund's activities and are responsible for ensuring that the Fund is managed in the best interest of all its employer's, member's and beneficiaries (employees of the public sector within the West Midlands region).

The membership of the Pensions Committee consists of;

- Ten City of Wolverhampton Council elected members who are nominated by the Full Council at the Annual Council Meeting. The Chair and Vice Chair of the Committee are appointed annually from these members by Full Council.
- Six District Council elected members, one representative from each of the six districts within the Fund (Birmingham City Council, Dudley MBC, Coventry City Council, Sandwell MBC, Solihull MBC and Walsall MBC).
- Four Trade Union 'member representatives' invited from the three main trade unions of the Administering Authority and nominated by their respective Union.



Elected members sit as full members of the Committee with debating and voting rights on all matters presented. Trade Union representatives are invited to sit on the Pensions Committee as observers on behalf of pension scheme members. Therefore, they may participate in debate and have the same access to papers, meetings and training opportunities but hold no voting rights. Trade Union representatives are invited to participate in training events in order to assist in informing debate.

The quorum for the Pensions committee is nine, this is to ensure that the committee remains politically balanced with best endeavours to ensure at least one District Council representative at each meeting to ensure adequate representation. Trade Union representatives do not count towards quorum however, every effort is made to ensure at least one individual is in attendance for each meeting.

Pensions Board

In accordance with Section 5 of the Public Service Pensions Act 2013 and under regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended), the Fund have established the West Midlands Local Pension Board (The Board). The role of the Board is to assist in the good governance of the scheme through the monitoring of Fund performance.

The Pensions Board has 12 members, six employer representatives and six members representatives and is structured as follows;

- Five Employer Representatives, five officer seats, from each of the category of employers within the Fund.
- Five member representatives invited from three main trade unions of the Administering Authority, the number of seats for each trade union are based on the membership from the administering authority. Trade Union members are nominated by their respective union.
- Two elected member seats, one employer representative and one member representative selected by the Administering Authority at the Full Council meeting at the beginning of each municipal year. In line with statutory provisions, an elected Councillor who sits on pensions board, cannot also sit on the Pensions Committee and must be a member or employer representative.

Each member of the Board has a right to vote on matters brought before it. The nominations to Chair and Vice Chair are appointed to annually, with a rotation of employer and member representatives each year.



The Fund has established a Local Pensions Board appointments process, [available here](#) which details its approach to appointing members of the Board, brief details are outlined below:

- The Fund seeks nominations to two of its seats, one employer and one member annually at the start of each democratic year.
- The process for selecting which seats are up for nomination is determined at the Board meeting in January and should be instigated as follows;
 - Members who have been unable to adhere to their responsibilities with regards to attendance and training.
 - Vacant seats (including vacancies which may arise before the end of the year)
 - Rotation based on length of service, one from each group.
- This process allows for natural movement within the Board whilst retaining knowledge and experience.
- As detailed above, member representative nominations are invited from the three main trade unions at the administering authority.
- Employer nominations are invited through communication with the Fund's employer base, following formal advert and recruitment to the Fund's employer contacts. The Fund endeavours to ensure it has representation across the different employer types within including education authorities, local authorities scheduled bodies and admitted bodies.
- In accordance with the appointments policy an appointments panel is convened to agree nominations.

Wider Representation

Customer Engagement Strategy and Customer Engagement Plan

The Fund publishes an annual Customer Engagement Plan aligned to the customer Engagement Strategy, setting out how the Fund will engage, consult and involve customers (members, employers, partner organisations, trade unions and statutory bodies), and stakeholders, including its Governing Bodies. The Customer Engagement Strategy encourages engagement and feedback from customers which serves to inform our delivery, enhancing overall outcomes. A copy of the Customer Engagement strategy is [available here](#).

An annual Customer Engagement Plan detailing planned engagement activities with Fund stakeholder's (Employers, Members (active, deferred and pensioner) and Governing Body members) is also prepared and published on the Fund's website, [available here](#).

Employer Peer Group

The Fund have established an Employer Peer Group, consisting of a group of representatives from the Fund's employer base. The Employer Peer Group has an open invitation to all employers, the primary focus of the group is listed in their terms of reference which is [available here](#) and includes enabling collaborative working with employers, sharing best practice and discussion on current issues within the LGPS and their impact. Items discussed by the employer peer group are relayed to the wider employer base through the Employer Brief (newsletter) at the Fund's Mid-Year Review and Annual General Meetings and the Fund's website.

The Wider LGPS

As a leader across the LGPS, our role on national bodies ensures the voices of our customers are heard by those with responsibility for change, placing our members and employers at the centre of decisions which impact their futures.

West Midlands Pension Fund Strategic Risk Register					
Quarter 1 2021					
	Risk Issue	Area of Concern	Current Driver	Rating	Risk ID (from operational risk map)
1	Data Management	Data Quality and the ability of the Fund to produce statutory requirements for reporting together with meeting current legislative drivers.	Annual Benefit Statement run due to take place May through to August McCloud data cleansing is an ongoing project which will require additional data cleansing work by both the Fund and Employers ongoing challenge to manage and process high volumes of investment related data		G1, F7, OP1, INV2
2	Governance processes and structure	The Fund is not able to update and effect its processes to ensure ongoing compliance with regulatory requirements.	Forthcoming regulatory change and statutory guidance redefining reporting requirements for the Fund (Pension Regulator Single Code, Good Governance, Investment data reporting and oversight)		G1, F2, F3, OP2, F4, F8, OP8, PS1, PS2, INV1
3	Business Continuity and Cyber Risk	The Fund is unable to perform its functions	Current Covid environment and the reliance on home networks to support service delivery Global concern on Cyber risk is heightened in the current environment		G3, G4, F11, OP5
4	Resourcing service delivery	IT Systems ability to cope with workload demands and the impact of manual processes pending automation enhancements from third party suppliers. People resource risk and the ability to recruit to vacant roles with adequate skills	Competition in the market for skilled roles following a year of a closed recruitment market which is now picking up pace. Ongoing medium term reliance on interim roles to support service delivery where key roles are pending recruitment.		G5, F1, OP4, OP7, PS7, PS8
5	Internal Controls	The Fund is not able to effectively monitor and report on its compliance with regulatory requirements with a need to conduct a full review of those in place due to ongoing regulatory change	Change in reporting requirements and the presentation of compliance forthcoming from the Regulator and Scheme Advisory Board. ongoing challenge to manage and process high volumes of investment related data		F6, F10, F12, F13, PS6, OP6, PS1, INV1
6	Service Delivery - Fund	The Fund is unable to deliver its services due to the impact of adequate resourcing or focus on other areas in response to regulatory change.	Current recruitment risk Multitude of regulatory change in the operational and reporting requirements of Funds		F9, PS3, PS5, INV3
7	Service Delivery - Third Parties	The Fund is unable to deliver its services due to the reliance on third parties	Software updates to support automation and process efficiencies are led by the software provider Employers own resource risk limits ability to deliver requirements for the Fund		OP3, F5, PS4

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Operations - Benefit Operations Processes												
KPI Summary	KPI Description	Frequency	KPI Target	Values								20/21 % HR
				T Yr 20/21 Q1 % HR	20/21 Q2 % HR	20/21 Q2 Trend	20/21 Q3 % HR	20/21 Q3 Trend	20/21 Q4 % HR	20/21 Q4 Trend		
Refund Notification	Notify member of Refund within 10 days of receiving required information	Monthly	90%	97.20%	95.16%	↓	93.91%	↓	94.76%	↑	95.12%	
Refund Payment	Refund payments processed within 5 days of receiving required information	Monthly	90%	99.62%	98.80%	↓	98.66%	↓	97.97%	↓	98.75%	
Retirement Quote	Notification of Estimated benefits within 15 days of retirement date	Monthly	90%	76.80%	90.67%	↑	92.14%	↑	98.91%	↑	89.88%	
Retirement Notification	Notification of the actual benefits within 5 days of receiving member option form (Retirement Notification)	Monthly	90%	98.32%	99.33%	↑	99.57%	↑	93.99%	↑	97.70%	
Retirement Payment	Payment of lump sum and creation of payroll record within 5 days of receiving election form (Retirement)	Monthly	90%	96.27%	98.89%	↑	98.92%	↑	99.80%	↑	98.47%	
Deferred Retirement Quote	Issue quote letter within 30 days of the members eligible payment date or receipt of request from member	Monthly	90%	91.86%	90.23%	↓	80.05%	↓	90.64%	↓	87.61%	
Deferred Retirement Notification	Notification of the actual benefits within 5 days of receiving member option form (Deferred Retirement Notification)	Monthly	90%	96.61%	96.20%	↓	97.58%	↑	95.84%	↑	96.57%	
Deferred Retirement Payment	Payment of lump sum and creation of payroll record within 5 days of receiving election form (Deferred Retirement)	Monthly	90%	92.32%	94.59%	↑	95.16%	↑	95.20%	↑	94.99%	
Transfer In Quote	Transfer in quotations processed within 10 days of receiving all the required information	Monthly	90%	100.00%	95.60%	↓	94.20%	↓	100.00%	↑	97.62%	
Transfer In Payment	Transfer notification of transferred in membership to be notified to the scheme member within 10 days of receiving exament	Monthly	90%	100.00%	95.52%	↓	94.92%	↓	100.00%	↑	97.76%	
Transfer Out Quote	Transfer out quotations processed within 20 days of receiving required information	Monthly	90%	100.00%	99.59%	↓	99.39%	↓	98.26%	↓	99.23%	
Transfer Out Payment	Transfer out payments processed within 20 days of receiving required information	Monthly	90%	100.00%	96.30%	↓	91.43%	↓	97.96%	↑	96.71%	
Deaths Acknowledgement	Acknowledgement of a death within 5 days of receiving the notification	Monthly	90%	98.32%	98.17%	↓	99.24%	↑	92.64%	↑	96.77%	
Deaths Notification of Benefits Payable	Notification of benefits payable to dependents will be issued within 5 days of receiving the required information	Monthly	90%	94.70%	91.28%	↓	90.18%	↓	96.08%	↑	93.22%	
Deaths Payment	Payment of death lump sum will be made within 10 days of receipt of all the required information	Monthly	90%	100.00%	100.00%	→	99.21%	↓	100.00%	↑	99.82%	

Pension Services - Service Calls												
KPI Summary	KPI Description	Frequency	KPI Target	Values								20/21 % HR
				T Yr 20/21 Q1 % HR	20/21 Q2 % HR	20/21 Q2 Trend	20/21 Q3 % HR	20/21 Q3 Trend	20/21 Q4 % HR	20/21 Q4 Trend		
Customer Services Calls	Calls received to the customer helpline to be answered	Monthly	85%	78.66%	86.57%	↑	87.59%	↑	79.07%	↓	82.77%	
Employer Services Calls	Calls received to the employer helpline to be answered	Monthly	85%	96.47%	95.97%	↓	95.64%	↓	96.45%	↑	96.12%	

Pension Services - Customer Satisfaction												
KPI Summary	KPI Description	Frequency	KPI Target	Values								20/21 % HR
				T Yr 20/21 Q1 % HR	20/21 Q2 % HR	20/21 Q2 Trend	20/21 Q3 % HR	20/21 Q3 Trend	20/21 Q4 % HR	20/21 Q4 Trend		
Customer Satisfaction	Customer satisfaction	Quarterly	90%	100.00%	95.42%	↓	89.80%	↓	90.00%	↑	93.56%	

Pension Services - Web Portal Registrations												
KPI Summary	KPI Description	Frequency	KPI Target	Values								20/21 Regs
				T Yr 20/21 Q1 Regs	20/21 Q2 Regs	20/21 Q2 % Inc	20/21 Q3 Regs	20/21 Q3 % Inc	20/21 Q4 Regs	20/21 Q4 % Inc		
Web Portal Registrations	Web Portal Registrations	Monthly	90000	97339	101834	4.62%	104901	3.01%	108133	3.08%	108133	

Operations - Web Portal Availability												
KPI Summary	KPI Description	Frequency	KPI Target	Values								20/21 %
				T Yr 20/21 Q1 %	20/21 Q2 %	20/21 Q2 Trend	20/21 Q3 %	20/21 Q3 Trend	20/21 Q4 %	20/21 Q4 Trend		
Web Portal Availability	Pensions Portal to be available 95% of the time (based on working hours as monitored)	Monthly	95%	98.80%	100.00%	↑	99.91%	↓	98.98%	↓	99.42%	
Employer Portal Availability	Employer Portal to be available 95% of the time (based on working hours as monitored)	Monthly	95%	98.56%	99.79%	↑	99.87%	↑	99.19%	↓	99.34%	

Pension Services - Complaints Monitoring												
KPI Summary	KPI Description	Frequency	KPI Target	Values								20/21 % HR
				T Yr 20/21 Q1 % HR	20/21 Q2 % HR	20/21 Q2 Trend	20/21 Q3 % HR	20/21 Q3 Trend	20/21 Q4 % HR	20/21 Q4 Trend		
Member Complaints	All member complaints to be responded to within 20 working days of receipt	Monthly	100%	97.67%	97.14%	↓	93.33%	↓	92.86%	↓	95.52%	
Employer Complaints	All employer complaints to be responded to within 20 working days of receipt	Monthly	100%	100.00%	100.00%	→	100.00%	→	N/A	↓	100.00%	

Pension Services - Complaints Monitoring												
KPI Summary	KPI Description	Frequency	KPI Target	Values								20/21 <1 %
				T Yr 20/21 Q1 <1 %	20/21 Q2 <1 %	20/21 Q2 Total Complaints	20/21 Q3 <1 %	20/21 Q3 Total Complaints	20/21 Q4 <1 %	20/21 Q4 Total Complaints		
Member Complaints less than 1%	No of member complaints to be less than 1% of total membership	Monthly	<1%	✓	✓	70	✓	59	✓	27	✓	
Employer Complaints less than 1%	No of employer complaints to be less than 1% of total employer membership	Monthly	<1%	✓	✓	1	✓	20	✓	0	✓	

Governance - Effective Decision Making										
KPI Summary	KPI Description	Frequency	KPI Target	T Yr 20/21						
				20/21	20/21					
Pensions Committee Training	Training hours of Pensions Committee	Biannually	22 hours pp	155.33%						
Pensions Board Training	Training hours of Pensions Board	Biannually	22 hours pp	86.81%						
Total PC/PB Training	Total training hours of Pensions Committee and Board	Biannually	22 hours pp	131.93%						

Governance - Effective Decision Making										
KPI Summary	KPI Description	Frequency	KPI Target	T Yr 20/21						
				20/21	20/21					
Pensions Board Attendance	Attendance rate of Pensions Board	Biannually	4 per year	73.68%						
Pensions Committee Attendance	Attendance rate of Pensions Committee	Biannually	4 per year	80.56%						
Total PC/PB Attendance	Total attendance rate of Pensions Committee and Board	Biannually	4 per year	78.18%						

Governance - Statutory Response Timeliness												
KPI Summary	KPI Description	Frequency	KPI Target	Values								20/21 % HR
				T Yr 20/21 Q1 % HR	20/21 Q2 % HR	20/21 Q2 Trend	20/21 Q3 % HR	20/21 Q3 Trend	20/21 Q4 % HR	20/21 Q4 Trend		
Combined Statutory Timeliness	Overall statutory response timeliness	Monthly	100%	100.00%	100.00%	→	90.91%	↓	100.00%	↑	98.57%	

Investments - Investment Returns												
KPI Summary	KPI Description	Frequency	KPI Target	Values								20/21 %
				T Yr 20/21 Q1 %	20/21 Q2 %	20/21 Q2 Trend	20/21 Q3 %	20/21 Q3 Trend	20/21 Q4 %	20/21 Q4 Trend		
Main Fund ROI	Main Fund - Returns to be 0.5% above the benchmark (3 Yr. Rolling)	Monthly	+/- 0.5%	-1.50%	-1.47%	↑	-0.63%	↑	N/A	↑	-1.20%	

Governance - Data Quality												
KPI Summary	KPI Description	Frequency	KPI Target	Values								20/21 %
				T Yr 20/21 Q1 %	20/21 Q2 %	20/21 Q2 Trend	20/21 Q3 %	20/21 Q3 Trend	20/21 Q4 %	20/21 Q4 Trend		
Common Data	Common Data	Monthly	99%	97.00%	97.27%	↑	97.45%	↑	97.52%	↑	97.31%	

Operations - Data Improvement										
KPI Summary	KPI Description	Frequency	KPI Target	Values						20/21 %
				T Yr 20/21 Run 1 %	20/21 Run 2 %	20/21 Run 2 Trend	20/21 Final run %	20/21 Final run Trend		
ABS	ABS produced for 100% of active member records	Annually	100%	78.00%	85.08%	7.08%	89.18%	4.10%	89.18%	
DBS	DBS produced for 100% of deferred member records	Annually	100%	86.31%	89.00%	2.69%	90.17%	1.17%	90.17%	

Finance - Contributions Received												
KPI Summary	KPI Description	Frequency	KPI Target	Values								20/21 % Rec
				T Yr 20/21 Q1 % Rec	20/21 Q2 % Rec	20/21 Q2 Trend	20/21 Q3 % Rec	20/21 Q3 Trend	20/21 Q4 % Rec	20/21 Q4 Trend		
Main Fund - Contributions	Main Fund - Contributions received from employers and validated by accountancy statement	Monthly	98%	99.74%	99.62%	↓	99.49%	↓	99.23%	↓	99.52%	

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	Operations - Benefits Operations Processes		Frequency	KPI Target	T Yr	MMM
	KPI Summary	KPI Description			19/20	20/21
Customer Engagement and Communication	Refund Notification	Notify member of Refund within 10 days of receiving required information	Monthly	90%	95%	95%
	Refund Payment	Refund payments processed within 5 days of receiving required information	Monthly	90%	100%	99%
	Retirement Quote	Notification of Estimated Benefits within 15 days of retirement date	Monthly	90%	89%	90%
	Retirement Notification	Notification of the actual benefits within 5 days of receiving member option form (Retirement Notification)	Monthly	90%	97%	98%
	Retirement Payment	Payment of lump sum and creation of payroll record within 5 days of receiving election form (Retirement)	Monthly	90%	97%	98%
	Deferred Retirement Quote	Issue quote letter within 30 days of the members eligible payment date or receipt of request from member	Monthly	90%	94%	88%
	Deferred Retirement Notification	Notification of the actual benefits within 5 days of receiving member option form (Deferred Retirement Notification)	Monthly	90%	98%	97%
	Deferred Retirement Payment	Payment of lump sum and creation of payroll record within 5 days of receiving election form (Deferred Retirement)	Monthly	90%	96%	94%
	Transfer In Quote	Transfer in quotations processed within 10 days of receiving all the required information	Monthly	90%	98%	98%
	Transfer In Payment	Transfer notification of transferred in membership to be notified to the scheme member within 10 days of receiving payment	Monthly	90%	99%	98%
	Transfer Out Quote	Transfer out quotations processed within 20 days of receiving required information	Monthly	90%	100%	99%
	Transfer Out Payment	Transfer out payments processed within 20 days of receiving required information	Monthly	90%	99%	97%
	Deaths Acknowledgement	Acknowledgement of a death within 5 days of receiving the notification	Monthly	90%	94%	97%
	Deaths Notification of Benefits Payable	Notification of benefits payable to dependents will be issued within 5 days of receiving the required information	Monthly	90%	99%	93%
	Deaths Payment	Payment of death lump sum will be made within 10 days of receipt of all the required information	Monthly	90%	100%	100%
Customer Engagement and Communication	Pension Services - Service Calls				T Yr	MMM
	KPI Summary	KPI Description	Frequency	KPI Target	19/20	20/21
	Customer Services Calls	Calls received to the customer helpline to be answered	Monthly	85%	82%	83%
	Employer Services Calls	Calls received to the employer helpline to be answered	Monthly	85%	98%	96%
	Pension Services - Customer Satisfaction				T Yr	T Yr Qrt
	KPI Summary	KPI Description	Frequency	KPI Target	19/20	20/21
	Customer Satisfaction	Customer satisfaction	Quarterly	90%	100%	94%
	Pension Services - Web Portal Registrations				T Yr	MMM
	KPI Summary	KPI Description	Frequency	KPI Target	19/20	20/21
	Web Portal Registrations	Web Portal Registrations	Monthly	90000	93946	108133
	Operations - Pension Portal Availability				T Yr	MMM
	KPI Summary	KPI Description	Frequency	KPI Target	19/20	20/21
	Web Portal Availability	Pensions Portal to be available 95% of the time (based on working hours as monitored)	Monthly	95%	99%	99%
	Operations - Pension Portal Downtime Occurrences				T Yr	MMM
	KPI Summary	KPI Description	Frequency	KPI Target	19/20	20/21
Web Portal Downtime Occurrences	Number of occurrences Web Portal is unavailable to reduce year on year	Monthly	0	27	11	
Customer Engagement and Communication	Operations - IDRPs Monitoring				T Yr	MMM
	KPI Summary	KPI Description	Frequency	KPI Target	19/20	20/21
	IDRP Combined	All IDRPs cases completed within 2 months	Monthly	100%	40%	36%
	Pension Services - Complaints Monitoring				T Yr	MMM
	KPI Summary	KPI Description	Frequency	KPI Target	19/20	20/21
	Member Complaints	All member complaints to be responded to within 20 working days of receipt	Monthly	100%	97%	96%
	Employer Complaints	All employer complaints to be responded to within 20 working days of receipt	Monthly	100%	77%	100%
	Pension Services - Complaints Monitoring				T Yr	MMM
	KPI Summary	KPI Description	Frequency	KPI Target	19/20	20/21
	Member Complaints less than 1%	No of member complaints to be less than 1% of total membership	Monthly	<1%	✓	✓
Employer Complaints less than 1%	No of employer complaints to be less than 1% of total employer membership	Monthly	<1%	✓	✓	
Governance and Risk	Governance - Effective Decision Making				T Yr	T Yr Qrt
	KPI Summary	KPI Description	Frequency	KPI Target	19/20	20/21
	Total PC/PB Training	Total training hours of Pensions Committee and Board	Biannually	22 hours pp	100%	132%
	Governance - Effective Decision Making				T Yr	T Yr Qrt
	KPI Summary	KPI Description	Frequency	KPI Target	19/20	20/21
	Total PC/PB Attendance	Total attendance rate of Pensions Committee and Board	Biannually	4 per year	79%	78%
	Governance - Statutory Response Timeliness				T Yr	MMM
	KPI Summary	KPI Description	Frequency	KPI Target	19/20	20/21
	Combined Statutory Timeliness	Overall statutory response timeliness	Monthly	100%	93%	99%
	Governance - Data Breaches Recorded				T Yr	MMM
KPI Summary	KPI Description	Frequency	KPI Target	19/20	20/21	
Data Breaches Recorded	Increase in data breaches recorded	Monthly	Red high Green low	55	25	
Strategic Asset Allocation and Performance	Investments - Investment Returns				T Yr	MMM
	KPI Summary	KPI Description	Frequency	KPI Target	19/20	20/21
	Main Fund ROI	Main Fund - Returns to be 0.5% above the benchmark (3 Yr. Rolling)	Monthly	+/- 0.5%	-1%	-1%
Data Management and Reporting	Governance - Data Quality				T Yr	MMM
	KPI Summary	KPI Description	Frequency	KPI Target	19/20	20/21
	Common Data	Common Data	Monthly	99%	97%	97%
	Operations - Data Improvement				T Yr	T Yr Qrt
	KPI Summary	KPI Description	Frequency	KPI Target	19/20	20/21
	ABS	ABS produced for 100% of active member records	Annually	100%	89%	89%
DBS	DBS produced for 100% of deferred member records	Annually	100%	90%	90%	
FINANCIAL Management and Cost Control	Finance - Contributions Received				T Yr	MMM
	KPI Summary	KPI Description	Frequency	KPI Target	19/20	20/21
Contributions	Main Fund - Contributions received from employers and validated by accountancy statement	Monthly	98%	98%	100%	

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 23 June 2021
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Report title	Statement of Accounts 2020/2021	
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

Recommendations for action or decision:

The Pensions Committee is recommended to approve:

1. The draft Statements of Accounts for the year ending 31 March 2021.
2. Delegation of authority to the Chair and Vice Chair of Pensions Committee to approve the final Statement of Accounts once the audit is completed in September.
3. Delegation of authority to the Chair and Vice Chair of Pensions Committee to approve the final publication of the Fund's 2020-2021 Annual Report after approval of the draft by Pensions Committee in September 2021.

Recommendations for noting:

The Pensions Committee is asked to note:

1. The draft accounts have been certified by the Section 151 Officer as required by regulations.
2. The draft Statement of Accounts (and the Annual Report) for West Midlands Pension Fund will now be subject to audit by the Fund's external auditors, Grant Thornton, with the final version, including their audit opinion, to be reported to the Committee in September.
3. The Accounts and Audit (amendment) Regulations 2021 (SI no 2021/263) have extended the statutory accounting deadlines for completion of the draft and final Statement of Accounts for 2020/2021 and 2021/2022.

1.0 Purpose

- 1.1 The purpose of this report is to seek the Committee's approval of the draft Statement of Accounts for the year ending 31 March 2021 together with delegations to finalise and enable publication of the Statement of Accounts and Annual Report following Committee approval of the draft in September 2021.

2.0 Background

- 2.1 Local Government Pension Scheme (LGPS) funds are required by law to produce a Statement of Accounts by 31 May each year. These must be subject to external audit and published no later than 31 July.
- 2.2 In view of the ongoing COVID-19 disruption, timescales for closing and auditing of accounts for the current year have again been extended. With effect from 31 March 2021 and applicable to the Statement of Accounts for the year ended 31 March 2021 the Accounts and Audit (amendment) Regulations 2021 extend the above statutory accounting deadlines to 1 August and 30 September 2021 respectively.
- 2.3 In preparing their accounts, Funds must have regard to proper practice and to any guidance which has the effective standing of 'statutory guidance'. These are for the Statement of Accounts, 'The Code of Practice on Local Authority Accounting in the United Kingdom 2020/2021' (CIPFA) ('the Code').
- 2.4 As well as being published in the Fund's own Annual Report, its accounts must be included in the Statement of Accounts of the Administering Authority (for the West Midlands Pension Fund, the City of Wolverhampton Council). It is important to note that the transactions and balances of the Funds are completely separate and not combined with those of the Administering Authority.
- 2.5 This year, the draft accounts are required to be certified by the Section 151 Officer on or before 1 August 2021. This certification was provided by the City of Wolverhampton Council's Director of Finance during June 2021.
- 2.6 The Committee will receive a further report in September presenting the final version of the Statement of Accounts for publication along with the draft Annual Report and the findings of the external auditor's work including their audit opinion. Under the City of Wolverhampton Council's constitution, formal approval of the audited Statement of Accounts rests with its Audit Committee; this does not apply to the other parts of the Annual Report which will be presented to Pensions Committee for approval.

3.0 Accounts Closure and Preparation of the Annual Report

- 3.1 Despite challenging times and a number of conflicting pressures, the Fund has succeeded in preparing its draft Statement of Accounts well within the revised statutory deadline. This is due to careful planning, resource management and close monitoring.

- 3.2 An Annual Report will be prepared to include the finalised version of the Statement of Accounts and presented to the September 2021 meeting of the Pensions Committee.
- 3.3 The Fund's external auditors have already undertaken interim audit work with the Fund prior to year end to include testing samples of investments and benefits payment transactions to the end of December 2020. The main audit visit has commenced (remotely again) in mid June.
- 4.0 Draft Statement of Accounts 2020/2021**
- 4.1 The purpose of the Statement of Accounts is to report the Fund's financial performance for the year and its balances and reserves at the year-end. There are two primary statements: the Fund Account, which is concerned with transactions during the year and the Net Assets Statement which reports balances at the year-end. These are supplemented by a series of notes to the accounts which expand on items in the primary statements or provide further information about the Fund.
- 4.2 The draft Statement of Accounts show the estimated value of the Fund increased by some £3.6bn over the year due to gains in the value of investment assets (£3.1bn) and a surplus of contributions income over benefits expenditure (£0.5bn).
- 4.3 There are two main reasons behind the increase. Global investment markets suffered sharp and unexpected falls in the last few weeks of the prior financial year due to the impact of the COVID-19 pandemic and the valuation of the Fund's investments was some £1.4bn lower than had originally been forecast for end of March 2020. During 2020/2021, investment markets have experienced a 'bounce back' making significant recoveries which pushed valuations back up to pre-COVID levels and then beyond. This is reflected in the reported £3.1bn of net investment return.
- 4.4 Secondly, the balance of contributions income over benefits expenditure, £0.5bn, is positive this year because most of the Council bodies opted to pay three years worth of Future Service and Past Service Deficit contributions in advance in April 2020 following the results of the March 2019 triennial Actuarial Valuation. These significant cash receipts have been accounted for fully in this year's Statement of Accounts.
- 4.5 The figure for contributions receivable also includes £10.9m paid by employers to cover early retirement strain costs, reflecting the additional contributions received as a result of employer staffing decisions taken during the year.
- 4.6 Net assets of the Fund at 31 March 2021 stood at £18.9bn, up from £15.3bn at 31 March 2020. This comprises investment assets of £18.7bn, an insurance contract valued at £200m and working balances of £31m.
- 4.7 The Fund has taken the option under the Code to disclose the present value of all fund employer pension liabilities in a note to the accounts. This value, calculated on an IAS 19 basis, stood at £29.9bn at 31 March 2021. This is an increase on the 31 March 2020 figure of £23.1bn due to adjustments to the actuarial assumptions.

4.8 The draft Statement of Accounts for the West Midlands Pension Fund is attached at Appendix A and has now been passed across to the external auditors.

5.0 Investment Management Costs 2020/2021

5.1 CIPFA guidance, introduced in 2014, requires the disclosure of all investment management costs including fees which are deducted at source by external investment managers. External investment management costs deducted at source saw a significant increase on the prior year at £80.7 million up from £67.2 million, whilst some of this reflects growth in assets under management and performance fees, additional transparency on 'hidden expenses' has meant the Fund has been able to capture greater detail on costs.

5.2 The Fund continues to take a transparent approach with investment management costs using still relatively new industry-wide cost capture templates to obtain even higher levels of cost transparency from the investment managers most notably, in the recording of transaction costs associated with turnover within individual portfolios. The following table analyses the total investment management costs reported above:

	Actual 2019/20 £m	Actual 2020/21 £m
External Investment Management Costs – Invoiced	10.5	14.5
External Investment Management Costs – Deducted at Source	67.2	80.7
External Investment Management Costs – LGPS Central	4.0	4.7
Total External Investment Management Costs	81.7	99.9
Internal Investment Management Costs	0.9	0.8
Total Investment Management Costs	82.6	100.7

Transparency and reporting of investment management costs

5.3 The Fund has undertaken additional data collection and analysis over the last few months to scrutinise cost transparency templates received as the Fund continues to strive to get full transparency over investment costs and capture those which hitherto, have not been transparent. The Fund has received more reporting templates and information again this year and discloses all costs information received including performance fees. Although there is a growing number of Funds and schemes aspiring to do the same, many other Pension Fund accounts do not currently include amounts close to full disclosure.

5.4 It should be noted that actual investment management costs are heavily influenced by market movements and investment performance and are therefore expected to fluctuate during the year and between years. Not all managers have returned cost reporting templates in time for review ahead of publication of the Statement of Accounts. Where there are gaps, base management fees (the largest element of cost) have been

estimated but not other potential fees, as the Fund does not hold information to estimate with any accuracy. Portfolio changes during the year and asset allocation or strategic changes will also impact the development of costs over time.

- 5.5 Further analysis of the Fund's investment performance and costs undertaken by CEM global benchmarking is incorporated within a separate paper to the Committee for discussion later in the meeting.
- 5.6 The challenges of cost data collection and comparison were highlighted in research by the Cost Transparency Initiative (CTI) published by the PLSA in May this year – coverage, consistency and accuracy appear to be barriers to wider use in reporting but there is an increased call for mandatory adoption and guidance on disclosure to improve consistency and benchmarking to enable pension schemes to be better equipped to challenge their investment managers.

6.0 Financial implications

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

7.0 Legal implications

- 7.1 The Statement of Accounts of the Administering Authority (of which the Fund's accounts form part) must be prepared in accordance with the statutory framework established by the Accounts and Audit Regulations 2015. The audit of the financial statements will be undertaken in accordance with the statutory framework established by sections 3 and 20 of the Local Audit and Accountability Act 2014.
- 7.2 The Accounts and Audit (amendment) Regulations 2021 came into force on 31 March and extend the publication date for local authority audited accounts to 30 September 2021 with the public inspection period starting on the first working day of August 2021.
- 7.3 Under LGPS Regulations, Administering Authorities are required to produce and publish a pension fund annual report, including information about the management and financial performance of the Fund by 1 December each year.

8.0 Equalities implications

- 8.1 This report has no direct equalities implications.

9.0 All other implications

- 9.1 This report has no other direct implications.

10.0 Schedule of background papers

- 10.1 Budget Monitoring 2020/2021 and Quarterly Accounts to 31 December 2020, Report to Pensions Committee, 24 March 2021

10.2 External Audit Plan 2020/2021, Report to Pensions Committee, 24 March 2021

10.3 Perceptions of the CTI Framework – research published by the PLSA in May 2021
[CTI-Perceptions-Report-May-2021.pdf \(plsa.co.uk\)](https://www.plsa.co.uk/CTI-Perceptions-Report-May-2021.pdf)

11.0 Schedule of appendices

11.1 Appendix A: Draft WMPF Statement of Accounts 2020/2021

WEST MIDLANDS PENSION FUND STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31 MARCH 2021

Fund Account

2019/20 £m		Note	2020/21 £m
	Contributions & Benefits		
353.2	Contributions Receivable	P8	1,182.7
31.2	Transfers In	P9	22.3
14.3	Other Income	P10	13.9
398.7	Total contributions and other income		1,218.9
(637.8)	Benefits Payable	P11	(646.8)
(40.0)	Payments to and on account of leavers	P12	(31.0)
(0.9)	Other Payments		(0.4)
(678.7)	Total benefits and other expenditure		(678.2)
(280.0)	Net additions/(withdrawals) from dealings with members		540.7
(91.5)	Management Expenses	P13	(110.2)
491.7	Transfer in of WMITA Fund at market value	P9	-
	Returns on Investments		
178.2	Investment Income	P14	84.8
(745.1)	Changes in Value of Investments	P16	3,123.8
20.7	Revaluation of bulk annuity insurance buy-in contract	P17	(14.1)
(546.2)	Net return on investments		3,194.5
(426.0)	Net Increase/(decrease) in the Fund during the year		3,625.0
15,714.1	Net Assets of the Fund at the beginning of the year		15,288.1
15,288.1	Net Assets of the Fund at the end of the year		18,913.1

Net Assets Statement

31 March 2020 £m		Note	31 March 2021 £m
	Investment Assets (at Market Value)	P15	
494.0	Bonds		508.4
28.9	UK Equities		27.0
1,408.8	Overseas Equities		2,567.5
10,869.9	Pooled Investment Vehicles		13,640.8
965.1	Property		1,014.0
11.7	Derivatives - Futures		-
-	Derivatives - Forward Foreign Exchange		3.1
582.5	Foreign Currency Holdings		399.6
569.6	Cash Deposits		498.2
75.8	Other Investment Assets		19.2
7.0	Outstanding Dividend Entitlement and Recoverable With-Holding Tax		7.5
15,013.3	Investment Assets		18,685.3
	Investment Liabilities (at Market Value)	P15	
(76.8)	Derivatives - Forward Foreign Exchange		-
	Derivatives - Futures		(2.3)
(76.8)	Investment Liabilities		(2.3)
14,936.5	Net Investment Assets		18,683.0
229.4	Bulk annuity insurance buy-in contract	P17	200.0
14.5	Long-Term Debtors	P19	10.2
132.4	Current Assets	P20	40.4
(24.7)	Current Liabilities	P21	(20.5)
15,288.1	Net Assets of the Fund at the end of the year		18,913.1

The accounts summarise the transactions of the Fund and deal with the net assets at its disposal. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits is disclosed at note 6.

The notes form part of these financial statements.

Notes to the Pension Fund Statements

Note P1 - General

The description in this note is a high-level summary of the Fund's activities and more detail is available in the Fund's Annual Report which can be found on its website.

West Midlands Pension Fund is part of the Local Government Pension Scheme and is administered by the City of Wolverhampton Council on behalf of all local authorities in the West Midlands and other employers who have members in the Fund. Membership of the Fund is available to all local government employees including non-teaching staff of schools and further and higher education corporations in the West Midlands region together with employees of scheduled and admitted bodies. At 31 March 2021, the Fund had 743 actively participating employers and 335,101 members as set out in the following table. A full list of participating employers can be found in the Fund's Annual Report.

31 March 2020		31 March 2021	
No.			No.
117,950	Active Members		113,644
104,045	Pensioner Members		106,899
111,939	Deferred Members		114,558
333,934	Total		335,101

In 2019/20, following the enactment of UK Statutory Instrument 2019 No. 1351 ("the Local Government Pension Scheme (West Midlands Integrated Transport Authority Pension Fund and West Midlands Pension Fund Merger) Regulations 2019, all the assets and liabilities of the former West Midlands Integrated Transport Authority Pension Fund (WMITA) transferred to West Midlands Pension Fund. For any person for whom the appropriate Administering Authority had been, or would have been, the West Midlands Combined Authority, the appropriate Administering Authority became City of Wolverhampton Council. The regulations effecting this change came into full legal force on 8 November 2019 but with retrospective effect in a legal and accounting sense from 1 April 2019 (the "merger date" cited in the legislation).

The responsibility for administering the Fund is delegated to the Council's Pensions Committee. It meets at approximately quarterly intervals and has members from each of the seven metropolitan district councils in the West Midlands. A Pensions Board was also in operation during 2020/21. Membership of the Committee and Board can be found on the City of Wolverhampton Council website: <http://wolverhampton.moderngov.co.uk/mgListCommittees.aspx?bcr=1>

The scheme is governed by the Public Services Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Saving and Amendments) Regulations 2014 (as amended)
- The Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2016

The scheme is a contributory defined benefit pension scheme. Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2021. In addition to employee contributions, employers' contributions are paid as set based on triennial actuarial funding valuations. The valuation in relation to 2020/21 contribution rates was conducted at 31 March 2019. Employer contribution rates during 2020/21 ranged from 15.5% to 38.6% of pensionable pay.

Major changes were introduced to the LGPS from 1 April 2014, in particular, the move from basing pensions on final salaries to career-average revalued earnings (CARE) with an accrual rate of 1/49th and pensions uprated annually in line with the Consumer Price Index. Pension entitlements accrued prior to this date continue to be based on final salary.

Further to direction from government, local authority investment pools have been created to bring together the investment assets of LGPS pension funds into eight Investment Pools. LGPS Central Limited (LGPSCL), the company established to manage investments on behalf of eight LGPS funds including West Midlands Pension Fund (WMPF), received authorisation from the Financial Conduct Authority in 2018 and the LGPS Central regional investment asset pool went live on 1 April 2018.

As at 31 March 2021, WMPF had assets of £7,869m managed in LGPS sub-funds comprising £7,670m managed through Authorised Contractual Scheme (ACS) sub-funds and a further £199m managed through a Scottish Limited Liability Partnership vehicle.

Work is underway to develop further LGPS Central Limited sub-funds in collaboration with LGPS Central investment asset pool Partner Funds and WMPF will continue to review the decision to transition assets on a case by case basis dependent on the sub-fund meeting the strategic requirements of WMPF. The transition of the Fund's remaining assets into products offered by LGPS Central Limited is expected to take several years.

WMPF has a number of advisory arrangements in place with LGPSCL to support with advice and sometimes to facilitate execution on the underlying assets of legacy portfolios managed directly by the Fund. It is likely that some of these advisory and execution mandates will remain in place for some time to come due to the illiquid nature of the investments and the cost effectiveness of transition.

Note P2 - Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2020/21 financial year and its financial position as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note P6 of these accounts.

As disclosed above, during 2019/20 all assets and liabilities of the former West Midlands Integrated Transport Authority Pension Fund transferred to the West Midlands Pension Fund and transactions occurring after that date (on an accruals basis) are attributable to WMPF. The relevant assets and liabilities were treated in the accounts as having been transferred at the values applicable on the "merger date" 1 April 2019. The Fund Account for 2019/20 therefore included:

- a transfer (shown separately) of the total market value of WMITA as at 1 April 2019 including accrued income and expenses at that date.
- all income and expense transactions related to the former WMITA Pension Fund since 1 April 2019 shown on a consolidated basis.

The transfer value of the WMITA Fund shown in the accounts was based on the Net Assets Statement in the audited accounts of the WMITA Fund for the year to 31 March 2019. The audit was performed by Grant Thornton LLP and their audit report was signed in July 2019.

The accounts have been prepared on a going concern basis.

Note P3 - Statement of Accounting Policies

A. Fund account

In the Fund Account, income and expenditure are accounted for in the year in which they accrue by the creation of payables and receivables at the year end where necessary. Provision has not been made where the amount payable or receivable in relation to transfers was not agreed at the year end (see note P9).

B. Contribution income

Contributions receivable have been included in the accounts on the accruals basis at the rates recommended by the Fund's actuary for basic contributions. Additional contributions (including past service deficit contributions and excluding additional voluntary contributions) as notified by employers for the period have also been included. Past service deficit contributions are accounted for in the year in which they are payable under the schedule of contributions set by the scheme actuary.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid is classed as a current financial asset with amounts due after the following year classed as long-term financial assets.

Where employing organisations have not submitted all of the certified returns of contributions payable by the due date for preparation of these accounts, an estimate has been made based on the monthly returns actually received from these bodies.

C. Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who had either transferred benefits in or out of the scheme as at 31 March 2021, calculated in accordance with the Local Government Pension Scheme Regulations (see notes to the accounts). Transfers in respect of individuals are accounted for when received or paid which is normally when the member liability is accepted or discharged. Group transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are reported within transfers in.

D. Investment Income

i) Interest Income

Interest income is recognised in the Fund Account as it accrues using the effective interest rate of the financial instrument as at the date of acquisition or origination.

ii) Dividend Income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iii) Distributions from Pooled Funds

Distributions from pooled funds are recognised at the date of issue.

Investment income arising from the underlying investments of pooled investment vehicles is rolled up and reinvested within the pooled investment vehicles. This is reflected in the relevant unit price and reported within 'Change in Market Value'.

iv) Property-Related Income

Property-related income (consisting primarily of rental income from operating leases) is recognised on a straight-line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.

v) Changes in the Value of Investments

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

vi) Stock lending income

Stock lending income is accounted for on a cash basis.

E. Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin unless exemption is permitted. Irrecoverable tax is accounted for as an expense as it arises.

F. Benefits payable

Pensions and lump sum benefits payable include all amounts known to be due as at 31 March 2021. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

G. Financial assets

The LGPS Central pool trading company, LGPS Central Limited, only became licensed to trade on 1 April 2018. The Pension Fund's view is that for 31 March 2021, cost is still an appropriate estimate of the fair value of shares held in this company.

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised in the Fund Account.

The values of investments as shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see note 17 to the accounts). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2014).

H. Freehold and leasehold properties

Properties are valued annually as at the year end by independent valuers on a fair value basis. The market values included in these accounts are contained in a valuation report by Savills plc (in accordance with Royal Institute of Chartered Surveyors valuation standards) as at 31 March 2021. All investment property assets are subject to annual revaluation, one third of the commercial property portfolio is valued fully in March each year with the remaining two thirds being a 'desktop' valuation. Agricultural properties were valued by Browns, agricultural valuers, at the same date.

I. Foreign currencies

Investments held in foreign currencies have been valued as set out in paragraph g) above and translated at exchange rates ruling at 31 March 2021.

Dividends, interest and purchases and sales of investments have been accounted for at the spot market rates at the date of transaction. End of year spot market exchange rates have been used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at 31 March 2021.

J. Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Purchases and sales of derivatives are recognised as follows:

Futures – on close out or expiry the variation margins are recognised as cash receipts or payments depending on whether there is a gain or loss.

Forward currency contracts settlements are reported as gross receipts and payments.

K. Movement in the net market value of investments

Any gains or losses arising on translation of investments into sterling are accounted for as a change in the market value of investments.

L. Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

M. Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. From this date, any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

N. Management expenses

The Fund discloses its management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses 2016.

All administrative expenses are accounted for on an accruals basis. The costs of Fund officers are recharged to the Fund along with all other costs incurred directly on Fund activities and an apportionment for corporate support services provided by the administering authority.

All investment management expenses are accounted for on an accruals basis. External investment management and custodian fees are agreed in management or custody agreements governing the administration of the individual mandates. Fees are generally based on the valuation of the underlying investments either being managed or in safe custody. In addition, performance-related fees are negotiated with a number of managers and the amounts of such fees are provided in a note to the accounts.

Where a management fee notification has not been received by the time of preparing these accounts, an estimate based upon the market value of the relevant mandate is used for inclusion in the Fund

The cost of any 'in-house' Fund investment activity is included in investment management expenses.

O. Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (see note P5).

P. Additional voluntary contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members the assets of which are invested separately from those of the Fund. The Fund has appointed Prudential Assurance Company Limited and Utmost Life and Pensions as its AVC providers. AVCs are paid to the provider by employers and are specifically for providing additional benefits for individual contributors. Each contributor receives an annual statement showing the amount held in their account and the movements in the year. AVCs are not included in the accounts in accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (see note P22).

The AVC arrangements pertaining to the former WMITA Fund have transferred to West Midlands Pension Fund under the merger. These arrangements with Prudential Assurance Company Limited and Utmost Life and Pensions Limited operate on the same basis as described above and will continue to be provided within the West Midlands Pension Fund.

Note P4 - Critical judgements in applying accounting policies

Unquoted private equity investments

The valuation of unquoted securities is based on the latest investor reports and financial statements provided by the fund managers of the underlying funds adjusted for transactions arising after the date of such reports. A discount may be applied by the fund manager where trading restrictions apply to such securities. Where the first investor valuation report has not been received from the fund manager the security is valued at cost. The value of unquoted private equity at 31 March 2021 was £1,315.5 million (£1,203.3 million at 31 March 2020).

Bulk annuity insurance buy-in contract

The transfer of assets from the WMITA Fund included a bulk annuity insurance buy-in contract with Prudential Retirement Income Limited. The insurance cover provides that the insurer underwrites the risk for meeting the liabilities of a specified group of pensioners on the WMITA pensions payroll as at 11 August 2011. The insurance provider will pay the cost of the monthly pension payments for this group whilst they or their dependants are entitled to a pension.

The bulk annuity insurance buy-in contract is included in the Net Assets Statement as an asset and is valued at year end by the Actuary.

Pension Fund liability

The pension fund liability is calculated every three years by the appointed Actuary with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the Actuary and are summarised in Note P6. This estimate is subject to significant variances based on changes to the underlying assumptions.

Note P5 - Assumptions made about the future and other major sources of estimation uncertainty

Actuarial present value of promised retirement benefits

Uncertainties

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries and pensions are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Barnett Waddingham, the Fund's consulting Actuaries, are engaged to provide expert advice about the assumptions to be applied.

Effect if actual results differ from assumptions

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability; however, an increase in assumed earnings inflation or assumed life expectancy would significantly increase the pension liability as detailed by the Fund's consulting Actuary below:

Change in assumptions - year ended 31 March 2021	Approx. % increase in liabilities	Approx. monetary value £m
0.5% p.a. decrease in discount rate	11%	3,236.3
1 year increase in member life expectancy	5%	1,462.7
0.5% p.a. increase in salary increase rate	1%	310.7
0.5% p.a. increase in CPI inflation	10%	2,880.9

Fair value of investments

Uncertainties

Certain types of investments are not publicly listed and, as such, there is a degree of estimation involved in their valuation.

COVID-19 valuation uncertainty

During the year to 31 March 2021, the impact of COVID-19 led to valuation challenges regarding certain illiquid assets. On 17 March 2020, the Royal Institute of Chartered Surveyors (RICS) recommended that surveyors use a material valuation uncertainty clause in property valuations due to the unprecedented circumstances caused by the pandemic and the corresponding absence of market evidence on which to base judgements. Throughout the year, such clauses applied to fewer and fewer assets as market uncertainty gradually receded and on 9 September 2020, RICS formally lifted its recommendation.

Obtaining timely valuation is a perennial issue with Private Equity where the valuation of investment vehicles often has to be 'stale' or 'lagged' due to the unavailability of pricing information as at the Fund's year end date (by the time the Statement of Accounts has been prepared and audited). Valuations are by necessity estimated and may not fully reflect the performance of the vehicles underlying portfolios of investments.

Effect if actual results differ from assumptions

The use of estimates for investment values is greatest for those assets classified at Level 3 which means there is a risk that these investments may be over/under stated in the accounts. The total value of Level 3 investments is £3,920.7m at 31 March 2021 (£3,806.1m at 31 March 2020). The assets classified as Level 3 and the sensitivity of the valuation methods employed is described in note 17.

Note P6 - Actuarial valuation of the Fund

The contribution rates applicable to the period 1 April 2020 to 31 March 2023 were determined by the Fund's Actuary, G Muir of Barnett Waddingham LLP as part of the full actuarial valuation of the Fund made as at 31 March 2019.

On the basis of the assumptions adopted, the 2019 valuation revealed that the value of the Fund's assets of £15,634 million represented 94% of the funding target of £16,648 million at the valuation date. The valuation also showed that a primary rate of contribution of 20.4% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

In general, the Fund applies a maximum deficit recovery period of 17 years. The aim is to achieve 100% solvency over the period and to provide stability in employer contribution rates.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report dated 31 March 2020. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Different approaches adopted in implementing contribution increases and deficit recovery periods are as determined through the FSS consultation process.

As a result of the valuation, a revised Rates and Adjustments certificate was prepared for the three years commencing 1 April 2020. For comparison purposes, the figures for the two preceding years are also shown. The minimum payable by the seven councils was certified as follows:

Future Service Rate (% of pay) plus lump sum (£)					
	2018/19	2019/20	2020/21	2021/22	2022/23
Birmingham City Council	16.8% plus £61.8m (£124.0m)	18.3% plus £61.5m (£124.2m)	21.3% plus £48.2m (£124.2m)	21.3% plus £49.9m (£123m)	21.3% plus £51.8m (£121.9m)
Coventry City Council	16.8% plus £12m (£31.1m)	16.8% plus £12m (£31.1m)	20.4% plus £3.6m (£32.9m)	20.4% plus £3.7m (£32.6m)	20.4% plus £3.9m (£32.3m)
Dudley MBC	17.0% plus £9.7m (£31.3m)	18.6% plus £9.6m (£32.3m)	20.7% plus £3.0m (£31.5m)	20.7% plus £3.1m (£30.6m)	20.7% plus £3.2m (£29.9m)
Sandwell MBC	16.2% plus £17m (£17.0m)	17.7% plus £16.9m (£16.9m)	20.5% plus £10.5m (£10.3m)	20.5% plus £10.9m (£10.2m)	20.5% plus £11.3m (£10.1m)
Solihull MBC	16.5% plus £5.1m (£16.6m)	18.4% plus £5.1m (£17.4m)	20.7% plus £2.9m (£19.9m)	20.7% plus £3.0m (£19.4m)	20.7% plus £3.1m (£19.0m)
Walsall MBC	16.9% plus £14.8m (£30.2m)	18.3% plus £15m (£31.5m)	20.3% plus £9.8m (£30.2m)	20.3% plus £10.1m (£30.0m)	20.3% plus £10.5m (£29.7m)
City of Wolverhampton Council	16.8% plus £14m	18.1% plus £14.6m	20.0% plus £6.8m (£28.8m)	20.0% plus £7.1m	20.0% plus £7.3m

The amounts shown in brackets are due in the year where the Council has opted to make a cash payment in advance. These amounts were received by the Fund in April 2020. The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

	2019	2016
Rate of return on investments:	4.6% per annum	4.7% per annum
Rate of pay increases:	3.6% per annum	3.9% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension):	2.6% per annum	2.4% per annum

The assets were assessed at market value.

The 31 March 2019 Actuarial Valuation report can be found on the Fund's website.

Actuarial present value of promised retirement benefits for the purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed and for this purpose, the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, the following financial assumptions have been used:

	31 March 2020	31 March 2021
Rate of return on investments (discount rate)	2.35% per annum	2.00% per annum
Rate of pay increases	2.90% per annum	3.85% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	1.90% per annum	2.85% per annum

The total value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2020 was estimated as £23,091.8 million. The effect of the changes in actuarial assumptions between 31 March 2020 and 31 March 2021 as described above is to increase the liabilities by £6,723.6 million. Adding interest over the year increases the liabilities by £523.9 million and allowing for net benefits accrued/paid over the period increases the liabilities by £154.3 million (this includes any increase arising as a result of early retirements/augmentations). There is a decrease of £288.8 million as a result of allowing for actual experience or outcomes which were different when viewed in hindsight to that assumed previously and, a change in mortality rates assumptions decreases liabilities by a further £300.1 million. Last year, the merger with the WMITA Fund added £543.3m of liabilities which have increased by £63.8m during 2020/21 to £607.1m at 31 March 2021.

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2021 is therefore £29,968.5 million.

Note P7 - Taxation

1. Value added tax (VAT)

The Fund (as part of the City of Wolverhampton Council) pays VAT collected on income in excess of VAT payable on expenditure to HMRC. The accounts are shown exclusive of VAT.

2. Taxation of overseas investment income

The Fund receives interest on its overseas bonds gross but a variety of arrangements apply for the taxation of dividends on overseas equities in the various markets.

In some markets, a lower-than-standard tax rate is available, either as a result of a double tax treaty in place between the UK and the investment country (e.g. Poland, Canada, Italy, Sweden) or based on favourable domestic legislation (e.g. Australia, Czech Republic, Singapore). Where this is the case, relief may be granted at source based on documentation already on file (e.g. USA, Belgium, Australia, Finland, France and Norway), or ex post via reclaim forms submitted to the local tax authorities (e.g. Austria, Denmark, Germany, Netherlands, Switzerland and Spain).

There are also markets where relief is not possible - either no double taxation agreement exists (e.g. Brazil, Colombia, Lebanon), or a 'subject to tax' clause prevents UK pension funds from benefiting from treaty rates (e.g. Israel, Malaysia, Portugal). In such cases, the full amount of tax is withheld and is final.

Note P8 - Contributions receivable

Contributions receivable by type

2019/20 £m		2020/21 £m
	From employers	
170.3	Contributions	742.1
42.6	Past service deficit	303.9
-	Augmented membership	-
19.2	Additional cost of early retirement	10.9
232.1		1,056.9
	From members	
120.5	Basic contributions	125.3
0.6	Additional contributions	0.5
121.1		125.8
353.2	Total contributions	1,182.7

Following the actuarial valuation as at 31 March 2019, some employers chose to pay their full three-year future service and past service deficit contributions in advance as a lump sum in 2020/21. The lump sums paid by the seven councils have been accounted for fully in 2020/21 and are listed in the table in note 6. The additional contributions above represent the purchase of added membership or additional benefits under the pension scheme.

Contributions receivable by type of employer

2019/20 £m		2020/21 £m
9.1	Administering authority	51.0
300.4	Other scheduled employers	1,087.3
43.7	Admitted employers	44.4
353.2	Total	1,182.7

Note P9 - Transfers in

2019/20 £m		2020/21 £m
-	Group transfers	-
31.2	Individual transfers	22.3
31.2	Total	22.3

Analysis of transfer value from West Midlands Integrated Transport Authority Pension Fund

1 April 2019 £m	
263.5	Investments transferred in specie
224.5	Bulk annuity insurance buy-in contract
3.9	Cash deposits
0.6	Current assets
(0.8)	Current liabilities
491.7	Total

Note P10 - Other income

2019/20 £m		2020/21 £m
	Benefits recharged to employers	
7.4	Compensatory added years	7.1
6.9	Pensions increases	6.8
14.3	Total	13.9

Note P11 - Benefits payable

Benefits payable by type

2019/20 £m		2020/21 £m
	Pensions	
485.9	Retirement pensions	499.1
30.0	Widows' pensions	33.8
1.0	Children's' pensions	1.1
6.1	Widowers' pensions	6.7
0.2	Ex-spouses' pensions	0.2
0.2	Equivalent pension benefits	0.2
0.5	Co-habiting partners' pensions	0.3
-	Civil Partnership	0.1
-	Amounts due to Estate	0.1
523.9	Total pensions	541.6
	Lump sum benefits	
100.0	Retiring allowances	87.5
13.9	Death grants	17.7
113.9	Total lump sum benefits	105.2
637.8	Total benefits payable	646.8

Benefits payable by type of employer

2019/20 £m		2020/21 £m
51.5	Administering authority	50.4
507.2	Other scheduled employers	543.2
79.1	Admitted employers	53.2
637.8	Total	646.8

Note P12 - Payments to and on account of leavers

2019/20 £m		2020/21 £m	
37.6	Individual transfers		29.2
2.4	Refunds of contributions		1.8
-	State scheme premiums		-
-	Bulk pension transfer increases		-
40.0	Total		31.0

Note P13 - Management expenses

2019/20 £m		2020/21 £m	
6.0	Administrative costs		6.3
82.6	Investment management expenses, comprising:		100.8
2.9	Oversight and governance costs		3.1
91.5	Total		110.2

Included in administrative costs of £6.3m above are external audit fees of £68,980 (2019/20: £72,930). The charge for 2020/21 comprises the current year audit fee of £61,685 and a provision of £7,295 for additional costs arising from the impact of the Covid 19 Pandemic on Grant Thornton's work in completing the 2019/20 audit.

The guidance requires that external investment management fees that are deducted from asset values (rather than invoiced and paid directly) are shown gross. Wherever possible, the figures are based on actual costs disclosed by the manager; where actual costs were not available, best estimates have been made using other available information.

Note P13 i) - Investment management expenses

2020/21	Total	Management fees	Performance related fees	Transaction costs
	£m	£m	£m	£m
Equities	11.9	7.9	-	4.0
Fixed interest	0.4	0.4	-	-
Pooled investments *	24.2	9.6	-	14.6
Pooled property investments	8.2	7.2	(0.8)	1.8
Private equity	39.5	23.9	15.6	-
Property	2.5	1.5	-	1.0
Infrastructure	6.0	4.1	0.7	1.2
Absolute return	6.7	6.6	0.1	-
Derivatives	0.7	0.7	-	-
Cash, cash equivalents & fx contracts	0.3	0.3	-	-
	100.4	62.2	15.6	22.6
Custody fees	0.4			
Total	100.8			

* Includes £4.8m charged to the Pension Fund by LGPS Central Limited regional asset pool (2019/20: £4.0m).

2019/20	Total	Management fees	Performance related fees	Transaction costs
	£m	£m	£m	£m
Equities	8.0	6.0	-	2.0
Fixed interest	0.5	0.5	-	-
Pooled investments	23.1	12.0	1.9	9.2
Pooled property investments	3.4	2.7	0.6	0.1
Private equity	32.5	21.9	9.8	0.8
Property	2.4	1.5	-	0.9
Infrastructure	3.7	4.0	(0.4)	0.1
Absolute return	8.0	6.8	0.1	1.1
Derivatives	0.4	0.4	-	-
Cash, cash equivalents & fx contracts	0.3	0.3	-	-
	82.3	56.1	12.0	14.2
Custody fees	0.3			
Total	82.6			

Note P14 - Investment Income

2019/20 £m	Dividends and Interest	2020/21 £m
	Bonds	
7.1	UK private sector – quoted	7.9
	Equities	
0.9	UK private sector – quoted	-
39.9	Overseas	23.2
	Pooled Investment Vehicles	
74.1	UK private sector – quoted	1.0
6.8	Overseas equities	4.7
9.4	Interest on cash deposits	1.7
0.7	Stocklending	0.8
2.1	Other investment income	5.6
141.0	Total dividends and interest	44.9
47.4	Property management income	48.5
(10.2)	Property management expenses	(8.6)
37.2	Total property management	39.9
178.2	Total investment income	84.8

Stocklending

As at 31 March 2021, £482.6 million of stock was on loan to an agreed list of approved borrowers through the Fund's custodian in its capacity as agent lender (31 March 2020: £384.3 million). The loans were covered by non-cash collateral in the form of equities, gilts, DBVs and G10 sovereign debt totalling £521 million and giving a margin of 8.0% (31 March 2020, £416 million, margin of 8.2%).

Collateral is marked to market, adjusted daily and held by a third party agent on behalf of the Fund. Net income from stocklending amounted to £0.8 million during the year (2019/20: £0.7 million). The Fund retains its economic interest in stocks on loan and their value is included in the Fund valuation. There is however, an obligation to return collateral to the borrowers and its value is therefore excluded from the Fund valuation. The securities lending programme is indemnified to give the Fund further protection against losses.

During the period the stock is on loan, the voting rights on the loaned stock pass to the borrower.

There are no liabilities associated with the loaned assets.

Other investment income

Other investment income includes the following; Class action income, liquidation proceeds and tax refunds.

Note P15 - Net investment assets

31 March 2020 £m		31 March 2021 £m
	Bonds	
186.6	UK companies – segregated (external)	222.4
307.4	Overseas Sovereign - Index Linked	286.0
494.0		508.4
	UK equities	
26.9	Quoted	25.0
2.0	Unquoted	2.0
28.9		27.0
	Overseas equities	
61.9	Quoted	181.1
1,346.9	Quoted – segregated (external)	2,386.4
1,408.8		2,567.5
	Pooled investment vehicles	
	Managed funds	
632.5	UK fixed interest	659.8
1,051.4	Other fixed interest	1,876.7
971.0	UK quoted, index linked	961.9
856.0	UK quoted equities (pooled assets)	1,081.7
4,425.9	Overseas quoted equities (pooled assets)	6,093.1
772.8	Infrastructure	819.7
1,203.3	Private equity	1,315.5
464.9	UK absolute returns	356.6
63.3	Overseas absolute returns	54.1
45.3	Multi asset credit	-
79.7	UK property	188.3
156.0	Overseas property	122.0
	Unit trusts	
40.4	UK quoted equities	-
107.3	UK property	111.4
-	Overseas equities	-
0.1	Overseas property	-
10,869.9		13,640.8
	Property	
918.9	UK freehold	1,014.0
46.2	UK leasehold*	-
965.1		1,014.0
	Derivative contracts	
11.7	Futures	-
-	Forward currency contracts	3.1
11.7		3.1
	Foreign currency holdings	
0.4	Australian dollars	0.5
0.6	Canadian Dollars	0.6
1.3	Czech Koruna	1.3
0.5	Danish Kroner	0.6
113.3	Euro	73.6
135.7	Hong Kong Dollars	31.3
0.6	Hungarian Forints	0.6
5.9	Japanese Yen	5.2
1.9	Mexican Peso	2.2
0.5	New Zealand Dollars	0.5
0.4	Norwegian Kroner	0.5
0.5	Polish Zloty	0.5
1.3	Singapore Dollars	1.4
2.9	Swedish Kroner	2.9
5.2	Swiss Francs	4.8
1.0	Turkish Lira	0.7
310.5	United States Dollars	272.4
582.5		399.6
	Cash deposits	
456.7	UK	491.0
112.9	US	7.2
569.6		498.2
	Other investments	
75.8	Broker balances	19.2
7.0	Outstanding dividend entitlement and recoverable with-holding tax	7.5
82.8		26.7
15,013.3	Total investment assets	18,685.3
	Investment liabilities	
	Derivative contracts	
(76.8)	Forward currency contracts	-
-	Futures	(2.3)
(76.8)		(2.3)
	Other liabilities	
-	Amounts payable for purchases	-
-		-
(76.8)	Total investment liabilities	(2.3)
14,936.5	Net investment assets	18,683.0

* All leasehold properties are held on long leases

Segregated accounts are held separately from the main account by the global custodian and contain assets managed by some of the Fund's external managers.

The following investments represent more than 5% of the net assets of the Fund. All of these companies are registered in the UK.

31 March 2020			31 March 2021		
Market value	% of total		Market value	% of total	
£m	market value		£m	market value	
	%	Security		%	
1,835.1	12.3	LGPS Central Global Ex UK Passive Equity Fund	2,532.6	13.6	
1,382.4	9.3	LGPS Central All World Equity Climate Multi Factor Fund	1,862.7	10.0	
850.9	5.7	LGPS Central UK Passive Equity Fund	1,075.4	5.8	
715.3	4.8	LGPS Central Global Equity Active Multi-Manager Fund	1,057.0	5.7	
971.0	6.5	Legal & General - All Stocks Index-Linked Gilts Fund	961.9	5.1	

The proportion of the market value of investment assets managed in the regional asset pool and by each external manager at the year-end is set out below.

31 March 2020			31 March 2021		
Market value	% of total		Market value	% of total	
£m	market value		£m	market value	
	%			%	
Investments managed by LGPS Central Limited regional asset pool:					
4,366.3	29.2	Authorised Contractual Schemes (ACS) - global equities	6,010.1	32.2	
850.9	5.7	Authorised Contractual Schemes (ACS) - UK equities	1,075.4	5.8	
-	-	Authorised Contractual Schemes (ACS) - Fixed interest	584.8	3.1	
101.3	0.7	Non ACS private equity	198.9	1.1	
5,318.5	35.6		7,869.2	42.1	
Investments managed outside of LGPS Central Limited regional asset pool:					
2,142.9	14.3	In-house	2,120.7	11.4	
152.9	1.0	Managers: UK quoted	117.7	0.6	
1,042.1	7.0	Managers: emerging markets	1,448.3	7.8	
364.4	2.4	Managers: global equities	1,021.1	5.5	
3,148.9	21.1	Managers: fixed interest	3,422.0	18.3	
235.7	1.6	Managers: indirect property	310.3	1.7	
772.8	5.2	Managers: infrastructure funds	819.7	4.4	
573.5	3.8	Managers: absolute return	410.7	2.2	
1,102.0	7.4	Managers: private equity	1,116.6	6.0	
9,535.2	63.8		10,787.1	57.7	
82.8		Outstanding dividend entitlement and recoverable with-holding tax	26.7		
14,936.5		Net investment assets	18,683.0		

ANALYSIS OF DERIVATIVES

Objectives and policies for holding derivatives

The Fund utilises derivative instruments in line with investment policy and investment management agreements in place with third party investment managers.

a) Futures

In 2018/19, the Fund made a decision to transition assets out of an internal global equity portfolio and into a new sustainable global equities mandate. Recognising that there would be some lead time in implementing this strategy, as and when the existing portfolio was realised, proceeds were invested in global equity futures pending transition to the sustainables mandate. During 2020/21, the Fund made a significant transition into the sustainables mandate and has reduced its exposure to futures accordingly.

The Fund has also invested in gilt futures to help align the weighting in this area with its strategic target and as a tool for risk management. The economic exposure represents the notional value of stock purchased under futures contracts and is therefore subject to market movements.

b) Forward foreign currency

To reduce the volatility associated with fluctuating currency rates, the Fund has a passive currency programme in place. The Fund commenced its currency hedging programme in September 2017 following approval by Committee to amend the Strategic Investment Allocation Benchmark to reflect the passive currency management programme. The Fund's hedging programme aims to protect returns in sterling terms and reduce currency risk. The neutral hedge ratio is considered to be 50% based on the strategic weight of each region but actual hedge ratios applied will vary from time to time with a rebalancing taking place on a monthly basis to reflect changing market values.

c) Open forward currency contracts

Settlement	Currency Bought	Local value	Currency Sold	Local value	Asset value	Liability value
		m		m	£m	£m
One to six months	GBP		390.7	EUR	454.4	3.1
Open forward currency contracts at 31 March 2021						3.1
Net forward currency contracts at 31 March 2021						3.1

Prior year comparative

Open forward currency contracts at 31 March 2020	-	(76.8)
Net forward currency contracts at 31 March 2020	-	(76.8)

d) Open exchange traded futures contracts

Type	Expires	Economic exposure	Market value	Economic exposure	Market value
		£m	31 March 2020	£m	31 March 2021
			£m		£m
Assets					
UK equity	Under one year		71.3	6.6	55.5
Overseas equity	Under one year		469.2	2.6	141.4
UK bond	Under one year		158.3	2.5	148.3
Total assets				11.7	(2.3)

Note P16 - Investment market value movements analysis

	Value as at 31 March 2020	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Investment Management Fees Deducted at Source	Change in Market Value	Value as at 31 March 2021
	£m	£m	£m	£m	£m	£m
Bonds	494.0	28.6			(14.2)	508.4
UK equities	28.9				(1.9)	27.0
Overseas equities	1,408.8	450.0			708.7	2,567.5
Pooled investment vehicles	10,869.9	1,314.9	(839.0)	(80.6)	2,375.6	13,640.8
Property	965.1	63.0	(18.3)	-	4.2	1,014.0
	13,766.7	1,856.5	(857.3)	(80.6)	3,072.4	17,757.7
Derivative contracts						
Futures	11.7	-	(23.1)	-	9.1	(2.3)
Forward foreign exchange	(76.8)	-	37.6	-	42.3	3.1
	13,701.6	1,856.5	(842.8)	(80.6)	3,123.8	17,758.5
Broker balances	75.8					19.2
Outstanding dividend entitlement and recoverable With-holding tax	7.0					7.5
Foreign currency holdings	582.5					399.6
Cash deposits	569.6					498.2
Total Investments	14,936.5					18,683.0

The change in market value of investments comprises both increases and decreases in the market value of investments held at any time during the year and profits and losses realised on the sales of investments during the year.

Purchases also include transfers in of investments, take-over of shares etc. and invested income. Sales proceeds include all receipts from sales of investments, transfers out of investments, take-over proceeds etc. and reductions in cash deposits including profits or losses realised on the sale.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Fund such as fees, commissions, stamp duty and other fees. Transaction costs during the year amounted to £22.6 million (2019/20: £14.2 million). In addition to the transaction costs disclosed below, indirect costs are incurred through the bid-offer spread of investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Fund.

The volatility of investment markets is an ever-present and longstanding feature of pension fund management and valuations may vary, either up or down, throughout each day when exchanges are open.

The change in the value of investments during 2019/20 is set out below:

	Value as at 31 March 2019	Transfer of assets from WMITA fund	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Investment management fees deducted at source	Change in market value	Value as at 31 March 2020
	£m	£m	£m	£m	£m	£m	£m
Bonds	339.8	-	99.6	-	-	54.6	494.0
UK equities	40.0	-	-	(11.5)	-	0.4	28.9
Overseas equities	1,301.3	-	353.3	(0.4)	-	(245.4)	1,408.8
Pooled investment vehicles	11,481.8	263.5	8,413.8	(8,684.6)	(66.9)	(537.7)	10,869.9
Property	980.7	-	18.5	(1.9)	-	(32.2)	965.1
	14,143.6	263.5	8,885.2	(8,698.4)	(66.9)	(760.3)	13,766.7
Derivative contracts							
Futures	20.7	-	141.4	(200.7)	-	50.3	11.7
Forward foreign exchange	(1.8)	-	282.5	(322.4)	-	(35.1)	(76.8)
	14,162.5	263.5	9,309.1	(9,221.5)	(66.9)	(745.1)	13,701.6
Broker balances	51.8						75.8
Outstanding dividend entitlement and recoverable with	0.5						7.0
Amounts payable for purchases of investments	(152.1)						-
Foreign currency holdings	690.6						582.5
Cash deposits	821.8	3.9					569.6
Total investments	15,575.1	267.4					14,936.5

16 i) Property Holdings

The Fund's investment property portfolio comprises a number of directly owned properties which are leased commercially to various tenants. Details of these directly owned properties are as follows:

2019/20 £m		2020/21 £m	
980.7	Opening balance		965.1
18.5	Additions		63.0
(1.9)	Disposals		(18.3)
(32.2)	Net change in market value		4.2
965.1	Closing balance		1,014.0

There are no restrictions on the realisability of the property or the remittance of income or proceeds on disposal and the Fund is not under any contractual obligation to purchase, construct or develop any of these properties nor does it have any responsibility for any repairs, maintenance or enhancements.

The future minimum lease payments receivable by the Fund are as follows:

31 March 2020 £000		31 March 2021 £000	
43,025	Within one year		43,892
156,653	Between one and five years		152,740
174,138	Later than five years		179,918
373,816	Total future lease payments due under existing contracts		376,550

The receivables above have been reduced by a credit loss allowance of 1% per annum reflecting the Fund's expected loss from late or non-recovery of rents from tenants. This deduction is based on advice from the Fund's property letting agents.

The impact of COVID-19 has presented new challenges for valuation of illiquid assets. In their valuation report for the quarter to 31 March 2020, the independent property valuation agents were unable to rely fully on previous market experience to inform opinions on properties and their valuations were therefore reported on the basis of 'material valuation uncertainty'. There is no such valuation uncertainty clause in connection with the property valuation report as at 31 March 2021.

Note P17 - Fair value - basis of valuation

The basis of the valuation of each class of investment assets is detailed below. There has not been any change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Asset type	Valuation level	Basis of valuation	Observable and unobservable inputs	Key sensitivity
Market quoted investments	1	Published bid market price ruling on 31 March 2021.	n/a	n/a
Quoted bonds	1	Market bid price based on current yields.	n/a	n/a
Futures	1	Published exchange prices at 31 March 2021.	n/a	n/a
Unquoted bonds	2	Average of broker prices.	Evaluated price feeds.	n/a
Pooled Investment vehicles- unit trusts and property funds	2	PIV are stated at the bid price quoted or the closing single market prices.	Net asset value (NAV) based pricing set on a forward pricing basis.	n/a
Forward foreign exchange derivatives	2	Market forward exchange rates at 31 March 2021.	Exchange rate risk.	n/a
Freehold and leasehold properties	3	Valued at fair value at the year-end using the investment valuation reports of Savills Plc. One third of the commercial property portfolio is valued fully in March each year, with the remaining two thirds being a 'desktop' valuation. Agricultural properties are valued by Browns at the year end.	Existing lease terms and rentals, independent market research, tenant covenant strength, estimated vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or discount rate could affect valuations
Unquoted equity (includes Private Equity, Infrastructure and Absolute Return/Diversified Growth Funds)	3	Value is based on the latest investor reports and financial statements provided by the fund managers of the underlying funds, adjusted for transactions arising after the date of such reports.	Earnings before interest, tax, depreciation and amortisation (EBITDA) multiple, revenue multiple, discount for lack of marketability.	Could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.
Bulk annuity insurance buy-in	3	Provided by the Fund's Actuary based on a roll-forward of the value placed on the buy-in as part of the WMITA Fund 2019 triennial actuarial valuation, allowing for estimated level pensions paid and the change in the discount rate used to value the buy-in.	Key underlying inputs for the valuation are the discount rate and life expectancy. Discount rate has been set at 0.43% with reference to the 11 year point of the Bank of England nominal gilt yield curve, consistent with the 2019 valuation of the WMITA Fund.	Adjustments to discount rate and life expectancy.

Sensitivity of assets valued at level 3

The table below details the Fund's review of financial information as provided by independent advisors. The valuation methods detailed above are likely to be accurate to within the ranges and, as set out below, the consequent potential impact on the closing value of investments at 31 March 2021 and 31 March 2020.

Level 3 assets	Valuation range	Valuation at 31 March 2021	Valuation Increase	Valuation Decrease
	% (+/-)	£m	£m	£m
Freehold and Leasehold Property	11.8	1,014.0	1,134.0	894.1
Private Equity	31.7	1,269.8	1,672.6	867.0
Infrastructure	13.2	819.8	928.3	711.1
Absolute Return/Diversified Growth	14.1	410.8	468.6	353.0
Unit Trusts - UK Property	11.8	140.5	157.2	123.9
Fixed Interest	9.8	65.8	72.3	59.4
Total		3,720.7	4,433.0	3,008.5

Level 3 assets	Valuation range	Valuation at 31 March 2020	Valuation Increase	Valuation Decrease
	% (+/-)	£m	£m	£m
Freehold and Leasehold Property	11.7	965.1	1,078.0	852.2
Private Equity	26.2	1,203.3	1,518.6	888.0
Infrastructure	13.8	772.8	879.4	666.2
Absolute Return/Diversified Growth	12.8	528.2	595.8	460.6
Unit Trusts - UK Property	11.7	107.3	119.9	94.7
Total		3,576.7	4,191.7	2,961.7

The key underlying inputs for the annuity insurance buy-in level 3 valuation are the discount rate and life expectancy. The impact of changes as calculated by the Fund's Actuary is shown below:

Change in assumptions - year ended 31 March 2021	Adjustment	Valuation at 31 March 2021	Valuation Increase	Valuation Decrease
		£m	£m	£m
Adjustment to discount rate	(-/+) 0.5%	200.0	209.9	190.4
Adjustment to life expectancy assumptions	(+/-) 1 year	200.0	214.6	186.2

Change in assumptions - year ended 31 March 2020	Adjustment	Valuation at 31 March 2020	Valuation Increase	Valuation Decrease
		£m	£m	£m
Adjustment to discount rate	(-/+) 0.5%	229.4	240.8	218.5
Adjustment to life expectancy assumptions	(+/-) 1 year	229.4	244.5	215.2

17 i) Fair value hierarchy

The valuation of financial instruments has been classified into three levels according to the quality and reliability of information used to determine fair values. Criteria utilised in the instrument classifications are detailed below:

Level 1
Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed interest securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2
Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3
Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in the determining appropriate assumptions.

The values of the investments in private equity, infrastructure and absolute return/diversified growth funds are based on the latest investor reports and financial statements provided by the fund managers of the underlying funds. Valuations are undertaken quarterly and an adjustment is made to roll forward the latest available valuation to 31 March as appropriate.

The values of the investments in hedge funds are based on the net asset value provided by the fund manager. Fund valuations are obtained through external experts with assurance provided via the audit opinion. The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which fair value is observable.

Value at 31 March 2021	Quoted market price	Using observable	With significant unobservable	Total
	Level 1	Level 2	Level 3	
	£m	£m	£m	£m
Financial assets				
Financial assets at fair value through profit and loss	9,753.4	4,284.4	2,706.7	16,744.5
Non-financial assets at fair value through profit and loss			1,014.0	1,014.0
Financial liabilities at fair value through profit and loss				-
	9,753.4	4,284.4	3,720.7	17,758.5
Bulk annuity insurance buy-in at fair value through profit and loss			200.0	200.0
Net financial assets	9,753.4	4,284.4	3,920.7	17,958.5

Value at 31 March 2020	Quoted market price	Using observable	With significant unobservable	Total
	Level 1	Level 2	Level 3	
	£m	£m	£m	£m
Financial assets				
Financial assets at fair value through profit and loss	6,705.0	3,496.7	2,611.6	12,813.3
Non-financial assets at fair value through profit and loss			965.1	965.1
Financial Liabilities at Fair Value Through Profit and Loss	-	-	-	-
Financial liabilities at fair value through profit and loss		(76.8)		(76.8)
	6,705.0	3,419.9	3,576.7	13,701.6
Bulk annuity insurance buy-in at fair value through profit and loss			229.4	229.4
Net financial assets	6,705.0	3,419.9	3,806.1	13,931.0

Note 17 ii) - Reconciliation of fair value measurements within level 3

Period 2019/20	Market value 1 April 2019 £m	Transfers into level 3 £m	Transfers out of level 3 £m	Purchases during the year £m	Sales during the year £m	Unrealised gains / losses £m	Realised gains/losses £m	Market value 31 March 2020 £m
Freehold and Leasehold Property	965.1	-	-	-	-	48.9	-	1,014.0
Private Equity	1,203.3	3.5	(29.5)	129.4	(241.1)	156.3	47.9	1,269.8
Infrastructure	772.8	-	-	146.6	(75.1)	(35.3)	10.8	819.8
Absolute Return/Diversified Growth	528.2	-	-	60.8	(199.4)	10.8	10.4	410.8
Unit Trusts - UK Property	107.3	-	-	40.7	(3.0)	(4.5)	-	140.5
Bonds	-	-	-	70.7	(1.0)	(3.9)	-	65.8
Total	3,576.7	3.5	(29.5)	448.2	(519.6)	172.3	69.1	3,720.7

Bulk annuity insurance buy-in contract

The transfer of assets from the former WMITA Fund included a bulk annuity insurance buy-in contract with Prudential Retirement Income Limited. The insurance cover provides that the insurer underwrites the risk for meeting the liabilities of a specified group of pensioners on the WMITA pensions payroll as at 11 August 2011. The insurance provider will pay the cost of the monthly pension payments for this group whilst they or their dependants are entitled to a pension.

31 March 2020 £m		31 March 2021 £m
-	Bulk annuity insurance buy-in contract value at start of year	229.4
224.5	Bulk annuity insurance buy-in contract value transferred in 1 April 2019	-
	Actuarial revaluation of insurance contract:	
2.8	Interest on buy-in	1.0
5.2	Change in demographic assumptions	(3.3)
18.1	Change in actuarial assumptions	(11.8)
(5.4)	Actuarial experience	-
20.7		(14.1)
(15.8)	Level pensions paid by insurer	(15.3)
229.4	Bulk annuity insurance buy-in contract value at end of year	200.0

The change in demographic assumptions results from updating mortality assumptions to use the latest CMI_2020 Model. The change in actuarial assumptions is a result of increasing the discount rate from 0.43% at 31 March 2020 to 1.02% at 31 March 2021 consistent with the rate used in the 2019 valuation of the former WMITA Fund.

Note P18 - Investment capital commitments

Investment commitments at the end of the financial year in respect of future payments were:

31 March 2020 £m		31 March 2021 £m
1,146.6	Non-publicly quoted equities and infrastructure	948.8
85.4	Property	58.5
1,232.0		1,007.3

These amounts relate to outstanding commitments due on funds held in the private equity, fixed interest, absolute return and alternative investment portfolios.

Note P19 - Long term debtors

31 March 2020 £m		31 March 2021 £m
11.6	Early retirement costs	6.4
2.9	Reimbursement of lifetime tax allowances	3.8
14.5	Total	10.2

The Fund has agreed for certain employers to defer payment of amounts due to meet early retirement costs and £6.4m is due after the following financial year (2019/20: £11.6m). The instalments due in 20/21 are reported in Current Assets.

Note P20 - Current Assets

31 March 2020 £m		31 March 2021 £m
	Receivables and prepayments	
	Contributions Receivable	
12.8	- Employers' future service	13.3
6.0	- Employers' past service deficit	4.9
10.5	- Members	10.0
103.1	Other Receivables	10.3
132.4	Total Receivables and Prepayments	38.5
-	Cash	1.9
132.4	Total Current Assets	40.4

Note P21 - Current liabilities

31 March 2020 £m		31 March 2021 £m	
	Payables and receipts in advance		
(3.7)	Pensions and lump sum benefits		(4.3)
(5.2)	Receipts in advance		(0.7)
(15.8)	Other payables		(15.5)
(24.7)	Total		(20.5)

Note P22 - Additional voluntary contributions

As well as joining the Fund, scheme members can pay into an additional voluntary contribution (AVC) scheme run by two AVC providers. Contributions are paid directly from scheme members to the AVC providers.

The contributions are not included within the Fund accounts, in line with regulation 4 (2) (b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009. The table below shows the activity for each AVC provider in the year.

31 March 2020		Prudential		31 March 2021	
Utmost Life	£m	£m		Utmost Life	Prudential *
£m		£m		£m	£m
1.6		37.6	Opening value of the fund	1.8	37.6
0.1		0.6	WMITA Fund AVC balances consolidated following merger	-	-
0.3		6.0	Income	0.1	6.0
(0.1)		(5.6)	Expenditure	(0.2)	(6.6)
(0.1)		(1.1)	Change in market value	-	0.2
1.8		37.6	Closing value of the fund	1.7	37.2

* At the time of publishing this draft Statement of Accounts in June 2021, Prudential Assurance Company was experiencing delays resulting from its ongoing migration to a new administration platform and was not able to provide annual AVC financial statements for 2020/21. The table above therefore contains estimates for movements in Prudential AVCs for the year to 31 March 2021 which will be revised as appropriate when the actual amounts are available.

Note P23 Financial instruments

Net gains and losses on financial instruments

31 March 2020 £m		31 March 2021 £m	
	Financial assets		
(677.8)	Fair value through profit and loss		3,110.5
	Financial liabilities		
(35.1)	Fair value through profit and loss		9.1
(712.9)	Total		3,119.6

Classification of financial instruments

The following table analyses the carrying amounts of financial instruments by category. No financial instruments were reclassified during the accounting period.

Fair value through profit and loss £m	31 March 2020		31 March 2021		Financial liabilities at amortised cost £m
	Assets at amortised cost £m	Financial liabilities at amortised cost £m	Fair value through profit and loss £m	Assets at amortised cost £m	
					Financial assets
494.0				508.4	Bonds
28.9				27.0	UK equities
1,408.8				2,567.5	Overseas equities
10,869.9				13,640.8	Pooled investment vehicles
11.7				3.1	Derivative contracts
229.4				200.0	Bulk annuity Insurance buy-in
	1,152.1				Cash
				899.7	Other investment balances
	82.8			26.7	
	146.9			48.7	Debtors
13,042.7	1,381.8			16,946.8	975.1
					Financial liabilities
(76.8)				(2.3)	Derivative contracts
					Other investment balances
					-
				(24.7)	Creditors
12,965.9	1,381.8			16,944.5	975.1
	14,323.0				(20.5)
				17,899.1	

Note P24 - The nature and extent of risks arising from financial instruments

Risk management

The main investment objective of the Fund is to optimise return whilst managing market risk exposure within an acceptable tolerance. This is achieved by investing assets across a diversified portfolio. The Fund also manages its liquidity risk to ensure there is sufficient liquidity to meet forecasted cash flows.

The Fund's activities expose it to a variety of financial risks including:

- Investment risk - the possibility that the Fund will not receive the expected returns.
- Counterparty and credit risk - the possibility that other parties might fail to pay amounts due to the Fund.
- Liquidity risk - the possibility that the Fund might not have funds available to meet its commitments to make payments as they fall due.
- Valuation risk - the possibility that the actual value realised upon the sale of an illiquid asset differs from the valuation placed on it based on a valuer's opinion.
- Market risk - the possibility that financial loss might arise as a result of market movements. Currency risk, interest rate risk and other price risk are types of market risk:
 - Currency risk - the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
 - Interest rate risk - the risk that future cash flows will fluctuate because of changes in market interest rates.
 - Other price risk - the risk that the value of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Investment risk

In order to achieve its statutory obligations to pay pensions, the Fund invests its assets, including employer and employee contributions, in a way that allows it to meet its liabilities as they fall due for payment. It does this by investing with regard to liabilities through the triennial actuarial valuation followed by an appropriate asset allocation which is monitored on an ongoing basis to ensure it remains appropriate.

Counterparty risk

In deciding to effect any transaction for the Fund, steps are taken to ensure that the respective counterparty is suitable and reliable, that the transaction is in line with the Fund's strategy and that the terms and circumstances of the transaction are the best available in the relevant market at the time. Comprehensive due diligence processes are in place to ensure that any potential counterparty is authorised and regulated, competent to deal in investments of the type and size contemplated and has appropriate administration arrangements with regard to independent auditors, robust administration and accounting, relevant legal structure and experienced staff.

Credit risk

The Fund's credit risk is largely associated with its Fixed Income investments. This risk stems from third parties potentially failing to meet interest payments or failing to return the Fund's principal at the end of the investment period. There is also credit/counterparty risk associated with derivative investments within the Fund's Alternatives investments and those used to hedge certain foreign currency exposures as well as with rental income earned within the Fund's property portfolios.

The Fund's surplus cash may be placed with an approved financial institution on a short-term basis and in accordance with the cash management policy and restrictions set out in the Treasury policy. The policy specifies the cash deposit limit with each approved counterparty as determined by a comprehensive scoring exercise undertaken by Fund officers using specialist rating and market research data which is reviewed on a regular basis. Due diligence is conducted on potential money market funds with criteria such as AAA rating, same day access and minimum assets under management being prerequisite.

Credit rating sensitivity analysis			
Fund/Account	Long term Fitch rating*	Value at 31 March 2020 £m	Value at 31 March 2021 £m
Money market funds			
HSBC GBP Liquidity Fund Class H	Aaa-mf	191.1	106.5
HSBC USD Liquidity Fund Class H	Aaa-mf	112.9	7.2
LGIM GBP Liquidity Fund	AAAmmf	132.8	134.7
Insight GBP Liquidity Fund	AAAmmf	26.9	142.5
Invesco GBP Liquidity Fund	AAAmmf	2.9	2.3
Custody and deposit accounts			
CBRE Client Account West Midlands Met Authority		13.1	21.1
HSBC GBP Cash	AA-	89.9	83.9
HSBC Non-GBP Cash	AA-	582.5	399.6
Total		1,152.1	897.8

* Moody's rating used if no Fitch rating available

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due, especially pension payments to its members. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. The appropriate strategic level of cash balances to be held forms part of the Fund's investment strategy and the Fund carries out cash flow planning in respect of contributions, benefit payments, investment income and capital calls/distributions on an ongoing basis.

The risk that the Fund will be unable to raise cash to meet its liabilities is considered low. Due to having cashflow management procedures in place, the Fund is able to invest in illiquid asset classes and take advantage of the illiquidity premium found in these investments where appropriate.

Valuation risk

Valuation risk represents the risk that the actual value realised upon the sale of an illiquid asset differs from the valuation placed on it based on a valuer's opinion. The valuation of assets, and thus the management of valuation risk, is delegated to the Fund's appointed investment managers.

IFRS 13, Fair Value Measurement, seeks to increase consistency and comparability in fair value measurements through a 'fair value hierarchy', which categorises the inputs used in valuation techniques into three levels. Level 1 assets are those for which fair value can be measured via quoted prices in active markets for identical assets (such as those traded on stock exchanges). Level 2 assets require inputs other than quoted market prices falling under level 1 for fair value assessment (such as prices quoted in inactive markets, interest rates or credit spreads, for example). Level 3 assets require unobservable (non-public) inputs for fair value assessment and in practical terms, are those considered to be the most illiquid and difficult to value.

The majority of the Fund's underlying investments are in liquid quoted assets, representing minimal valuation risk (falling under level 1 and 2 of IFRS 13's fair value hierarchy). The Fund has investments in Property, Infrastructure and certain other illiquid assets that are classified as level 3 assets with a fair value of £3,720.7m as at 31 March 2021 (2020: £3,576.7m), which represents 21% of total assets (2020: 26%). The guidance of IFRS 13 includes additional disclosures for level 3 measurements that include the reconciliation of opening and closing balances and quantitative information about unobservable inputs and assumptions used. Valuation of the Fund's investments falling under the scope of this guidance is conducted by their respective appointed investment managers.

During the year to 31 March 2021, the impact of COVID-19 led to valuation challenges regarding certain illiquid assets. On 17 March 2020, the Royal Institute of Chartered Surveyors (RICS) recommended that surveyors use a material valuation uncertainty clause in property valuations due to the unprecedented circumstances caused by the pandemic and the corresponding absence of market evidence on which to base judgements. Throughout the year, such clauses applied to fewer and fewer assets as market uncertainty gradually receded and on 9 September 2020, RICS formally lifted its recommendation.

Market risk - currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any financial instruments not denominated in GBP sterling, the functional currency of the Fund. The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP. The table below indicates a measure of the sensitivity of the investment assets and cash balances within each asset class to currency market movements, based on the expected 1-year standard deviations of each of the underlying foreign currency exposures within the respective asset classes.

The calculations behind these potential market movements account for the diversification effects between currencies within each holding. However, the calculations do not account for the Fund's use of foreign currency forwards, which are held to hedge certain currency exposures for the sake of risk reduction. The extent of this hedging activity is subject to change over time.

Currency risk sensitivity analysis

Asset Type	Asset value as at 31 March 2021	Potential market movement	Value on Increase	Value on Decrease
	£m	£m	£m	£m
Equities*	9,828.5	686.1	10,514.6	9,142.4
Property	1,376.5	11.3	1,387.8	1,365.2
Fixed Interest**	4,006.8	90.7	4,097.5	3,916.1
Private Equity	1,315.5	72.4	1,387.9	1,243.1
Alternatives***	1,230.4	41.7	1,272.1	1,188.7
Liquid Assets	924.5	35.6	960.1	888.9
Total****	18,682.2		19,620.0	17,744.4

* Currency exposures of the overseas equity holdings have been calculated using generic indices.

** Includes exposure to fixed interest gilts, index-linked gilts, overseas government bonds, US TIPS, corporate bonds, emerging market debt, multi-asset credit and private credit.

***Includes exposure to absolute return and infrastructure investments.

****Excludes exposure to futures and forwards.

Asset Type	Asset value as at 31 March 2020	Potential market movement	Value on Increase	Value on Decrease
	£m	£m	£m	£m
Equities*	6,867.2	455.9	7,323.1	6,411.3
Property	1,200.9	14.2	1,215.1	1,186.7
Fixed Interest**	3,194.6	67.9	3,262.5	3,126.7
Private Equity	1,203.3	71.6	1,274.9	1,131.7
Alternatives***	1,300.6	43.4	1,344.0	1,257.2
Liquid Assets	1,234.9	60.9	1,295.8	1,174.0
Total****	15,001.5		15,715.4	14,287.6

* Currency exposures of the overseas equity holdings have been calculated using generic indices.

** Includes exposure to fixed interest gilts, index-linked gilts, overseas government bonds, US TIPS, corporate bonds, emerging market debt, multi-asset credit and private credit.

***Includes exposure to absolute return and infrastructure investments.

****Excludes exposure to futures and forwards.

Market risk - interest rate risk

The Fund recognises that movements in interest rates can affect both income to the Fund and the value of the Fund's assets, both of which affect the value of the assets available to pay benefits. The tables below estimate the impact on the Fund's main Fixed Income exposures of a 100 basis points (bps) interest rate movement, using the duration of the underlying positions in each asset class (which have been obtained from the fund managers), to approximate the sensitivity to interest rate movements. This analysis assumes that all other variables (such as exchange rate movements) are constant, assessing only the impact of interest rate movements in isolation.

Interest rate risk - sensitivity analysis

Asset Type	Carrying amount as at 31		Change in year in the net assets	
	March 2021		available to pay benefits	
	£m		+100BPS £m	-100BPS £m
Index-linked Gilts	994.0		(214.7)	214.7
Gilts*	179.4		(21.3)	21.3
Gilt Future	(1.8)		(11.9)	11.9
Overseas Government Bonds	101.9		(8.1)	8.1
US TIPS	286.0		(33.3)	33.3
Corporate Bonds	1,179.6		(80.2)	80.2
Emerging Market Debt	750.1		(52.0)	52.0
Mult-Asset Credit	443.6		(6.5)	6.5
Private Credit**	65.8		(0.8)	0.8
Total	3,998.6		(428.8)	428.8

* The impact of a 100bps increase/decrease has been calculated using the exposure provided by the Future (£148.3m).

** Excludes legacy and immaterial positions (total: £6.3m).

Note: Durations are as at 31 March 2021.

Asset Type	Carrying amount as at 31		Change in year in the net assets	
	March 2020		available to pay benefits	
	£m		+100BPS £m	-100BPS £m
Index-linked Gilts	940.5		(201.0)	201.0
Gilts	189.9		(24.4)	24.4
Gilt Future	2.5		(13.6)	13.6
Overseas Government Bonds	113.4		(9.5)	9.5
US TIPS	307.5		(37.3)	37.3
Corporate Bonds	629.2		(56.6)	56.6
Emerging Market Debt	609.5		(42.0)	42.0
Mult-Asset Credit	348.4		(11.3)	11.3
Total	3,140.9		(395.7)	395.7

* The impact of a 100bps increase/decrease has been calculated using the exposure provided by the Future (£157.5m).

** Excludes legacy and immaterial positions (total: £10.6m).

Note: Durations are as at 31 March 2020.

Market risk - other price risk

The Fund is exposed to share and derivative price risk which arises from investments held by the Fund of which the future price is uncertain. The Fund aims to reduce the exposure to this price risk by ensuring appropriate levels of diversification in its asset allocation. The asset allocation is monitored on an ongoing basis to ensure it remains in line with the limits specified in the Fund's investment strategy. The tables below indicate a measure of sensitivity of the returns of each major asset class in which the Fund is invested, based on the 1-year standard deviation of returns within the respective asset classes, excluding the effects of interest rate risk and currency risk which are disclosed separately above. The tables also show an estimate of the impact of this potential volatility on asset values.

Other price risk - sensitivity analysis

Asset Type	Value as at 31 March 2021 £m	Year Volatility of Asset Class	Value on increase £m	Value on decrease £m
UK equities	1,167.9	18.8%	1,387.5	948.3
Global equities (ex UK)	8,660.6	16.3%	10,072.3	7,248.9
Property	1,376.5	11.8%	1,538.9	1,214.1
Fixed interest*	4,006.8	4.2%	4,175.1	3,838.5
Private equity	1,315.5	31.7%	1,732.5	898.5
Alternatives**	1,230.4	13.1%	1,391.6	1,069.2
Total Fund *** (See note below)	17,757.7		20,297.9	15,217.5

*includes exposure to fixed interest gilts, index-linked gilts, overseas government bonds, US TIPS, corporate bonds, emerging market debt, multi-asset credit and private credit.

**includes exposure to absolute return and infrastructure investments.

***excludes futures, forwards, cash deposits, foreign currency holdings, broker balances and the outstanding dividend entitlement.

The total Fund volatility taking into account the expected interactions between the different asset classes shown, based on the underlying volatilities and correlations of the assets, in line with mean variance portfolio theory is 12.4%. On this basis, the total value on increase is £19,959.6 million and the total value on decrease is £15,555.7 million. Due to the approach taken to determine the total Fund volatility (in which the beneficial impact of diversification is recognised), the monetary impact on the total Fund assets is determined using the total Fund volatility, which is lower than the sum of the monetary impact for each asset class.

Asset Type	Value as at 31 March 2020 £m	% Change	Value on increase £m	Value on decrease £m
UK equities	1,032.5	18.7%	1,225.6	839.4
Global equities (ex UK)	5,834.7	16.4%	6,791.6	4,877.8
Property	1,200.9	11.7%	1,341.4	1,060.4
Fixed interest*	3,194.6	4.7%	3,344.7	3,044.5
Private equity	1,203.3	26.2%	1,518.6	888.0
Alternatives**	1,300.6	13.9%	1,481.4	1,119.8
Total Fund*** (See note below)	13,766.6		15,703.3	11,829.9

*includes exposure to fixed interest gilts, index-linked gilts, overseas government bonds, US TIPS, corporate bonds, emerging market debt, multi-asset credit and private credit.

**includes exposure to absolute return and infrastructure investments.

***excludes futures, forwards, cash deposits, foreign currency holdings, broker balances and the outstanding dividend entitlement.

The total Fund volatility taking into account the expected interactions between the different asset classes shown, based on the underlying volatilities and correlations of the assets, in line with mean variance portfolio theory is 12.2%. On this basis, the total value on increase is £15,442.7 million and the total value on decrease is £12,090.0 million. Due to the approach taken to determine the total Fund volatility (in which the beneficial impact of diversification is recognised), the monetary impact on the total Fund assets is determined using the total Fund volatility, which is lower than the sum of the monetary impact for each asset class.

Reputational risk

The Fund's prudent approach to the collective risks listed above and compliance with best practice in corporate governance ensures that reputational risk is kept to a minimum.

Note P25 - Impairment for bad and doubtful debts

The following additions and write offs of pension payments were reported in this financial year, in line with the Fund's policy:

Additions analysis 2020/21			
Individual Value	Number	Total £	
Less than £100	30	1,133	
£100 - £500	10	1,494	
Over £500	1	751	
TOTAL	41	3,378	

Write off analysis 2020/21			
Individual Value	Number	Total £	
Less than £100	3	152	
£100 - £500	82	16,267	
Over £500	7	6,544	
TOTAL	92	22,963	

Note P26 - Related parties

Pensions administration and certain investment functions are performed by the City of Wolverhampton Council and the costs shown in Note P13 above are recharged to the Fund. Following the actuarial valuation as at 31 March 2019, the Council agreed with the Fund to pay all of its employer future service rate contributions for 2020/21 plus its past service deficit contributions for 2020/21, 2021/22 and 2022/23 by advance lump sum payment of £41.9m on 30 April 2020. The advance payment is accounted for fully in 2020/21 and with the addition of employee contributions, £49.5 million was receivable from the City of Wolverhampton Council for 2020/21 (2019/20: £9.1 million - City of Wolverhampton Council had paid its 2019/20 future service and past service deficit contributions in advance as part of a lump sum payment of £57.3m on 30 April 2018). Balances owed by and to the Council at the year end are shown in Notes P19, P20 and P21.

Pensions Committee

Eight members of the Pensions Committee are also members of the Fund as set out below:

Pensioner: Councillors: K Inston, M Jaspal, R Martin, P Page and J Tildesley. Trade Union observers: M Cantello and M Clift
Deferred: Councillor: S Simkins

Each member of the Pensions Committee is required to declare any interests relevant to the matters being discussed at each meeting.

There are six employing bodies of the Fund in which a member of the Committee has declared an interest for 2020/21. Contributions from each of these employers are set out below:

Contributions receivable 2019/20 £000		Contributions receivable 2020/21 £000	
10,412	Birmingham City University		
147	Birmingham Museums Trust		345
9,106	City of Wolverhampton Council		-
82	Heath Park Academy - Central Learning Partnership Trust		534
18	Kingswood Trust		17
35,354	Sandwell MBC		0
12,616	University of Wolverhampton		12,672
-	West Midlands Combined Authority		11,727
5,017	Wolverhampton Homes		5,102

LGPS Central Limited

LGPS Central Limited has been established to manage investment assets on behalf of nine Local Government Pension Scheme (LGPS) funds across the Midlands. It is jointly owned in equal shares by the eight administering authorities participating in the LGPS Central Pool, of which City of Wolverhampton Council, as the administering authority for West Midlands Pension Fund, is one of the shareholders. Each authority has one Class A voting share in LGPS Central Limited.

The Fund has agreed a number of advisory agreements covering a range of asset classes within the fixed income portfolio and wider illiquid portfolios. LGPS Central Limited has also provided the Fund with execution only services in the management of forward currency hedging positions. The charges in respect of these services totalled £2.112m in 2020/21 (2019/20: £1.539m). The amount outstanding in respect of these services at 31 March 2021 was £0.516m (31 March 2020: £0.477m).

The Pension Fund was invoiced £2.706m in respect of Governance, Operator Running and Product Development costs by LGPS Central Limited for 2020/21 (2019/20: £2.496m). The amount outstanding in respect of these services at 31 March 2021 was £0.643m (31 March 2020: £0.950m).

LGPS Central Limited has let office space from City of Wolverhampton Council since 1 April 2018 on a sub leasing arrangement. The rental income and rates receivable by City of Wolverhampton Council from LGPS Central Limited in 2020/21 totalled £102,595 (2019/20: £147,469) and the reimbursement of associated utilities and maintenance charges for 2020/21 totalled £16,078 (2019/20: £30,695).

LGPS Central Limited is an admitted body and employs staff that are active members of the West Midlands Pension Fund. Normal contributions receivable from LGPS Central Limited for the year to 31 March 2021 were £518,500 (2019/20: £442,700).

City of Wolverhampton Council (via the Pension Fund) has invested £1.315m in LGPS Central Limited class B shares and £0.685m in class C shares in 2017/18 and these are both carried as balances in net investment assets at this year end.

Key management personnel

The Fund has identified the Director of Pensions, West Midlands Pension Fund and the Chief Executive, City of Wolverhampton Council as key management personnel with the authority and responsibility to control or exercise significant influence over the financial and reporting decisions of the Fund. The combined compensation for these officers attributable to West Midlands Pension Fund is shown in the table below:

2019/20 £000		2020/21 £000	
136	Short-term benefits		143
28	Post-employment benefits		30
164			173

Note P27 - Events after the reporting date

No post balance sheet events have occurred which impact upon the balances and transactions reported for the year.

The Fund remains alert to potential challenges from ongoing developments in relation to the COVID-19 global health pandemic. None of these developments have impacted the underlying assumptions on which the Statement of Accounts is based nor the recognition or measurement of balances and transactions therein. No adjustments in respect of post balance sheet events have therefore been made.

The "McCloud" Court Judgement will have significant impact for all public sector pension schemes. When reforms were introduced in 2014 and 2015, protections were put in place for older scheme members. In December 2018, the Court of Appeal ruled that younger members of the Judges and Firefighters Pension schemes were discriminated against because the protections did not apply to them also. In July 2020, the Government published a consultation on draft regulations to remove this age discrimination. The consultation closed on 8 October 2020 and Government is now undertaking a review of the responses to finalise a remedy and publish amended Regulations. There is therefore, some uncertainty over the costs of any potential changes that might be required and these cannot at this time be calculated and included in the Fund's Statement of Accounts

CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 23 June 2021
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Report Title	Pensions Administration Report from 1 January to 31 March 2021	
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 action or decision:

The Pensions Committee is recommended to:

1. Approve the 10 applications for admission from employers into the Fund and note the 3 cases approved by the Chair.
2. Approve the write-offs detailed in section 13 of this report.
3. Approve the 2021 Administering Authority Policy Statement, confirming the discretions policy for the Fund.

Recommendations for noting:

The Pensions Committee is asked to note:

1. Performance and workloads of the key pension administration functions.
2. Development of the Fund's membership and participating employers.
3. The ongoing work to improve efficiency and ensure consistency of processing and record keeping.

1.0 Purpose

1.1 To inform Pensions Committee of the routine operational work undertaken by the pensions administration service areas during the period 1 January to 31 March 2021.

2.0 Background

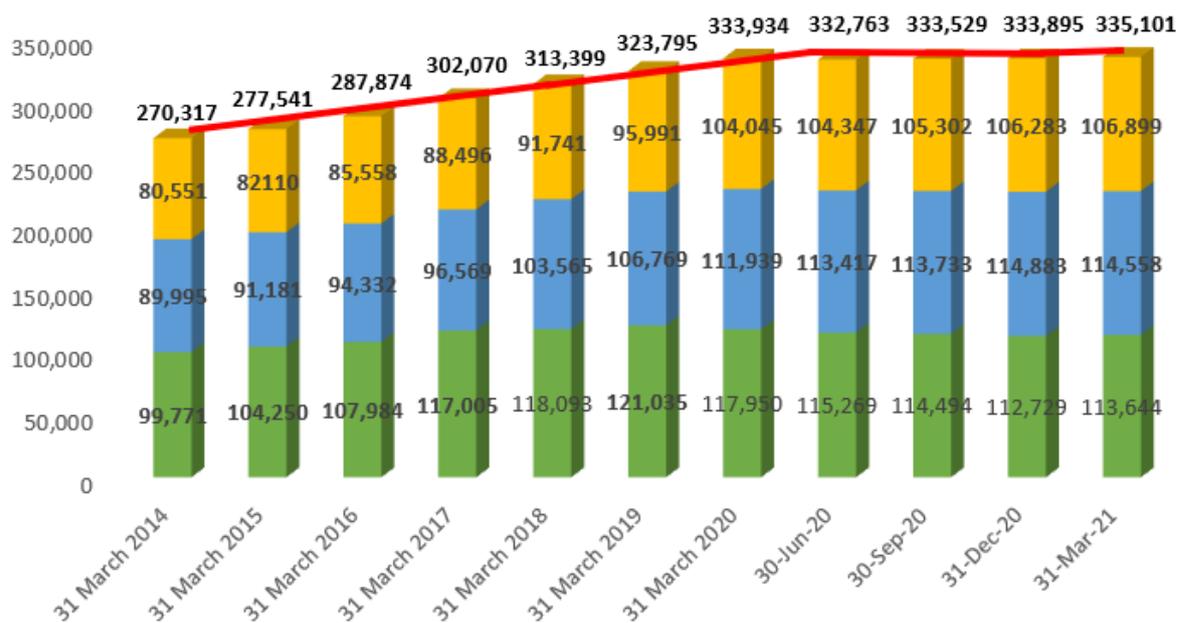
2.1 The Fund provides a pension administration service covering employer, customer and member services, data processing, benefit operations, payroll and systems/technical support. A report is provided to Committee on a quarterly basis to assist monitoring of the activity and performance of these functions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

3.0 Scheme Activity

3.1 Membership Movement – Main Fund

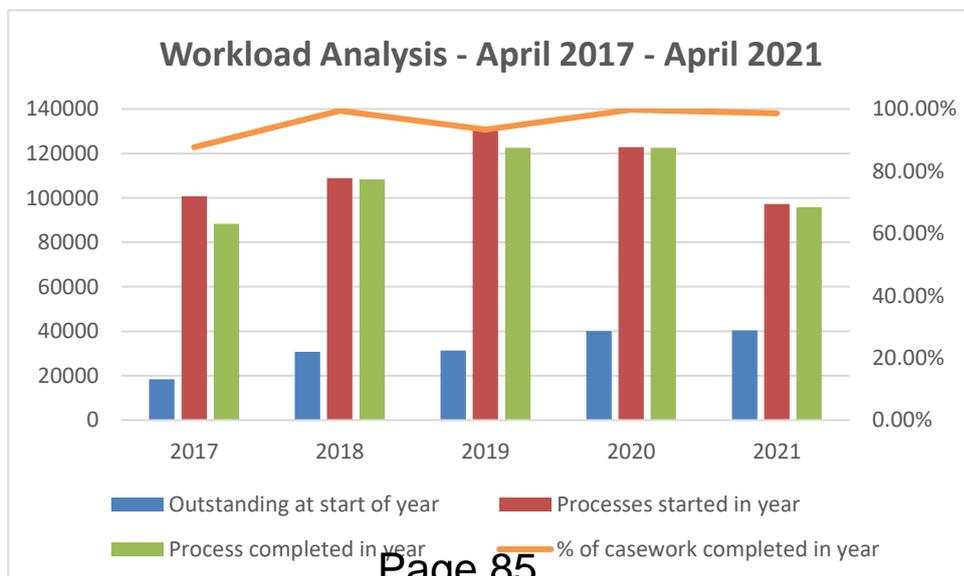
3.1.1 The total number of scheme member records in the Fund at 31 March 2021 stands at 335,101, with an overall increase since December 2020. The long-term trend over a 12 year period in membership continues to illustrate a move towards a more mature profile whereby, in general, pensioners and deferred memberships continue to rise.

	Membership as at 31 December 2020	Net Movements during the period	Membership as at 31 March 2021
Active Members	112,729	915	113,644
Deferred Members	114,883	-325	114,558
Pensioner Members	106,283	616	106,899
Total Members	333,895	1,206	335,101



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 January to 31 March 2021. During the period covered by this report, 38,776 administrative processes were commenced, and 33,364 processes were completed.
- 3.2.2 As the Fund's overall membership continues to have an upward trend, the workload volumes will also naturally increase. On 31 March 2021 there were 46,630 items of work outstanding. This represents an increase of 150 items outstanding compared to 31 December 2020 (46,480). Of the 46,630 items of work outstanding, 5,546 items were pending as a result of information awaited from a third-party e.g. scheme members, employers or transferring authorities and 41,084 processes are now either proceeding to the next stage of the process or through to final completion. A summary of the processes started and completed is detailed in Appendix A.
- 3.2.3 In response to Scheme changes and increased member activity, the Fund's administration practices have developed and evolved to ensure effective management in changing and increasing work volumes. Over the last 5 years the Fund has seen an increase in casework under management. During this period the working practices have been adapted to incorporate 24 additional processes, this includes, for example, processing member requests for deferred retirement quotes and increased member tracing which aid retirement planning and record keeping. Overall, additional process types have added 20-25% to the total casework.
- 3.2.4 As illustrated in the chart below, recent years have seen workload peak following transition to monthly employer data submissions and targeted data cleansing activity. These Fund-led activities have improved member records through earlier receipt of leaver notifications and resolution of historic outstanding leaver information. Increased member movements, concurrent employment and Scheme change on member options to amalgamate records have been key drivers to member-led process increases, with an expectation that the higher rate of ongoing activity will persist in the absence of further Scheme change. 2020/2021 saw a lower level of activity linked to reduced membership changes during COVID-19.



- 3.2.5 The Fund continues to review the volumes of incoming work and put in place plans to monitor and address high volume areas. Opportunities for bulk processing and streamlining the management of queries back to employers continue to be explored to increase efficiency in processing.
- 3.2.6 A summary of the key processes completed by volume across benefit 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 March 2021 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:
- 4.3 **Employer Hub and Webtrays**
The platform for exchanging data with our employers is the employer portal, which is key to ensuring efficient and secure exchange. The new facility aims to improve the reporting functionality, user experience through design, availability of performance monitoring information and enable earlier issue resolution. Since December 2020 the phased programme to transition employers onto the new system continues with c680 (c90% of) employers live by the 5 July 2021.
- 4.4 Alongside the development of the new Employer Hub, the Fund has developed functionality to enable queries with data to be raised with employers via their online accounts 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. Initial reporting for the month of April highlights that over 200 new queries were raised with 56 different employers. Of these, 43% had been resolved by the end of May with an average response time of 10.58 days. The Fund are engaging with employers and will continue to monitor responses with a view to reducing queries and response times.

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 slightly short of the KPI target for the management of death acknowledgements and notification of the benefits payable. This is due to high volume of death cases during the previous month, c33% increase compared to the same period in 2020. Other KPIs have been achieved across the period.

- 5.3 Despite the challenging year the Fund had a strong KPI performance for the 2020/2021 year, with two indicators falling slightly short of the 90% target over the year, relating to the production of retirement quotes for active and deferred members.
- Notification of Estimated Benefits – The KPI was not achieved in the first quarter of the year, due to an increase in the number of notifications received from employers the last two weeks in March and the transition of staff to homeworking, which saw a reduction in output. An improvement was seen in June and the subsequent months.
 - Issue of Deferred Retirement Quote Letter - This was impacted by an increase in volume of notifications received from employers for active retirements in August and September, which resulted in performance below target for three months.

5.4 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 There have been vacancies within the Customer Services Team which have affected our call handling performance during the year. Recruitment is underway and expected to complete in the coming months. All new staff complete a detailed induction plan to ensure that training is as efficient as possible, minimising disruption to services.
- 6.4 Calls have continued at a higher than usual for the period, in addition, our written enquiries have increased. Written responses take longer to process and are more resource intensive. However, capacity savings have been achieved through improving the efficiency of uploading emails to member records. We continue to explore ways in which efficiencies can be identified to manage the customer contact received, including adding quick links to the website to aid self-service for our members.
- 6.5 We have continued to work closely with Member Services to stagger mailings sent to members, with the recent pensioner newsletter and P60 mailings being sent within this period. Staggering mailings smooths the impact on the contact centre and reduces call queues/written response times, allowing us to better serve our customers and reduce the number chaser requests received.

7.0 Complaints

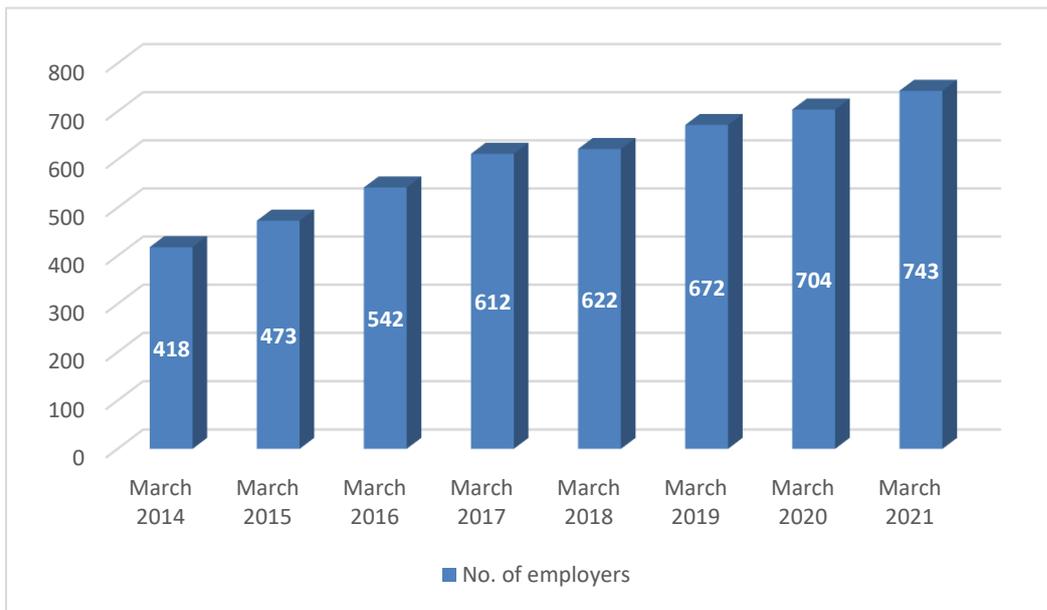
- 7.1 The Fund has a complaint monitoring framework, which enables regular monitoring, reporting of volumes and key trends for the key performance indicator. Where a complaint highlights an improvement area, this is investigated and monitored to help shape future services and improve overall customer satisfaction going forward. This mirrors the process undertaken for general customer feedback as outlined 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 30 complaints received for the last quarter (very low across the membership). Of those complaints, 53% were upheld, a reduction compared to the previous reporting period.
- 7.3 Overall there has been a reduction in complaints compared to the same period last year. When each complaint is received, any lessons learned are shared and logged, and this in turn improves our service delivery and prevents further occurrences. Complaints and actions in response are reviewed by the Fund's Senior Management Team on a monthly basis.

8.0 IDRPs Casework

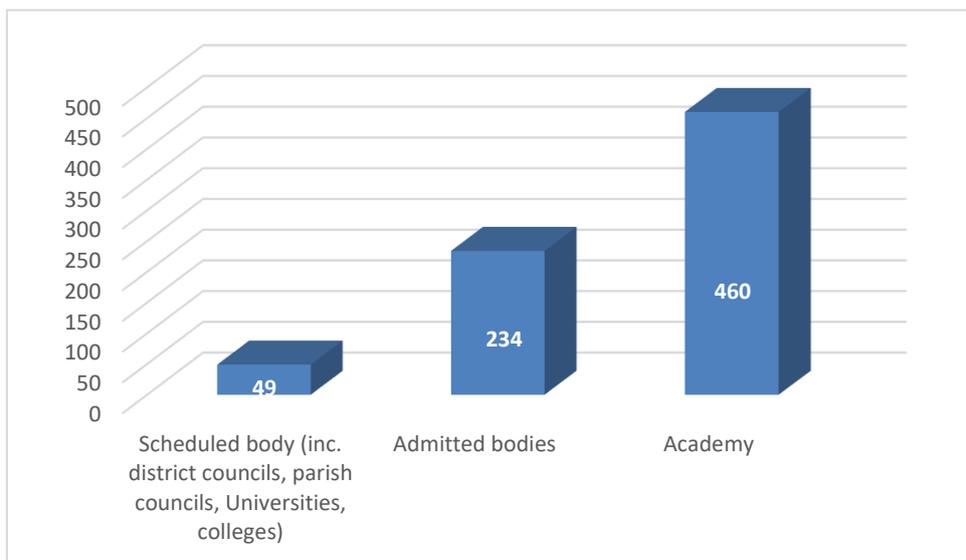
- 8.1 For 2019/2020, one case remains on-going which relates to a historical medical appeal against the employer, which has required considerable engagement with third party medical practitioners. The Fund are continuing to liaise with the member and the employer.
- 8.2 For 2020/2021, nine cases were completed, with one case has been partially upheld and eight cases not upheld. Five cases were progressed to stage two on appeal to the Fund; four of these cases have not been upheld and one case remains under investigation.
- 8.3 For the 2020/2021 year to date, one case has been referred to Stage one of the procedure against the Fund and is currently being investigated.

9.0 Employer Membership

- 9.1 The Fund has seen an increase in employer numbers, with the overall number of employers registered with the Fund as 743 at 31 March 2021, a 5% increase for 2020/21 and a 72% 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: -

- 68 admission agreements
- 25 academies
- 43 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 10 applications for admission to the Fund, of which 7 are seeking approval from Committee and 3 have been requested and approved by the Chair. These are detailed in Appendix E.

11.0 Pensions in Payment

- 11.1 The gross annual value of pensions in payment to March 2021 was £568m, £15.47m of which (£7.9m for pensions increase and £7.57m 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 (£)
January 2021	87,881	40,217,405
February 2021	87,973	40,190,781
March 2021	106,265	41,692,239

The March figure includes pensioners paid on a quarterly basis.

12.0 Write-off policy decisions

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

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

- 12.1 Write-off and Write On analysis
The following write-off and write on 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	-	8	218
£100 - £500	18	2,971	0	-
Over £500	1	2,167	0	-
TOTAL	19	5,138	8	218

Of the cases where the overpayment has been written off:

- 15 cases are where the Fund has not received a response or are unable to trace the Next of Kin
- 3 case is where the Next of Kin has stated there is no money in the estate to make the repayment
- 1 historical case advised by City of Wolverhampton Council legal team to write off

Of the cases where the overpayment has been written on:

- 8 cases the Fund has received no response

13.0 Transfer Out Cases

- 13.1 During the period 1 January to 31 March 2021, 256 transfer values were issued to members considering transferring their benefits out of the scheme (previous 1 January 2020 to 31 March 2020, 344 transfer values were issued to members).
- 13.2 In total 40 transfer payments made during the period 1 January to 31 March 2021 resulting in a total amount transferred of £1.5 million (previous 1 January to 31 March 2020 a total of 62 transfer payments were made (£4.5 million was transferred out) This amount is broken down as follows:

Value of Transfer Payments	Number of Transfer Payments
0 to £30,000	31
£30,001 to £100,000	5
£100,001 to £200,000	1
£200,001 to £300,000	2
£300,001 to £400,000	1
£400,001 to £500,000	0
Above £500,001	0
Total	40

- 13.3 Analysis has been undertaken of the Transfer out payments to non-public sector or occupational schemes over the period of January through to March 2021 to review the volume and trends. During the period, of the 40 completed, a total of 21 non-public sector or occupational scheme transfer out payments have been processed, to a total of 12 different receiving schemes. The average age of members transferring out was 45 years, with the main reason for members transferring out with a value less than £30k was to consolidate their benefits. For those cases of higher value than £30k, the main reason was to consolidate their pension benefits with one provider.

14.0 Administering Authority Policy Statement

- 14.1 Under the LGPS Regulations, the Fund is required to formally publish its policy on its 'discretions'. Administering authorities have certain powers which enable them to choose how they will apply the scheme in respect of certain provisions. These are called discretions. Discretions is taken to include where the administering authority is required to carry out a task, but an element of choice is seen to exist as to how the task is completed.
- 14.2 The Fund are obliged to consider how to exercise their discretion and, in respect of some (but not all) of these discretionary provisions, to have a written policy on how they will apply their discretion, these are also to be published and kept under review. Within the policy there are circa 50 areas covered, and these include; admission of admission bodies, commutation of small pensions, management of funding strains, for example on member taking unreduced benefits on early retirement.
- 14.3 The Fund has undertaken its annual review of the policy, comparing to the latest guidance issued by LGA/LGPC confirmed there are no areas for development or amendment. In addition, as there have not been any major scheme changes since the revised version was implemented, therefore no changes have been made to the statement.
- 14.4 The policy statement will, subject to Committee approval, be applicable from June 2021, a copy is attached at Appendix F.

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 All other implications

- 18.1 This report has implications for the Council's human resources policies since it deals with the pension rights of employees. The report contains no direct environmental implications.

19.0 Schedule of background papers

19.1 None.

20.0 Schedule of appendices

20.1 Appendix A: Process Summary

20.2 Appendix B: Detailed Process Analysis

20.3 Appendix C: Key Performance Indicators (KPIs)

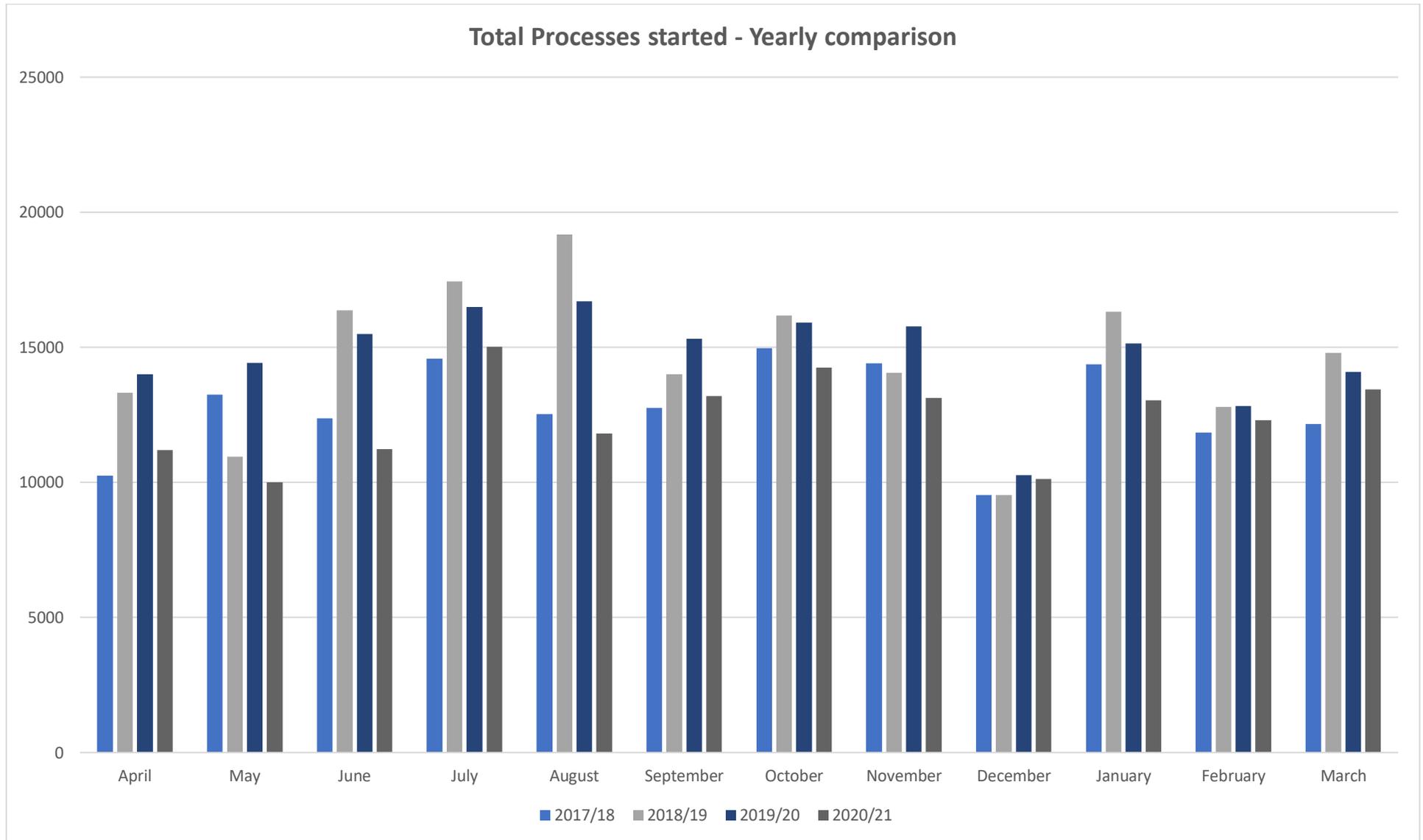
20.4 Appendix D: Customer Service Statistics

20.5 Appendix E: Admitted Body Applications

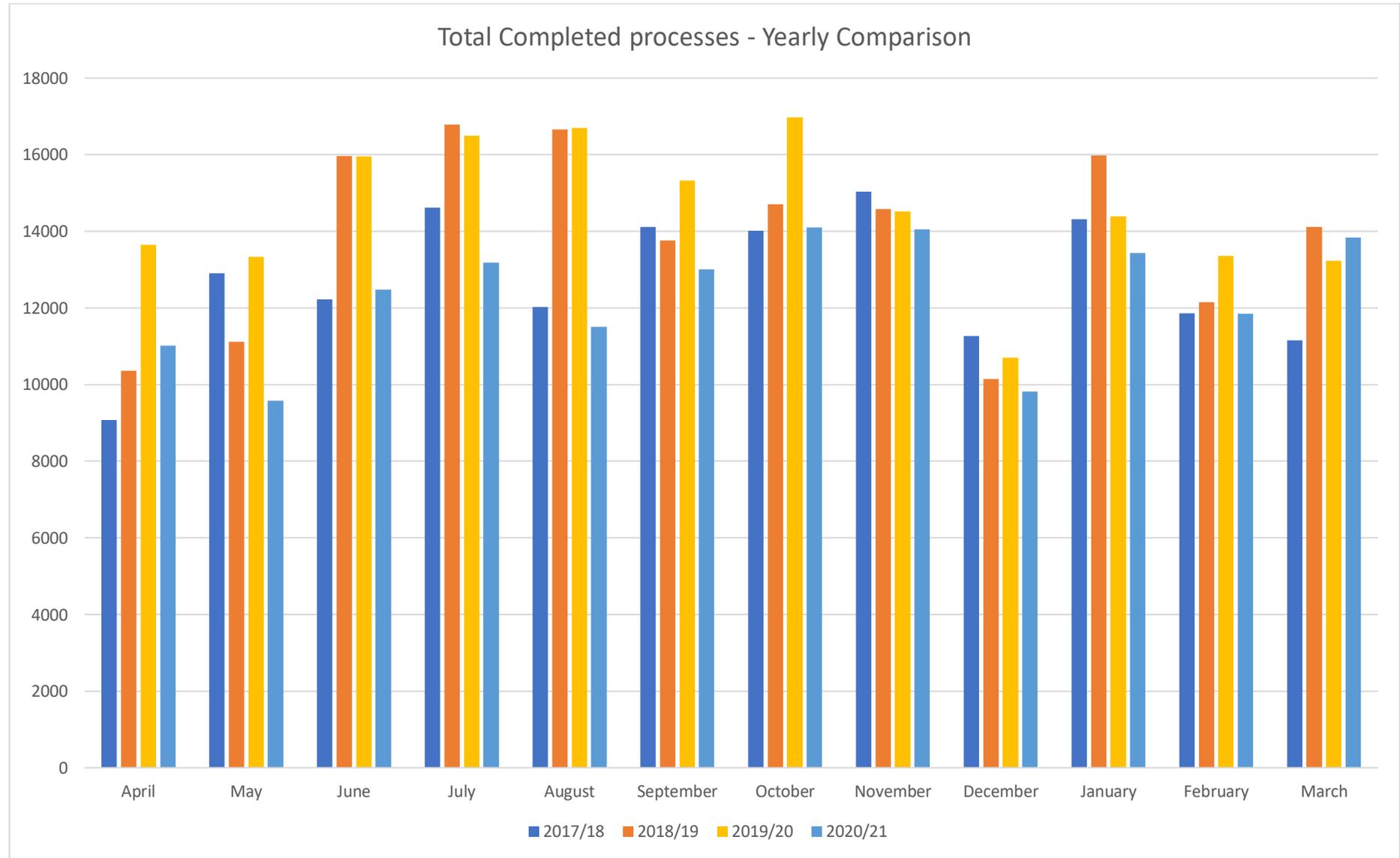
20.6 Appendix F: Administering Authority Policy Statement 2021

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Total Processes started - Yearly comparison



Total Completed processes - Yearly Comparison



**Pension Committee Statistical Report
Detailed Process Analysis**

2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	April	May	June	July	August	September	October	November	December	January	February	March	2020/21
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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	2157	2651	1458	1906	1914	1486	20934
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	531	468	219	350	408	415	5161
Deferments	5,939	7,818	5,741	6,728	5,664	8,340	8,178	8629	15934	11994	974	688	642	747	616	881	1125	874	769	834	706	588	9444
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	226	195	196	177	128	6	1908
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	411	481	464	392	441	287	4844
Deaths of members	295	262	287	285	230	379	399	470	429	441	41	38	50	34	27	37	56	60	33	69	63	62	570
Refund										6877	332	346	359	261	260	536	500	377	413	434	350	331	4499
Opt Outs										3585	80	59	99	68	124	167	139	82	109	101	149	51	1228
Amalgamations										11628	695	645	566	814	728	858	653	810	546	830	893	803	8841

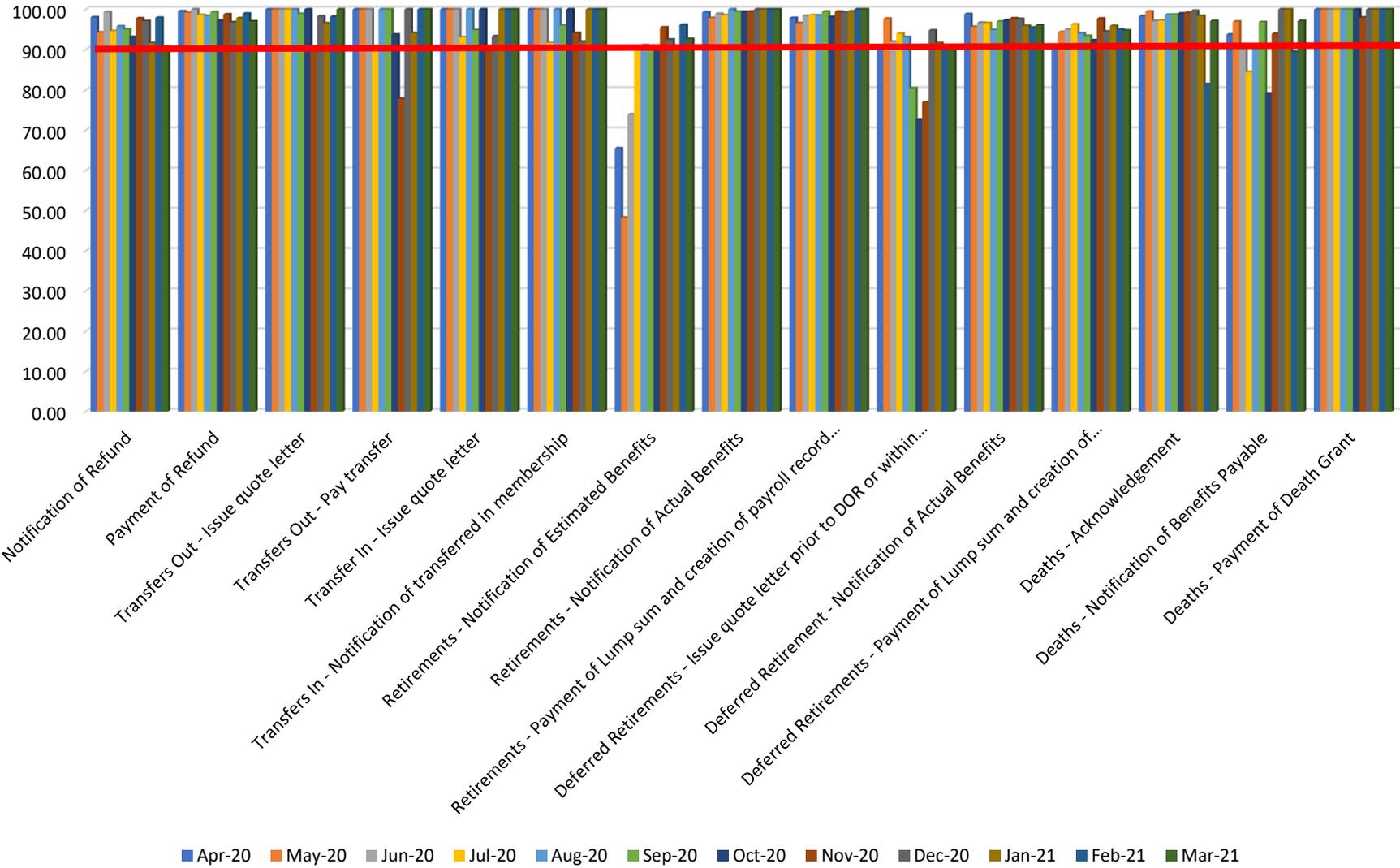
Pensioner members

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	169	125	250	127	139	183	1761
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	193	198	127	267	177	253	2448
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	160	102	207	106	97	179	1539
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	272	313	254	424	384	378	3886
Payroll																							
Actual number paid	792,724	837,189	870,804	895,018	913,864	888,954	915,275	945,196	979,819	1,019,295	86,596	86,460	95,847	86,791	86,960	96,665	87,417	87,626	97,458	87,881	87,973	106,265	1,093,939

16 Sept 2021

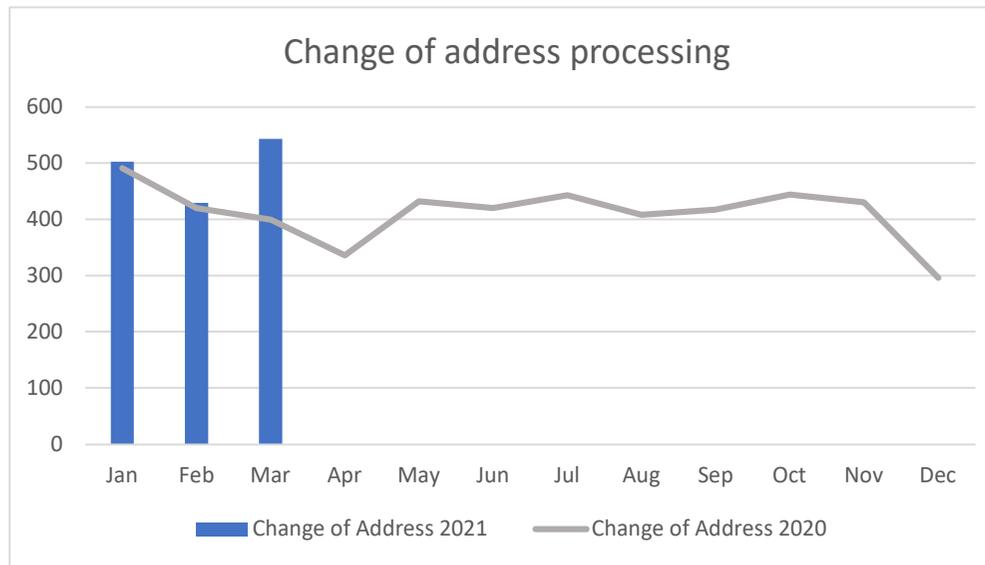
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KPI's - Benefit Operations



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Appendix D: Customer Services Statistics



Change of Address 2021
Change of Address 2020

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
502	429	543									
491	420	399	336	432	420	443	408	417	444	430	296

Appendix E Application for admission body status

There are 7 approvals requested from Committee in regard to applications for admission to the West Midlands Pension Fund.

Employer name	Guarantee Status (Agreement)	No. of employees (Scheme members) Agreement type	Status (Approved/pending approval)
Alliance in Partnership (Netherton Primary School)	Netherton COE Primary school	2 (2) Closed	Pending approval
Alliance in Partnership Ltd (Sutton Coldfield Grammar School)	Sutton Coldfield Grammar School for Girls Academy Trust	6 (6) Closed	Pending approval
ABM Catering (S4S Cluster)	Wolverhampton City Council	11 (11) Closed	Pending approval
Aspens-Services Ltd (Academies Enterprise Trust)	Academies Enterprise Trust	36 (36) Closed	Pending approval
SIPS Education Ltd (Aston Tower)	Aston Tower MAT	6 (6) Closed	Pending approval
OCS Group Uk Ltd (St Matthias)	Wolverhampton City Council	6 (6) Closed	Pending approval
OCS Group Uk Ltd (Heath Park)	Central Learning Partnership Trust	5 (5) Closed	Pending approval

There were 3 approvals approved by the Chair during the period in regard to applications for admission to the West Midlands Pension Fund.

Tarmac Trading Ltd	Walsall MBC	20 (20) Closed	Approved
Innovate Services Limited	The Westwood Academy	4 (4) Closed	Approved
Marston Holdings Ltd (Wolverhampton CC)	Wolverhampton City Council	1 (1) Closed	Approved

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ADMINISTERING AUTHORITY POLICY STATEMENT 2021 JUNE 2021



West Midlands Pension Fund

Under the LGPS Regulations, the Fund is required to formally publish its policy on “discretions”. Discretions is taken to include where the administering authority is required to carry out a task, but an element of choice is seen to exist as to how the task is completed. Unless stated otherwise the references to regulations are set out below with the following prefixes used throughout the draft.

- The Local Government Pension Scheme Regulations 2013 [prefix R]
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 [prefix TP]
- The Local Government Pension Scheme (Administration) Regulations 2008 [prefix A]
- The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 as amended) [prefix B]
- The Local Government Pension Scheme (Transitional Provisions) Regulations 2008 [prefix T]
- The Local Government Pension Scheme Regulations 1997 (as amended) [prefix L]

This document was reviewed and approved by Pension Committee in March 2020, effective date from April 2020. The next date for review is March 2021.

ADMISSION OF ADMISSION BODIES [REGULATION R4, R3(5) RSch2]

The administering authority may make an admission agreement with any admission body. The administering authority can also make admission agreements with a Care Trust, NHS Scheme employing authority or Care Quality Commission. An admission agreement may take effect on a date before the date on which it is executed.

The Council will usually agree to an admission agreement with an admission body that is regarded as having a community of interest, provided it is satisfied about the long-term financial security of the body or it has a public sector guarantee. The administering authority will enter into an admission agreement with other admission bodies provided that any requirements it has set down are met. The Council may agree that the admission agreement may take effect on a date before the date on which it is executed.

RIGHT TO TERMINATE ADMISSION AGREEMENT [RSch2]

The administering authority has the right to terminate an admission agreement in prescribed circumstances. The Council shall retain the right to terminate an admission agreement in the event of:

- a) The insolvency, winding up or liquidation of the admission body,
- b) A material breach by the admission body of any of its obligations under the admission agreement or these Regulations which has not been remedied within a reasonable time, or
- c) A failure by the admission agreement to pay any sums due to the fund within a reasonable period after receipt of a notice from the administering authority requiring it to do so.

EXIT PAYMENT [R64]

The administering authority may suspend (by way of issuing a suspension notice) for up to three years, an employer's obligation to pay an exit payment where the employer is again likely to have active members within the specified period of suspension.

Where an intention to allow new members to join the scheme is identified, the Council may allow the employer up to six months to admit such members.

ADDITIONAL PENSION CONTRIBUTIONS [R16]

The administering authority may turn down a request to pay an additional pension contribution (APC) or shared-cost additional pension contribution (SCAPC) over a period of time where it would be impractical to allow such a request. The member would still be able to pay via a single lump-sum payment.

Due to the administration costs involved requests to pay additional pension contributions or shared-cost additional pension contributions over a period of time in order to address an absence from work of less than ten working days will be refused unless there are exceptional circumstances.

MEDICAL EXAMINATION REQUIRED FOR PURCHASE OF APC/SCAPC [R16]

The administering authority may require the member to undergo a medical at their own expense and may refuse an application if the authority is not satisfied that the member is in reasonably good health.

The Council will require that a member provides satisfactory medical evidence to ensure they can be reasonably expected to complete the contract undertaken and will not retire due to a pre-existing medical condition on health grounds. No medical shall be required if the member is paying for the additional pension by means of a lump-sum payment.

PAYMENT OF ADDITIONAL VOLUNTARY CONTRIBUTIONS ON THE DEATH OF A MEMBER [R17]

The administering authority shall decide to whom to pay any AVC monies, including life assurance monies are to be paid to on death of a member.

The Council will decide based on the individual circumstances of the case, who should receive payment of the monies having regard to that it should be paid to or for the benefit of the member's nominee, personal representative or any person appearing to the authority to have been a relative or dependent of the member.

PROVISION OF ESTIMATES IN RELATION TO TRANSFERS OF AVCS/FSAVCS [TP15 AND A28]

The administering authority may charge a member for providing an estimate of additional pension that would result from a transfer of in house AVC/SCAVC contributions.

Members may request a quote free of charge. In the exceptional case an additional request is made, the Council reserve the right to charge.

PENSION ACCOUNTS [R22]

A pension account may be kept in any form that the administering authority considers appropriate.

The Council will decide the form in which pension accounts are kept based upon any published information or best practice and in an efficient manner.

CONCURRENT EMPLOYMENT AND THE ABSENCE OF AN ELECTION FORM [TP10]

The administering authority shall decide in the absence of an election form from the member within 12 months of ceasing a concurrent employment, and where there is more than one ongoing employment which on going employment the benefits from the concurrent employment should be aggregated with.

The one with the longest likely lifespan or the ongoing employment that is most similar to the one that has ceased will be selected.

RETIREMENT BENEFITS [R30]

The administering authority, in cases where the current employer or the former employer has ceased to be a scheme employer, may consent to waive, in whole or in part the actuarial reduction where the member voluntarily draws their pension before normal pension age.

The administering authority may also in cases where the current employer or the former employer has ceased to be a scheme employer may consent to waive, in whole or in part the actuarial reduction on benefits paid on flexible retirement. Where a request is received, it will be considered on an individual basis and on its own merit. However, where there is a cost as this cost will have to be spread across all employers the cost has to be justified.

STRAIN ON THE FUND [R68]

The administering authority may require an employer who allows a member to retire by reason of flexible retirement, redundancy or business efficiency to pay the additional charge on the fund. This also includes the cost where the employer has chosen to waive any reduction on flexible retirement or where the member voluntarily draws benefits before normal retirement age.

The Council will require an employer to make the appropriate payment to meet the additional charge where the member has retired early through flexible retirement, redundancy, business efficiency or where the employer has exercised their discretion to waive any reduction as a result of flexible retirement or voluntary retirement.

SWITCHING ON THE RULE OF 85 [TP Sch 2]

In cases where the current employer or former employer has ceased to exist, the administering authority may consent to switch on the 85-year rule where the member is voluntarily drawing benefits on or after age 55 and before age 60.

Where a request is received it will be considered on an individual basis and on its own merit. However, where there is a cost, as this cost will have to be spread across all employers the cost has to be justified.

WAIVING THE REDUCTION [TP Sch 2 & B30]

In cases where the current employer or former employer has ceased to exist, the administering authority may consent to waive any actuarial reduction on the benefits on pre- and/or post-April 2014 benefits.

Where a request is received, it will be considered on an individual basis and on its own merit. However, where there is a cost as this cost will have to be spread across all employers the cost has to be justified.

STRAIN ON THE FUND [TP SCH 2]

The administering authority may require an employer to pay any additional costs as a result of the employer waiving the reduction in cases where the employer has consented to the early payment of on benefits before age 60 under Benefit Regulation 30.

The Council will normally require the employer to make the additional payment to meet any additional cost.

EXTENSION OF THE TIME LIMIT TO DRAW BENEFITS [R32]

The administering authority shall decide whether to extend the time limits in which a member must give notice of their wish to draw their benefits before normal retirement age or upon flexible retirement.

Where a request is received asking for the time limit to be extended, the individual circumstances will be considered on whether it is appropriate to extend the time limit.

COMMUTATION OF SMALL PENSIONS [R34, B39, T14, R39]

The administering authority may commute a small pension into a single lump sum.

The administering authority will commute small pensions when a member has made a request.

INDEPENDENT REGISTERED MEDICAL PRACTITIONER – APPROVAL [R36 & A56]

The administering authority shall approve the choice of the medical practitioner used by the employer for ill-health retirement.

A medical practitioner who is registered with the General Medical Council and who has the appropriate qualifications specified in the regulations will be approved.

CERTIFICATE PRODUCED BY AN IRMP UNDER THE 2008 SCHEME [TP12]

In cases where the employer or the former employer has ceased to exist to be a scheme employer, the administering authority can use a certificate produced by an IRMP under the 2008 scheme to make a determination under the 2014 scheme.

The certificate will be allowed except in circumstances of a particular case the certificate is not compliant with the requirements of the 2014 scheme.

EARLY PAYMENT ON ILL-HEALTH GROUNDS - DEFERRED MEMBER [R38]

In cases where the employer or the former employer has ceased to exist to be a scheme employer, the administering authority shall decide whether the deferred member meets the criteria of being permanently incapable of carrying out their former job and are unlikely to be capable of undertaking gainful employment before normal pension age or for at least three years whichever is sooner.

Where a request is received each case will be considered individually and a decision will be made based on the medical evidence and opinion provided by the independent registered medical practitioner.

EARLY PAYMENT ON ILL HEALTH GROUNDS – DEFERRED PENSIONER MEMBER [R38]

In cases where the employer or the former employer has ceased to be a scheme employer, the administering authority can decide whether a deferred pensioner is unlikely to be capable of undertaking gainful employment before normal pension age because of ill health.

Where a request is received each case will be considered individually and a decision will be made based on the medical evidence and opinion provided by the independent registered medical practitioner.

PAYMENT OF THE DEATH GRANT [R40, R43, R46, TP17 & B23, B32, B35, TSCH & LI55]

The administering authority has absolute discretion in determining the recipients of any death grant payable from the scheme.

Normally the death grant will be paid to the nominated beneficiary or the death grant could be paid to the estate of the deceased. Where either or both of these options are seen to be inappropriate or impossible, the Council shall exercise its absolute discretion in as to who should receive the death grant.

NO DOUBLE ENTITLEMENT - BENEFITS DUE UNDER TWO OR MORE REGULATIONS [R49 & B42]

The administering authority may decide in the absence of an election form from a member, which benefit is to be paid where the member would be entitled to a benefit under two or more regulations for the same period of scheme membership.

The member would be notified of the payment of the benefit that would provide the highest level of payment.

ADMISSION AGREEMENT FUNDS [R54]

The administering authority may establish an admission agreement fund.

The Council has chosen not to set up an admission agreement fund.

GOVERNANCE COMPLIANCE STATEMENT [R55]

The administering authority must prepare a governance policy stating whether the administering authority delegates its functions or part of its functions in relation to maintaining a pension fund to a committee, a sub-committee or an officer of the administering authority, and if they do so delegate, state:

- the terms, structure and operational procedures of the delegation;
- the frequency of any committee or sub-committee meetings; and
- whether representatives of employing authorities or members are included and if so whether they have voting rights.

The policy must also state:

- the extent to which a delegation, or the absence of a delegation, complies with Secretary of State guidance and to the extent it does not so comply, state the reasons for not complying; and
- the terms, structure and operational procedures appertaining to the Local Pensions Board.

The Governance Compliance Statement will be prepared, maintained and published. A copy will be made available on our website www.wmpfonline.com

FUNDING STRATEGY STATEMENT [R58]

The administering authority must after appropriate consultation prepare maintain and publish a statement setting out its funding strategy. The statement has to be published no later than 31 March 2015.

The Funding Strategy Statement is prepared, maintained and published annually. A copy is available on our website www.wmpfonline.com

PENSION ADMINISTRATION STRATEGY [R59]

The administering authority may prepare and publish a pension administration policy and the matters it should include.

The administering authority will publish a Pension Administration Strategy after consultation and it will be kept under review. A copy is available on our website www.wmpfonline.com

COMMUNICATIONS POLICY [R61]

The administering authority must prepare and publish its communication policy. It must set out its policy concerning communication with members, representatives of members, prospective members and scheme employers, as well as the format, frequency and method of communications, and the promotion of the scheme to prospective members and their employers.

The administering authority publishes and maintains a communications policy, a copy of which will be made available on our website www.wmpfonline.com

REVISION OF EMPLOYER'S CONTRIBUTION RATE [R64]

The administering authority may obtain from the actuary, a certificate revising the employer contribution rate, if there are circumstances which make it likely a scheme employer will become an exiting employer.

A revised additional rate and adjustments certificates regarding employer contributions will be obtained where it appears to be appropriate.

AGGREGATE SCHEME COSTS – REVISED CERTIFICATES [R65]

The administering authority may obtain a new rates and adjustments certificate if the Secretary of State amends the regulations as part of the "cost sharing" arrangements.

A new rates and adjustments certificate will be obtained where it appears to be appropriate.

EMPLOYER CONTRIBUTIONS – DATES FOR PAYMENT [R69]

The administering authority shall decide on the dates which contributions are to be paid over to the Fund.

All contributions (apart from additional voluntary contributions) should be credited to the Fund without delay by the 19th of the month following the month in which they fall due.

INFORMATION PROVIDED BY EMPLOYERS ABOUT CONTRIBUTIONS – FREQUENCY AND FORMAT [R69, TP23, 22 & R80]

The administering authority shall decide on the form and frequency of the information to accompany payments to the Fund.

The administering authority will provide to employers the specified formats that employers are to use for the submission of their data, which is to be provided monthly, in line with the payment of contributions. A notification will be issued each year to inform employers of the deadline to submit this data along with any format changes that will be required. The Fund requires this data to be submitted to them no later than 30 April.

NOTICE TO RECOVER COSTS DUE TO EMPLOYER'S PERFORMANCE [R70]

The administering authority will decide to issue the employer with a notice to recover additional costs incurred as a result of the employer's level of performance.

As detailed in the Pension Administration Strategy, the Council will review from time to time whether to issue an employer with notice to recover additional costs incurred as a result of the employer's level of performance.

EMPLOYER PAYMENTS – INTEREST ON OVERDUE PAYMENTS [R71]

The administering authority may charge interest on payments by employers which are overdue.

The Council reserves the regulatory prescribed right to require interest to be paid when payments are overdue by more than one month. Interest must be calculated at one per cent above base rate on a day to day basis from the due date to the date of payment and compounded with three monthly rests.

PROCEDURE TO BE FOLLOWED WHEN EXERCISING STAGE 2 DISPUTE FUNCTIONS AND THE MANNER IN WHICH THOSE FUNCTIONS ARE TO BE EXERCISED. [R76, A60, TP23 & R76]

The administering authority will decide how it will exercise its stage two dispute procedure and the procedure to be followed.

The review would be undertaken by a person not involved in the first stage decision and by a person appointed to deal with disputes referred to it under stage 2. The Council will ensure suitable procedures are in place.

APPEAL TO THE SECRETARY OF STATE AGAINST EMPLOYER DECISION [R79 & A63]

The administering authority may appeal to the Secretary of State against an employer decision or lack of an employer decision.

The Council will appeal to the Secretary of State if it believes an employer has made (or failed to make) a decision that is both wrong in law and material and where we have been unable to persuade the employer to alter its actions or inactions.

EXCHANGE OF INFORMATION [R80, TP22, 23]

The administering authority shall specify the information to be supplied by employers to enable the administering authority to discharge its function.

The Council will specify the information that is to be supplied by employers having regard to the regulatory requirements and best practice.

MAKING PAYMENTS IN RESPECT OF DECEASED PERSON WITHOUT PROBATE/LETTERS OF ADMINISTRATION [R82 & A52]

The administering authority may pay the whole or part of the amount due from the Fund to the personal representatives or any person appearing to be beneficially entitled to the estate without the production of probate or letters of administration where the amounts due are less the amount specified in section 6 of the Administration of Estates (Small Payments) Act 1965.

Payment will normally be made without the production of probate or letters of administration where the amount is below the specified amount.

PAYMENTS FOR PERSONS INCAPABLE OF MANAGING THEIR AFFAIRS [R83, A52 & B27]

The administering authority may decide where a person (other than an eligible child) appears incapable of managing their affairs, to pay the whole or part of that person's pension benefits to another person to be applied for the benefit of the member.

Where in the Council's opinion a member is unable to manage their own affairs, then having considered the individual circumstances of the particular case they may decide to pay some or all of the benefits to someone else to be applied for the benefit of the member.

DATE TO WHICH BENEFITS SHOWN ON ANNUAL BENEFIT STATEMENT ARE CALCULATED [R89]

The administering authority will decide the date to which benefits shown on the annual benefit statement are calculated.

The date will be selected in line with regulatory requirement and best practice.

BULK TRANSFER (TRANSFER OF UNDERTAKINGS) [R98]

The administering authority must agree any bulk transfer payment.

The terms of the bulk transfer will be discussed with the Fund's actuary, and once all parties are in agreement payment will be made.

TRANSFERS INTO THE FUND AND EXTENSION OF 12-MONTH TIME LIMIT [R100]

The administering authority may accept a transfer value of pension rights into the Fund and may also extend the time limit of 12 months from the date the member first became an active member in their current employment.

The Council will accept a transfer value where a request is made. The Council will only agree to extend the time limit where the appropriate employer has agreed to extend the time limit.

FINAL PAY REDUCTIONS [TP3, 4, 8, 10, 17 & B10]

The administering authority will decide whether to use an average of three years pay for final pay purposes where the member has died before making an election.

The pay figure which provides the highest overall level of benefits will be selected.

PERMANENT REDUCTIONS IN PAY - CERTIFICATES OF PROTECTION [TP3, 4, 8, 10, 17, TSch1 & L23]

The administering authority will decide for a member who has a certificate of protection who has died before making an election which pay figure should be used for final pay purposes.

The pay figure which provides the highest overall level of benefits will be selected.

ELIGIBLE CHILD – IGNORING BREAKS IN EDUCATION OR TRAINING [RSch1 & TP17]

The administering authority may treat a child as being in continuous educational or vocational training despite a break.

The Council will accept short breaks and also gap years as being breaks in education and will restart a suspended child's pension at the end of such a break or gap.

FINANCIAL DEPENDENCE /INTERDEPENDENCE OF COHABITING PARTNER [RSch1 & TP17]

The administering authority will decide upon the evidence required to determine the financial dependence or financial interdependence of the cohabiting partner and the scheme member.

The Council will provide details of the evidence required taking account of any guidance provided.

ABATEMENT OF PRE-1 APRIL 2014 PENSION [TP & A70]

The administering authority shall decide whether and how to abate the pre-1 April 2014 pension element following re-employment of a scheme pensioner by a local government employer.

In the event of a scheme pensioner obtaining further employment with a scheme employer the pension will not be abated. The Fund resolved from 1 September 2006 not to abate pension on re-employment.

EXTENSION OF TIME PERIOD FOR CAPITALISATION OF ADDED YEARS CONTRACT [TP15, TSch1 & L83(5)]

The administering authority may extend the time allowed to a member who has an added years contract and who is made redundant to decide whether to pay a capital payment.

The Council will apply the prescribed three month time limit, unless there are individual circumstances which need to be considered in deciding whether to grant an extension of the time limit.

RECOVERY OF UNPAID EMPLOYEE CONTRIBUTIONS AS DEBT/ FROM BENEFITS [A45]

The administering authority may recover any outstanding employee contributions as a debt or as a deduction from the benefits.

The Council will, where practical deduct any unpaid employee contributions from the benefits relating to the membership to which the unpaid contributions relate.

CONSENT FOR EARLY PAYMENT AND WAIVING OF REDUCTION [B30 & TPSCH]

Where the former employer has ceased to be a scheme employer, the administering authority may consent to waive the reduction for the payment of deferred benefits on compassionate grounds.

Where a request is received it will be considered individually and on its own merit. However, where there is a cost as this cost will have to be spread across all employers the cost has to be justifiable.

'SWITCH ON' THE 85-YEAR RULE FOR A PENSIONER MEMBER WITH DEFERRED BENEFITS

Where the former employer has ceased to be a scheme employer, the administering authority may consent to 'switch on' the 85-year rule for a pensioner member with deferred benefits voluntarily drawing benefits.

The Council would not normally 'switch on' the 85-year rule.

APPLICATION FOR EARLY PAYMENT OF A SUSPENDED TIER 3 ILL HEALTH PENSION AND WAIVING REDUCTION [B30]

The administering authority may consent to the request for the early payment of pension for a member, who left with a tier 3 ill-health pension that is suspended and who now is aged between 55 and 60 where the former employer has ceased to be a scheme employer. The administering authority may also waive any reduction.

Where a request is received, it will be considered individually and on its own merit. However, where there is a cost, as this cost will have to be spread across all employers the cost has to be justifiable.

REQUEST FOR EARLY PAYMENT OF DEFERRED BENEFITS ON ILL-HEALTH GROUNDS [B31]

The administering authority may decide to agree to a request from a deferred member for early payment of benefits on ill-health grounds where the former employer has ceased to exist.

The Council will obtain an opinion from an IRMP as to whether as the member meets the criteria of permanent ill health and reduced likelihood of gainful employment.

SPOUSES' PENSIONS ARISING UNDER THE 1995 REGULATIONS PAYABLE FOR LIFE

The administering authority shall decide to pay spouse's pensions for life for pre-1 April 1998 retirees/pre-1 April 1998 deferreds who die on or after 1 April 1998, rather than ceasing the pension during any period of marriage or cohabitation.

The Council has deemed that any spouses' pension that comes into payment is payable for life. This does not apply to spouses' pensions that ceased prior to 1 April 1998.

Data Protection

To protect any personal information held on computer, the City of Wolverhampton Council is registered under the Data Protection Act 2018. This allows members to check that their details held are accurate. The Fund may, if it chooses, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund, for example, the Fund's AVC provider. Members who wish to apply to access their data on Data Protection Act grounds should contact the Fund's Data Protection Officer via email at wmpfdataprotectionofficer@wolverhampton.gov.uk

This authority is under a duty to protect the public funds it administers, and to this end may use information for the prevention and detection of fraud. It may also share this information with other bodies administering public funds solely for these purposes.

Information produced by the Fund can be made available in several formats including large sight text, Braille and several community languages. If you have any special requirements or would like to speak face to face with a member of staff, please contact us to arrange how we may best meet your needs. Please remember that special requirements may take a little longer than normal to organise, but you have our assurance that we will do our best to ensure you receive the information in the most appropriate and efficient manner possible.

West Midlands Pension Fund
PO Box 3948
Wolverhampton
WV1 1XP

Customer Services: 0300 111 1665
Email: pensionfundenquiries@wolverhampton.gov.uk
Web: www.wmpfonline.com
Pensions Portal: www.wmpfonline.com/pensionsportal

Lines open during the following times:
8:30am to 5.00pm Monday - Thursday
8:30am to 4.30pm Friday.
Calls may be monitored for training purposes.

Version control:

Version	Responsible Officer	Change	Date
Version 2	Head of Operations	Annual policy review	June 2021

CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 23 June 2021
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Report Title	Customer Engagement Update	
Originating service	Pension Services	
Accountable employee	Simon Taylor	Assistant Director (Pensions)
	Tel	01902 55 4276
	Email	Simon.taylor2@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 55 1715
	Email	Rachel.brothwood@wolverhampton.gov.uk

Recommendations for action or decision:

The Pensions Committee is asked to approve:

1. Delegation to the Director of Pensions to finalise the 2021 Pensions Administration Strategy and associated Employer Engagement Roadmap in consultation with the Chair and/or Vice Chair of Pensions Committee, following completion of the consultation with participating employers.

Recommendations for noting:

The Pensions Committee is asked to note:

1. The engagement activity and informed service development.
2. Publication of the Funding Strategy Statement effective 1 June 2021.
3. Draft Pensions Administration Strategy and Employer Engagement Roadmap for 2021.

1.0 Purpose

- 1.1 To provide Committee with an update of the Fund's customer engagement activity from 1 January 2021 to 31 March 2021 and to cover future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy.
- 1.2 To also cover more specific elements of employer and member engagement including consultation on the Funding Strategy Statement, Pensions Administration Strategy and Employer Engagement Roadmap.

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 & communication

- 3.1 The Member Services team continues to deliver member support via digital channels including member webinars and follow up individual telephone consultations as required. The webinars mirror our normal suite of member presentations and during this reporting period **74** webinars/workshops were delivered to **1,563** attendees. These were followed by **299** individual member telephone consultations. Webinars have been scheduled to enable "real-time" interaction with Fund Officers, at various times throughout the day to accommodate attendance around member work commitments. This delivery and the associated feedback is summarised in appendix A.
- 3.2 During this reporting period the team provided **15** satellite support events to **82** hard to reach members who may not normally be able to access our services due to the nature of their work and location, which might include access to web-based delivery (i.e. computer facilities), working hours or 'satellite' locations.
- 3.3 On the 9th February the Fund presented at the Birmingham Association of School Business Managers group. The Fund is normally asked to attend their annual conference, however this year we have assisted the group via a virtual meeting and provided important updates on topic issues in the pensions industry. Following the success, we then were given the opportunity to present at the West Midlands Bursars Group.
- 3.4 Through the "Be Pension Smart & Take Control of your benefits" campaign the Fund continues to encourage members to view and manage their pension record online using the pensions portal. During this reporting period registrations increased by **3,232** bringing the total pension portal registrations to **108,133**.

This report is PUBLIC
NOT PROTECTIVELY MARKED

- 3.5 The Fund continues to promote aspects of our work via the social media platform LinkedIn. Since the last reporting period a further **5,692** people have interacted with our articles, which bring the total interactions to **14,219** since launch. The Fund has received an increase in followers since its launch by **18%**.
- 3.6 During this reporting period the Fund's member video suite, providing on-demand support and guidance, has been expanded to include three new videos designed to raise awareness of pension scams, encourage members to think about retirement planning and assist members to understand their deferred benefits statements.
- 3.7 Following the Fund's commitment to raise member awareness on the importance of Retirement Planning, in February 2021 we launched our new pre-retirement planning campaign, reaching out to members on their 55th birthday in order to provide them with a toolkit they can use to plan for their retirement. The toolkit includes a bespoke retirement planning video designed by the Fund, a pre-retirement guide, budget planners together with links to access further information and support. **362** members attained the age of 55 during the two months of this reporting period and they received our bulk email. **74%** of these members opened our email and viewed our support.
- 3.8 To raise member awareness of pension scams, the Fund produced a bulk mailing and designed a member video to highlight how to spot the signs of a pension scams. This bulk mailing was sent to **54,046** active scheme members for whom we hold a valid email address. **54%** of these members opened and read our mailing and several new slides have been also developed which are now included in all member webinars.
- 3.9 The Fund produced its annual newsletter for our pensioner members (appendix B) which was sent in print to over **100,000** members along with their annual P60s. To complement the newsletter we also produced a "*Your pension is safe, we hope you are too*" bulk email which was sent to **35,626** of our pensioner members who we hold valid email addresses for, **70%** of these members read the bulk email and used the signposting that it provided.
- 3.10 As the Fund is committed to providing members with assistance, guidance and support with retirement planning, the Fund has linked-in with the Pension Lifetime Savings Association (PLSA) on their Retirement Living Standards initiative. This means that we are assisting with the research and development of new material and support to help pension scheme members plan for their retirement across a range of occupational pension schemes.
- 3.11 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 made over the period include:
- Introducing 'important notes' to advertise key information on the website
 - Making improvements to our 'contact us' form

We are currently collating customer feedback to improve the Pensions Portal user experience. The feedback collated to date has been shared with our software developer, who will identify any developments that can be made.

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 90%.

4.0 Employer engagement

4.1 Employer Peer Group

4.1.1 The last session of the Fund's virtual Employer Peer Group cycle for 2020/2021 took place in March. The meeting was positive with 11 employer representatives present. The content for the meeting included:

- Age 55+ campaign – promotional section delivered in conjunction with member services
- Employer Flexibilities and proposed changes to FSS
- What the future holds from an employer perspective (including Covid-19 resilience) and how the Fund may be able to support where possible
- Keeping Informed: Employer Hub and Web trays, ABS 2021 and Year End requirements
- Annual Peer Group review and feedback

4.1.2 Once again, the meeting was followed by the regular technical group session where attendees are able to raise queries for discussion with each other with support from Fund officers.

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 10 virtual sessions delivered to over 190 attendees from 65 organisations, some of whom provide payroll services for many other employers within the Fund. The sessions are free to attend and provide a useful refresher for existing staff or as an introduction to processes for those who are new to Fund administration.

4.2.2 Sessions delivered over the quarter are set out below and will continue to be rolled out over the course of the year. An increased suite of webinars is now available each month and employers are able to easily sign up for via the Fund's website.

- LGPS Basics for Employers
- Pay and service
- Monthly Data Collection
- Refunds
- Deferrals
- Retirements

- Early retirement estimates and associated strain costs
- Ill health processing for employers
- TUPE and outsourcing

4.3 Employer Performance

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 10 feedback and performance meetings with 5 major and 2 smaller employers. Across these employers alone these discussions have resulted in the targeted clearance of over 600 possible leavers since the previous quarter (i.e. member records where no data is being received on a monthly basis but where no leaver notification has been made the employer either), plus significant reductions in error rates across many other areas.

4.4 Employer System Developments: Hub and Webtrays

4.4.1 Since the first batch of 60 employers successfully migrated to the new Employer hub on 13 December 2020 the project has now successfully migrated a further 550 employers with over 440 web users ahead of the planned roll out programme which was scheduled to extend until October. It is anticipated that roll out across all employers will be completed well ahead of schedule by August.

4.4.2 Considerable engagement is taking place with employers and payroll providers prior to and during go-live in order to clarify user access, including the granting of super user access to enable self-service with respect to the setting up and unlocking of user accounts by employers or their payroll providers.

4.4.3 A number of demonstrations are being delivered prior to each go live date to provide initial training. During the quarter 3 demonstrations were delivered to over 50 users. A number of guidance videos and documents are now available on the Fund's website to supplement this training.

4.4.4 McCloud: Employer Special Briefing Note

4.4.5 A Special Briefing Note was issued on 9 April 2021 to all employers providing important information and detailing the specific Fund requirements with respect to the McCloud ruling. The note provided a background to the McCloud remedy, detailed employer requirements and provided information on potential funding implications.

4.4.6 A number of supporting documents were issued alongside the note (and posted to the Funds website) to provide additional support to employers.

- 4.4.7 The Briefing Note also directed employers towards an online survey for the submission of queries and comments. The responses will be reviewed, and the online FAQs updated periodically to reflect any changes. Following a number of enquiries regarding completion of the data template, the Employer Services team is planning to deliver a McCloud requirements and guidance webinar, this will be advertised on the Fund's website and as part of a planned follow up communication to all employers to capture all feedback received.
- 4.4.8 **Funding Strategy Statement and Employer Flexibilities: Consultation 2021**
- 4.4.9 In the March 2021 Funding Strategy Statement (FSS) review, proposed amendments to the FSS were summarised aligning to changes made to the LGPS Regulations 2013 to enable Administering Authorities to implement flexibilities for employers.
- 4.4.10 The revised draft FSS was issued to employers for comment as part of the consultation commencing 12 April 2021 and closing 21 May 2021. As part of the consultation process the Fund engaged with Employer Peer Group and carried out two dedicated briefing sessions, to which all employers were invited. Over 150 employers (representing 20% of the total employer base) were actively engaged in this process with a diverse range of sectors represented. Six formal responses to the consultation were received.
- 4.4.11 In summary, the responses were overwhelmingly positive, noting that the Fund was proposing to implement universally welcome additions to the FSS. Feedback received from employers has been taken on board and to clarify wording within the FSS, with individual responses being issued to each employer. As such the 1 June 2021 FSS is now in place following consultation with the Chair/Vice Chair of Pensions Committee.

5.0 Internal engagement

- 5.1 Recognising the importance of ensuring internal stakeholders are kept up to date on the Fund's progress and associated developments during the Covid-19 outbreak, particularly with increased remote working, the Fund continues to promote more signposting for Fund staff to wellbeing support which is available to staff across the City via our monthly employee catch up.
- 5.2 To increase internal communication across the Fund and provide insight on the wider pensions industry, the Spring edition of the ["Pensions Post"](#) was issued to staff in April to raise awareness to topical issues in the wider pensions industry and to highlight key projects and achievement across the Fund.
- 5.3 In April the Fund launched its new Intranet site called Pensions People, this has been designed based on feedback from all Fund staff. The Intranet site brings all key guidance and documents together in one simple to access site, the support is split into several areas which include, IT, HR, Technical and communications.
- 5.4 The Fund continues to develop an E-learning platform for scheme members to use, this software will be used to design learning modules for scheme members so they can engage and enhance education around their pension benefits. We will also use this

platform to enhance internal communication and staff development by delivering E-learning modules to internal teams on bespoke subjects. We hope to complete the design of our first E-learning module by the end of the next reporting period.

6.0 Future engagement

- 6.1 **98,168** Deferred Benefit Statements have been produced which will start to be distributed to members from via bulk email from the 7th June. The Fund has also produced **937** paper statements via print for members who have expressed that their preferred communication method is paper.
- 6.2 The Fund is part of the LGA project group along with several other Funds to assist them to revamp their website which will go live towards the end of the year.
- 6.3 Preparations are underway to plan for the Fund's Mid-Year Review (MYR) on the **7 July 2021**. The event will cover a variety of important update for employers.
- 6.4 Work has commenced on preparation for the 2021 Annual Employer Health check which is due to begin issuance from June onwards. As in previous years the check will ask employers to review and clarify a number of key areas as listed below:
- Active member lists
 - Web user access accounts
 - Employer contact details
- 6.5 An Employer Financial Health survey will be issued to all employers shortly to help the Fund in assessing the current financial and operational position of the employer, including the ongoing impact of Covid-19 and climate change.

7.0 Pensions Administration Strategy Review

- 7.1 Under the LGPS Regulations, the Fund may produce and publish a Pensions Administration Strategy (PAS) and should ensure it is regularly reviewed and revised as appropriate. The PAS sets out a framework for assessing Fund and employer performance standards developed to ensure delivery of a cost-effective and quality pensions administration service.
- 7.2 The Fund published the most recent iteration of the PAS in 2019. The strategy is kept under review and revised to reflect changes to LGPS regulations and Fund policies.
- 7.3 Through the PAS the Fund aims to:
- Enable provision of a high-quality pension service to all Fund members
 - Set out the quality and performance standards expected of the Fund and its scheme employers
 - Promote good working relationships and improve efficiency of the exchange of information between the Fund and its scheme employers

7.4 The PAS is a critical document in outlining responsibilities and setting expectations for both Fund and employer administration performance to ensure delivery of statutory functions and a quality service to members. The strategy enables the Fund to manage and, if necessary, re-charge costs where performance falls below the standards required. The PAS is increasingly significant in the context of greater employer numbers and diversity, the involvement of more payroll providers and greater scrutiny from the Pensions Regulator (tPR). It is also key to efficient record keeping and outlining the support available to employers from the Fund to help achieve the required level of performance.

7.5 Changes to the strategy and the employer consultation

7.5.1 The Fund has undertaken an internal review of the PAS, primarily to assess the appropriateness of the strategy following the completion of the first annual cycle of monthly data collection. A key aspect of the review included a comparison of the strategy against the employer and Fund responsibilities set down by the LGPS regulations and to also incorporate the comments of internal audit following their last review. As a result, the revised strategy incorporates changes to policy and working practices to be effective from 1 July 2021.

7.5.2 The updated strategy includes and reflects:

- **Employer Hub:** new requirements regarding self-service aligned to the migration to the new Employer Hub and webtray functionality, including the expectation to regularly undertake a review of web users and active member lists
- **Annual Employer Health Check:** these have been included as a mandatory responsibility for all participating employers and will incorporate a review of (though not limited to) employer web user access levels, membership profiles and employer contacts held.
- **Academy Pooling:** requirements and expectations on scheme employers following the change introduced during the 2019 Actuarial Valuation consultation process.
- **Employer/Payroll Provider education:** an increased focus on the requirement to attend Fund training sessions, particularly for new or underperforming employers.
- **Employer charging:** the current structure for poor performance to be reviewed to include associated escalations within the Employer Engagement Roadmap. In particular, consideration to be given to the inclusion of further charges for work carried out by the Fund as the result of employer error or organisational change.
- **Financials:** clear expectations regarding the receipt of timely information to enable efficient allocation and reconciliation of employer contributions.
- **Regulatory changes:** expectations have been incorporated to reflect the McCloud ruling and associated Fund requirements regarding the submission of data and also

the need to report notifiable events to the Fund immediately as a result of the Employer Flexibility legislation.

- **Impacts of poor performance:** this section has been expanded significantly to provide increased visibility of the potential impacts failure to comply with both Regulatory and Fund requirements may have.

- 7.5.3 A key suggestion from the 2019 PAS audit report was for greater clarity of employer performance measurements against the roles and responsibilities. As such this iteration of the PAS has established a stronger link between the two areas by combining the two sections together to show the measurement by which each role and responsibility will be assessed where appropriate.
- 7.5.4 In conjunction with the PAS, the Fund will also publish a revised Employer Engagement Roadmap, again subject to consultation with employers. The purpose of the Engagement Roadmap is to outline the framework available to support performance improvement and the steps the Fund will take (including escalation) where any issues with performance are not being addressed and where the engagement and further support is unsuccessful.
- 7.5.5 The draft PAS (Appendix C) and Employer Roadmap (Appendix D) have been issued to participating employers for a four-week consultation period. The Fund will consider the feedback once received from employers and make any amendments as considered appropriate before finalising the document.
- 7.5.6 The Fund intends to open consultation with all participating employers for a period of at least 6 weeks during June/July 2021.
- 7.5.7 As part of the consultation, the Fund proposes to hold a briefing session at the Employer Mid-Year Review to further explain the changes and provide employers the opportunities to discuss and raise any queries.
- 7.5.8 Committee is asked to provide comment and approval of the proposed changes as part of the consultation.
- 7.5.9 Following the consultation, and consideration of the feedback received, Committee is asked to approve delegation for the PAS and Employer Engagement Roadmap to be finalised by the Director of Pensions in consultation with the Chair and/or Vice Chair of Pensions Committee.

8.0 Financial implications

- 8.1 There are financial implications associated with this report in that the PAS includes the Fund's approach to the application of charges and re-charges in the event of non-compliance with key performance standards set out for participating employers.

9.0 Legal implications

- 9.1 The Fund has a legal duty to meet with legislation and statutory best practice, failure to do so may open the fund to challenge from the Pensions Regulator or the Scheme Advisory Board.
- 9.2 The Fund is able to impose penalties on employers (to cover any fines or costs incurred) through its adopted pension administration strategy.

10.0 Equalities implications

- 10.1 The report contains no direct equalities implications.

11.0 All other implications

- 11.1 This report contains no other direct implications.

12.0 Schedule of background papers

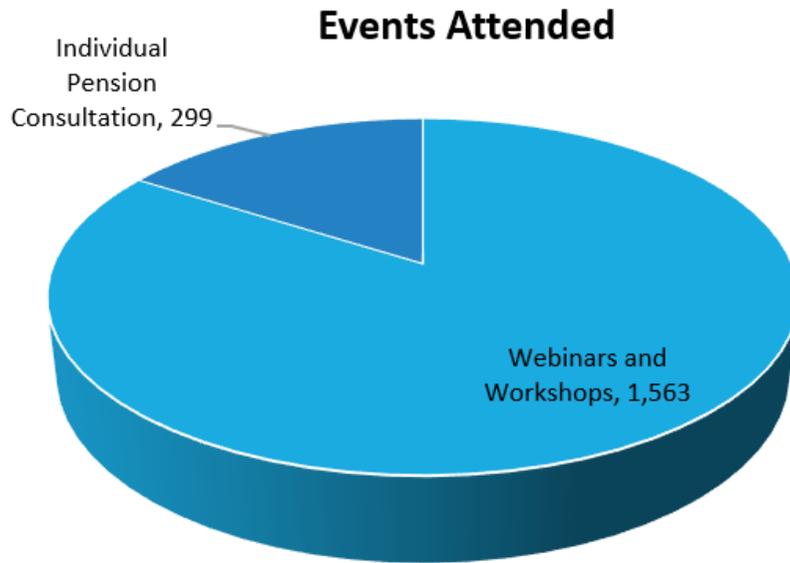
- 12.1 None.

13.0 Schedule of appendices

- 13.1 Appendix A: Events attended and associated feedback Jan – March 2021
- 13.2 Appendix B: 2021 Pensioner Newsletter
- 13.3 Appendix C: 2021 Pensions Administration Strategy
- 13.4 Appendix D: 2021 Employer Engagement Roadmap. (To follow).

Member Services Team – Events Attended

1st January– 31st March 2021



Event Type	Attendance
Individual Pension Consultation	299
Webinars and Workshops	1,563
Total	1,862

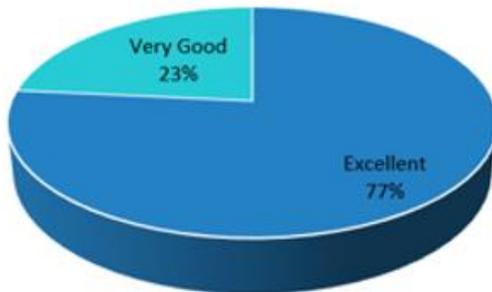
Member Services Team – Presentation Feedback 1st January – 31st March 2021



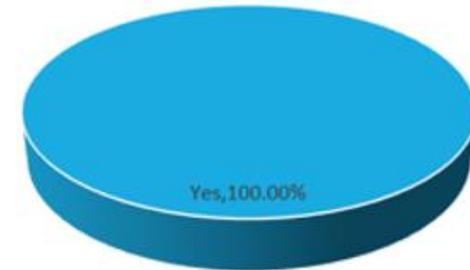
Members feedback on the following areas:

Members surveyed in January - March 2021

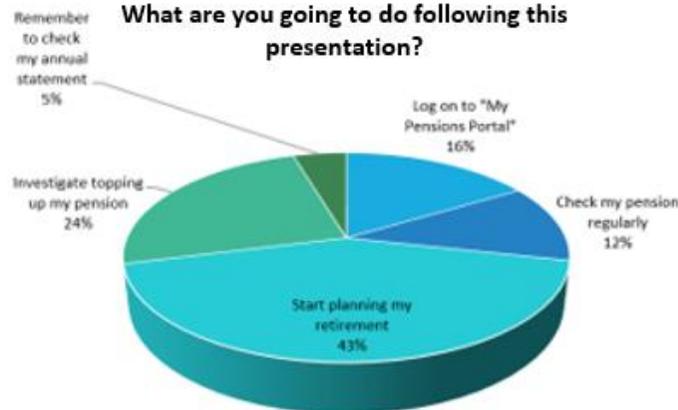
Overall, how would you rate the presentation?



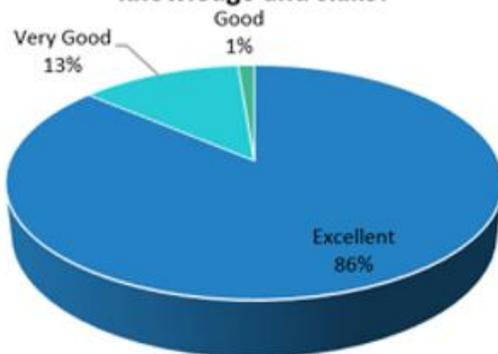
Would you recommend a colleague to attend this type of event?



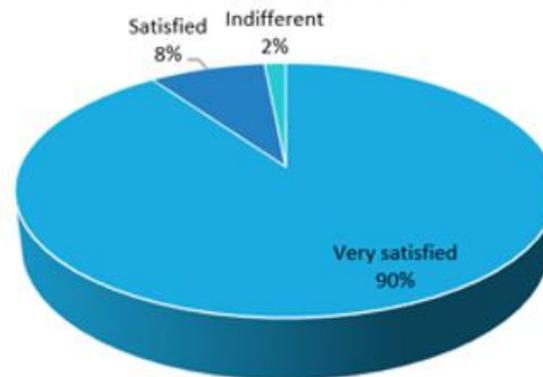
What are you going to do following this presentation?



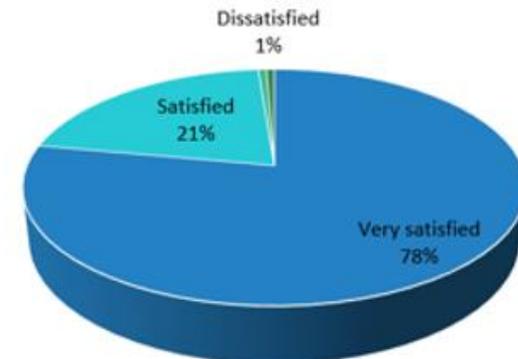
How would you rate the officers general knowledge and skills?



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



How satisfied are you with the overall service you have received from the West Midlands Pension Fund?



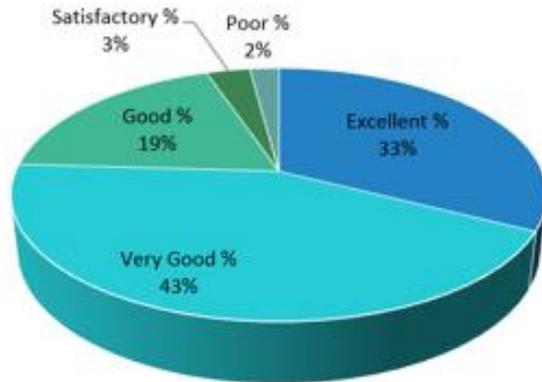
Member Services Team – Webinar Feedback 1st January – 31st March 2021



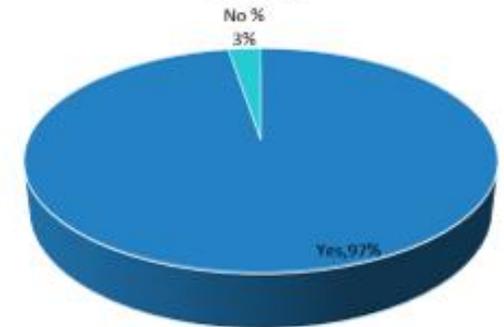
Members feedback on the following areas:

Members surveyed in January - March 2021

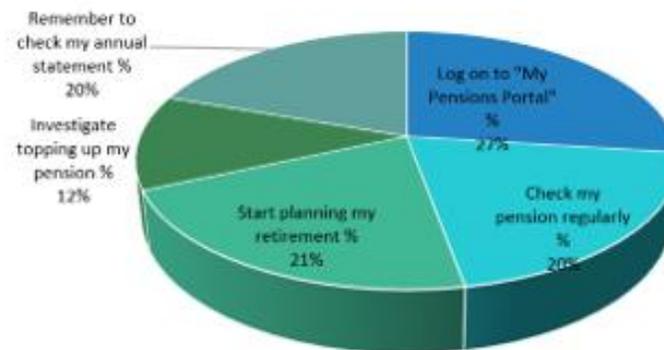
Overall, how would you rate the webinar?



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



What are you going to do following this webinar?

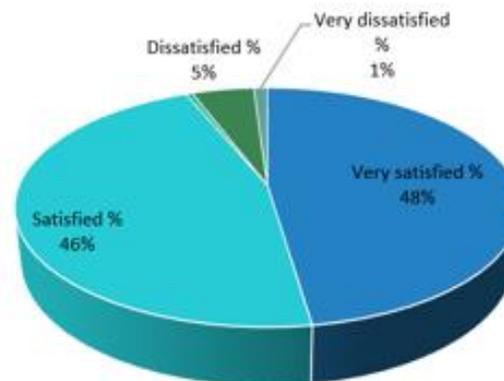


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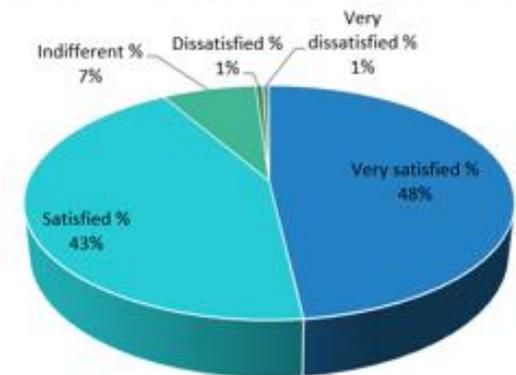
How would you rate the presenters general knowledge and presentation skills?



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



How satisfied are you with the overall service you have received from the West Midlands Pension Fund?



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PENSIONER MEMBER

PENSIONSMART

For more information, visit the national Local Government Pension Scheme member's website: www.lgpsmember.org



Welcome to your 2021 Pensioner Member Pension Smart newsletter.

2021/2022 Pension Payment Dates

- 23 April 2021
- 25 May 2021
- 25 June 2021
- 23 July 2021
- 25 August 2021
- 24 September 2021
- 25 October 2021
- 25 November 2021
- **16 December 2021***
- 25 January 2022
- 25 February 2022
- 25 March 2022

***Please note early payment of pension in December**

If your pension payment is on a monthly basis, we will send a payslip when there is a variance of £10 in your net payment and every April. Payslips are available via the Fund's secure online 'My Pensions Portal'. <https://portal2.wmpfonline.com/>

Quarterly pension payments are paid in March, June, September and December.

Yearly payments are paid each March. If you are paid quarterly or yearly, you will continue to receive a payslip which is also available online every time you are paid.

COVID Update – Your Pension is Safe; We Hope You Are Too!

We know that the last year has been an uncertain time for most of us. We want to remind you that your pension is safe and secure. Please rest assured that making payment of your pension on time will always be one of our main priorities. Considering the times we are in and the restrictions which are in place we appreciate that some of our members may benefit from additional support. If you don't have friends, family or neighbours who can support you to get shopping and other essentials, think about using online shopping and prescription delivery services where possible. Anyone making deliveries should leave them on the doorstep or outside.

Charities and local community groups are working hard to try and support people who are having to self-isolate. Across the West Midlands, local authorities have advertised local support available to residents on their websites, please visit the following link for more information <https://www.wmpfonline.com/covid19faq>

We hope that you keep safe and well during these times.

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Returned Payments

If payments are returned from your bank, your pension will be suspended until we can obtain correct and up-to-date banking details.

Changing Your Bank Details?

When changing your bank account details using the Pensions Portal, please be aware that changes made during the month may not take effect until the following month due to the timing of running the payrolls.



If you have informed the Fund by using your payslip or in writing, please do not close your old account until you have received confirmation from the Fund that the change has been made. Where a change of bank notification is received direct from the banking industry, the Fund will no longer issue paper notifications of these changes.

All changes should have been instructed by our members using the Current Account Switch Guarantee Service and therefore you are aware of the change or it may be an internal change by your bank which does not affect your individual account.



Are Your Nominated Beneficiaries Up To Date?

If you die after drawing your LGPS pension and before reaching age 75, a death grant may be payable. Generally speaking, the death grant is equal to ten times (or five times if you left the LGPS before 1 April 2008) the pension less the amount already paid.

Please log onto Pensions Portal to check if your nomination form is up to date <https://portal2.wmpfonline.com/>

Not sure if you're paying the correct amount of tax?

If you think your tax code may be incorrect or you need more information regarding how HMRC have calculated your tax. Please contact the tax office:



Tel: 0300 200 3300
Write to them:
PAYE & Self-Assessment
HM Revenue & Customs
BX9 1AS

Important Document – P60

Your end-of-year statement (P60) is an important document.

- Monthly paid: P60 issued with your April pension advice slip.
- Quarterly or yearly paid: P60 issued with your March pension advice slip.

Gross Pension Summary

This shows the total amount of pension paid to you in the year. Quote this figure on tax returns.

Tax Summary

This shows the total tax deducted in the year. If you see a – this indicates a refund of tax. Quote this figure on tax returns.

Lifetime Allowance (LTA)

This is a limit on the total amount we can build up in pension without penalty. Here is the percentage that was used by this pension at your retirement date.

P60 End of Year Certificate

Pensioner's National Insurance number	PAYE Reference	Tax Year to 5 April
	068/W105	2021
Pensioner's Surname (IN BLOCK CAPITALS) First Two Forenames	Employer's Name and Address	
	West Midlands Pension Fund PO Box 3948 Wolverhampton WV1 1XP	
Pensioner's Payroll Number		

Previous Employment(s)		Pension Paid by Us*		Total For Year		Final Tax Code
Pay	Tax Deducted	Pay	Tax Deducted - R indicates refund	Pay	Tax Deducted	
£	p	£	p	£	p	

Your percentage of standard lifetime allowance (LTA) used is: %

*Figures shown here should be used for your tax return, if you get one.

This form shows the total pension for Income Tax purposes that we have paid to you in the year and the total tax we have deducted (less any refunds).

Please keep this certificate in a safe place. **You will need it if you have to fill in a tax return, make a claim for tax credits or to renew your claim.** You can also use it to check we are using your correct National Insurance number. If not, please tell us.

By law you are required to tell HM Revenue and Customs about any income, which is not fully taxed, even if you are not sent a tax return.

**Keep this for your tax records.
If you have a tax advisor, give them a copy.**

DO NOT DESTROY

P60 (2020-21) Substitute (WMPF)

The P60 is your summary of pension and tax paid for the year up to 5 April 2021. Please keep your document in a safe place as the Fund cannot provide a duplicate. You will need to use this – please make sure you keep it! As the Fund cannot provide duplicates, these are available on the Pensions Portal.

UK residents: For peace of mind, please use the Pensions Portal to notify the Fund of your change of address or bank details. It is quick and easy and your new address will be verified instantly using the QAS system. Please keep your existing bank account open until your pension payment has been received in your new account.

Your Pension is Increasing – 0.5%

April is the time of year when your local government pension is adjusted to ensure it maintains its value against increases in the cost of living, and we are pleased to announce that from the 12 April 2021 pensions will increase by 0.5% in line with the consumer prices index (CPI). For more information on how the increase will be applied or if you have been receiving your pension for less than a year, please visit www.wmpfonline.com/increase

Please remember that the 0.5% increase is payable from the 12 April 2021; therefore, your April payslip will have the first 11 days of April (1 April 2021 – 11 April 2021) payable at your current rate, and then the remainder of the month (12 April 2021 – 30 April 2021) will receive the 0.5% increase. You will receive the full increase of 0.5% for the whole month in May 2021. However, please note that your pension can be made up of different elements which have different method of increases, also if you have retired in the last year, the increase will be pro-rated.

Every April, your Local Government pension increases with the Consumer Price Index (CPI)



For more information about how your pension has increased, please view our short video at www.wmpfonline.com/increase.

Annual Life Certification – Overseas Members

The Fund undertakes an annual certification process commencing in the Autumn of each year, typically October, for our overseas Pensioners in partnership with an organisation called Target.

Target is a third-party organization who trace and verify scheme members on our behalf, helping to ensure pension scheme data is correct and up to date.

2020 was the first year of us undertaking this arrangement with Target, which has enabled us to engage with an increased number of members and also enhance the opportunities for you to engage with us on this process electronically. We were delighted that 21% of our overseas members successfully utilised this new way of engaging with us, using the app mypensionID.

This exercise will be repeated again in 2021 and as part of this process, you will receive a letter or email from Target asking you to verify your details which can be done either by traditional postal method or via the app mypensionID.



To ensure we can monitor responses and take any amendments to our records, you will be given a timeframe in which to respond. Where a member doesn't respond to the annual certification request, and they have not contacted Target to advise them of an issue regarding meeting the timescales for response then the pension will be suspended until we can verify the scheme member. This is to ensure all pension payments are accurate, please be assured we will not suspend your pension without reasonable justification.

Please look out for an email or letter from Target with their logo on it.



Please be assured that our partnership with Target is fully compliant with the latest data protection legislation, and you can access more information on how we use member data at www.wmpfonline.com/privacynotice.

If you would like more information on Target, please feel free to engage via the telephone on +44 (0)1243 608 635 or via their webchat at www.mypensionID.co.uk.

Alternatively, more information can be found at www.wmpfonline.com/target.

Overseas Bank Accounts

Please ensure that you complete the mandate with all the details required, as our overseas provider will reject payments if they are not set up correctly.

Note: we do not have the facility to make advance payments overseas.

Please inform us of your change of bank as soon as possible to prevent any delays in you receiving your pension. Mandates can be downloaded at www.wmpfonline.com/overseasbank. Alternatively, you can contact us for a form.



Have You Moved Address?

Please ensure that you inform us of your new address as soon as possible, as any returned post received by the Fund will result in the suspension of your pension payments until we have been informed of your new address.

You can update your address on your Pensions Portal account at [//portal2.wmpfonline.com/](https://portal2.wmpfonline.com/)



Scams & Fraud - Be Extra Vigilant!

Scammers are inventive and keep coming up with new ways to con people out of their money. You can protect yourself by being aware of the most common scams, including scams related to coronavirus.

Coronavirus-related scams include:

- People claiming to be able to arrange a COVID-19 vaccine for a fee. The NHS is the only organisation which has access to the vaccine, and will never ask for money.
- Sales of fake products such as face masks, supplements, anti-virus kits and sanitisers, which may be harmful or simply never arrive.
- Bogus healthcare workers who try to gain access to your home by claiming to offer testing for COVID-19.
- People pretending to be from charities offering to do shopping or carry out cleansing tasks.
- Emails asking for donations to the NHS.

Always check the credentials of people or companies who contact you. Take your time before deciding to part with money or information and if possible, seek advice. Remember – it's okay to say no.

You can find out about the latest scams by visiting the www.independentage.org or calling them on 0800 319 6789, alternatively you may wish to contact a Scams Action adviser at Citizens Advice by calling 0808 250 5050.

Register to view your
payslips online and be
in with a chance to win a
£50 gift voucher!

WIN
£50



The West Midlands Pension Fund has an online Pensions Portal which enables you to manage your pension account and take control of your payments. If you register for a portal account between 22 March and 21 May, all registrations will be put into a prize draw to win a £50 high street gift voucher.

Take control of your pension and use 'My Pensions Portal' to:

- view your pensioner record;
- view your payslips and your annual P60;
- keep us up to date by amending your personal information;
- get peace of mind by viewing documents and your nomination form;
- and much more!

Register today at [//portal2.wmpfonline.com/](https://portal2.wmpfonline.com/)

If you need additional support

The Fund has developed a range of guidance to help you use the Pensions Portal. Please visit www.wmpfonline.com/guidancenotes



National Fraud Initiative

The Fund participates in the Cabinet Office's anti-fraud initiative, known as the National Fraud Initiative. For this initiative, the Fund provide details of pensioners and beneficiaries so that they can be compared to information provided by other public bodies.

This will ensure that no pensions are being paid to persons who are deceased or no longer entitled, and that occupational pension income is being declared when housing benefit is applied for.

The details of any local government pensioners who have taken up re-employment are also reported; therefore, it is important that you inform the Fund of any re-employment in local government.

The Fund may share information provided to us with other bodies responsible for auditing or administering public funds in order to prevent and detect fraud.



Pensioner Engagement Forum - You Said, We Did!

The Fund has a Pensioner Engagement Forum which usually meets each year to evaluate the services we offer to pensioner members, and to enhance the experience a member has when transitioning from work to retirement. In previous years we have reviewed the different methods of communication we have with pensioners and provided feedback through this newsletter on the new initiatives and improvements which have been made.

Unfortunately, due to the pandemic the group couldn't meet face to face last year. However, we would still like the opportunity to gather your thoughts on a variety of subjects. With this in mind, we would like to see if there is any appetite to host a virtual meeting this October.

If you would like to be involved in a virtual Pensioner Engagement meeting towards the end of the year, please email us with your interest to wmpfevents@wolverhampton.gov.uk

One of the groups largest achievements was the joint project to roll out retirement planning workshops which covers a variety of guidance and support, not just about your LGPS benefits. These have been rolled out across the West Midlands and recently have been converted to online so we can continue to support members who are retiring through the pandemic.

The workshops have been a huge success and here is a snapshot of members' feedback.

We have also just released a rolling campaign on a monthly basis to reach out to members who are approaching retirement, sign posting a comprehensive toolkit and offering an opportunity to join one of our retirement planning webinars.

Don't forget if you would like to be involved in a virtual Pensioner Engagement meeting towards the end of the year and make a difference to the support we provide members, please email us with your interest to wmpfevents@wolverhampton.gov.uk

Having worksheets and talking it through with advisors was very useful. Very well explained and advisers willing to assist.

Very clear and straightforward way to calculate and understand the make up of overall benefits.

Helps to bring certainty to retirement planning, gives good estimate to use as a base figure for planning retirement.

I can understand my pension properly now and was useful about future income expectations.

Gave excellent advice on how much I could expect taking into consideration number of options, etc.

I was confused about my pension but gained really useful advice and information.

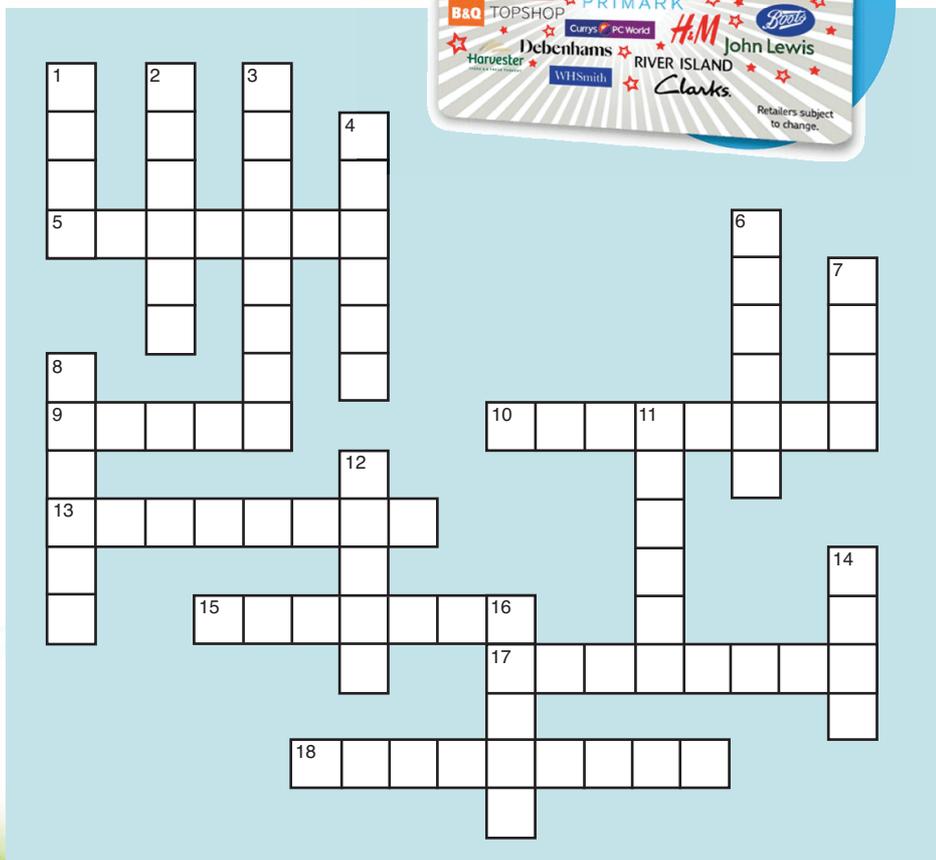


Spring

crossword competition



Successfully complete and return the crossword below and you will be entered into a prize draw of a chance to win a high street gift voucher worth £25!



Down:

- 1) Sport with tees
- 2) Fledgling plant
- 3) America's pastime
- 4) _____ egg
- 6) Eating outing
- 7) When spring ends
- 8) Vegetable plot
- 11) One of four in a year
- 12) Breezy
- 14) Flying toy with a tail
- 16) Verdant

Across:

- 5) They're usually found in beds
- 9) Time for showers
- 10) Gloom's opposite
- 13) Yellow spring flower
- 15) Day for diamonds and dreams
- 17) Shower apparel?
- 18) Monarch, e.g.



To enter into the prize draw to win a £25 gift voucher, please provide your name and contact number along with your completed crossword and send it to West Midlands Pension Fund, PO Box 3948, Wolverhampton, WV1 1XP, or email it to wmpfactivemailings@wolverhampton.gov.uk

Full name:

Contact number:



McCloud Update

As part of the changes to the LGPS from a final salary to a career average pension scheme in 2014, protections were put in place for members within ten years of retirement. Similar protections were provided in other public sector pension schemes.



In December 2018 the Court of Appeal ruled that this protection is discriminatory on age grounds for members of the Judges' and Firefighters' Pension Schemes, which is also applicable across all public sector schemes. Following this ruling, the Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. This ruling is often referred to as the 'McCloud judgment'.

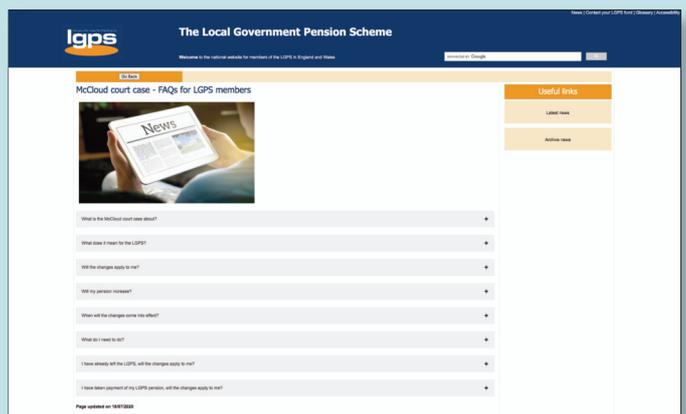
The Government is still considering exactly what changes need to be made to remove the discrimination from the LGPS and are reviewing responses to their consultation which was undertaken in 2020. The proposed changes would mean that a revised underpin will apply to all members, and the proposals introduce the term "qualifying member" for someone who meets the following criteria, regardless of age:

- were active on 31 March 2012;
- built up benefits in the 2014 scheme; and
- do not have a disqualifying break.

The changes will be retrospective and will apply to anyone who has left, retired or died and who didn't meet the old underpin criteria but meets the new one. In some cases, this will mean retrospectively recalculating benefits for pensioners, and paying arrears and interest. It is expected that the majority of members will not see an increase to their pension, as the CARE scheme for most members is more beneficial, and where this does increase it is likely to be for a small number of members.

If you qualify for protection, it will apply automatically - you do not need to make a claim or contact us. We will contact you when the government puts regulations in place.

For more information, see the frequently asked questions on the national LGPS website www.lgpsmember.org/news/story/mccloud_qanda.php



Climate Change and Responsible Investment

As one of the largest local government pension schemes in the UK, it is important that the Fund invests its assets in a sustainable manner. This responsible method of investing not only protects the financial returns needed to pay scheme members, but it also recognises the Fund's broader responsibility to communities both locally and around the globe. With this in mind, the Fund has chosen four key themes of engagement to focus on from 2020 into 2023 which it believes reflect this responsibility.

One of the Fund's ongoing engagement themes is climate change. The Fund recognises the risks associated with climate change and the potential for these to impact on the long-term value of the Fund investments, but also the opportunity for

investment reward, for example in green energy investments, particularly during the period of transition to a lower carbon economy. The Fund has currently invested £2.5 billion in sustainable equities and low carbon funds, with further investments into sustainable equities being made towards the year end.

The Fund is pleased to showcase its first climate change video, highlighting the need for action to address climate change on a global scale, and the important role that it can play. This video is part of a new responsible investment series, with more videos to be published online in the coming year.

<https://www.wmpfonline.com/article/8465/Climate-Change>



Signposting Support



the Money Advice Service

moneyadvice.org.uk
0800 138 7777



ageuk.org.uk/care
0800 055 6112



citizensadvice.org.uk
0345 404 0506



HM Revenue & Customs

hmrc.gov.uk
0845 302 1437



Connecting millions to great advice

unbiased.co.uk
0333 271 7513



gov.uk/browse/working/
state-pension



www.alzheimers.org.uk
0207 605 4200



www.independentage.org
0207 605 4200

If You Need to Contact Us, We Are Here to Help...



<https://portal2.wmpfonline.com/>



www.wmpfonline.com/emailus



www.wmpfonline.com



Dedicated member and portal
helpline: 0300 111 1665



PENSIONS ADMINISTRATION STRATEGY MAY 2021



West Midlands Pension Fund

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1 INTRODUCTION AND REGULATORY CONTEXT

This is the Pension Administration Strategy (PAS) of West Midlands Pension Fund (the Fund) in relation to the Local Government Pension Scheme (LGPS), which is administered by the City of Wolverhampton Council (the administering authority). The West Midlands Integrated Transport Authority (WMITA) merged with the Fund with effect from 1st April 2019 and the roles, responsibilities and performance standards/measurements set out in this strategy apply equally to the WMITA employers.

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

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

An efficient and effective scheme administration service requires the following:

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

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

2 AIMS

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

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

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

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

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

The PAS, of which this iteration is effective from July 2021, was introduced in April 2015, with revisions since that date captured in this document. The Fund will continue to keep the strategy and policy document under review and update as required to reflect changes in scheme regulations and Fund working practices.

3 ROLES AND RESPONSIBILITIES

Overriding legislation dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various parties associated with the LGPS.

In addition, regulatory guidance sets out a number of requirements for the Fund and scheme employers to provide information to each other, scheme members and prospective scheme members, dependents, other pension arrangements or other regulatory bodies.

3.1 Scheme Employer

31.1 Duties, Responsibilities and Measurements

The tables below set out the function and tasks scheme employers are required to carry out in order to aid the administration of the scheme. Where appropriate, for those tasks which will be routinely measured the method of that measurement is also confirmed.

3 ROLES AND RESPONSIBILITIES

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3.1 Scheme Employer

31.1 Duties, Responsibilities and Measurements

The tables below set out the function and tasks scheme employers are required to carry out in order to aid the administration of the scheme. Where appropriate, for those tasks which will be routinely measured the method of that measurement is also confirmed.

1			
General Information			
	Function / Task	Expectation	Measurement / Review
1.1	Confirm nominated representative(s) to receive information from the Fund	<p>Change in contacts to be notified to the Fund immediately</p> <p>Contacts to be verified via the Annual Employer Health Check</p> <p>Multi Academy Trusts to provide contact details for Head Office in addition to specific function contacts</p>	Reviewed annually and as required
1.2	Attendance at Employer Coaching and or virtual webinars	<p>On admittance to the Fund, new employers are expected to attend coaching sessions as relevant to their specific role.</p> <p>Attendance may also be requested by a Fund officer based on performance/ compliance levels.</p>	Employer performance to be continually reviewed

1	General Information		
	Function / Task	Expectation	Measurement / Review
1.3	Appoint a person (the adjudicator) to consider disputes under stage 1 of the pension internal dispute process (IDRP) and provide full up-to-date contact details to the Fund	Notify the Fund within 30 days of becoming a scheme employer or following the resignation of the current adjudicator	Reviewed annually as part of the Employer Health Check
1.4	Notify the Fund of any change to payroll provision	Inform the Fund one month in advance of a change in payroll provider	Reviewed annually as part of Employer Health Check
1.5	Formulate, publish and keep under review policies in relation to all areas where the employer may exercise a discretion within the LGPS ¹	A copy of the policy document is to be submitted to the Fund within one month of the change in policy or within 30 days of becoming a scheme employer	To be reviewed by the Fund as appropriate
1.6	Distribute any information provided by the Fund to scheme members/potential scheme members (e.g., Scheme guides, pension portal promotions, benefit statement production)	Ensure members have access to all material as circulated by the Fund	In a timely manner, as required
1.7	Notify the Fund in advance of any employer initiatives, such as (but not limited to) employer mergers, bulk transfers or change of Academy Trust, policy decisions or practices which could have an impact on LGPS member benefits	Early contact with the Fund is preferable to enable the Fund to discuss and understand the implications	As a minimum, as soon as possible once the decision has been made or initiative/practice has been finalized.

1	General Information		
	Function / Task	Expectation	Measurement / Review
1.8	<p>Inform the Fund regarding a notifiable event which may trigger the requirements for a contribution review between triennial valuations.</p> <p>Such triggers may include (though not limited to):</p> <ul style="list-style-type: none"> • A material change to LGPS membership • A material change in total employer payroll and LGPS pensionable Pay • A change in employer legal status or constitution • Restructuring where there is a significant impact on LGPS membership • A decision to cease business • A decision that will restrict future active membership of the LGPS 	Inform the fund in advance of the event taking place.	Where advance notice is not possible, at least immediately after it is known

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

2	Contributions		
	Function / Task	Expectation	Measurement / Review
2.1	Remit employer and employee contributions to the Fund due each month	<p>By 19th of the following month</p> <p>Preferred method of payment is BACS or CHAPS, to include meaningful narrative where possible</p> <p>Payments with respect to Multi Academy Trusts to be aggregated prior to making payment to the Fund</p>	<p>Payment of monthly employee and employer contributions are due under the Pensions Act 2004 and the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014. The Pensions Regulator may be notified if the above requirement is not met</p> <p>In the case of a backdated admission agreement the employer must make payment in full of all contributions due to date once the required legal documents are in place. Payments must then be made as above</p>
2.2	Implement changes to employer contribution rates as instructed by the Fund at the date specified by the Fund's actuary	In line with the Rates Adjustment Certificate issued by the actuary following each triennial valuation or following review in line with the LGPS regulations or on commencement as a scheme employer within the Fund as notified in writing	Monthly reconciliations undertaken by the Fund with respect to payments expected vs those received
2.3	Provide a breakdown of monthly employer and AVC contributions for reconciliation against payment ²	By no later than 19th of the following month but preferably at the time of making the payment.	Receipt of breakdown by 19th of the following month

² Breakdown needs to be provided on an individual employer basis where payment is made in respect of more than one participating employer, e.g. where responsible for client payroll)

2	Contributions		
	Function / Task	Expectation	Measurement / Review
2.4	Ensure and arrange for the correct deduction of employee contributions from a member's pensionable pay and throughout their membership in the scheme (including any periods of leave)	As required, typically monthly Eligible members only to be admitted to the LGPS.	Monthly
2.5	Manage the deduction of all additional contributions or amend such deductions, as appropriate	As required	Monthly
2.6	Arrange for the deduction of AVCs and payment over of contributions to the AVC provider(s) and inform the Fund as required	As required, typically monthly	Monthly
2.7	Make additional Fund payments in relation to early payment of benefits from flexible retirement, redundancy or business efficiency retirement or where a member retires early with employer's consent and a funding strain cost arises	Within 30 days of receipt of invoice from the Fund Where possible, a remittance advice to be issued to: WMPFAccountReceivable @wolverhampton.gov.uk	To be reviewed by the Fund as appropriate
2.8	Respond to Fund queries regarding payments received	Respond to queries raised by the Fund regarding payments in order for these to be allocated. Where the query is relating to a rejected or aborted monthly submission file, resubmission of the file to occur within 10 working days of receipt of the query to prevent delays to allocation	Within 10 working days of receipt of query

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

4	General administration and change notifications in relation to active members		
	Function / Task	Expectation	Measurement / Review
4.1	Provide the Fund with the following member information on one monthly file monthly (via the employer hub) and ensure optimum accuracy of monthly data files received: <ul style="list-style-type: none"> • New joiners • Changes in employees' circumstances which may impact Fund benefits (eg. Movement in and out of the 50/50 scheme, marital or civil partnership status, maternity, paternity, career break, etc). • Employee and employer contributions and earnings 	On a monthly basis, by the 19th of the following month, as part of the submission upload via the employer hub. Where any payment of contributions due is made prior to the 19th of the following month it would be preferable for the data to be submitted at the time of making payment	Monthly data file to be received by the 19th of the following month. Less than 5% of the active member count as at 1 April to error on import into the pension administration system
4.2	Employers must ask members for a statement in writing listing all previous periods of employment	Members must be issued with a form A1 within three months from the date the person becomes a member	
4.3	Rectify monthly data errors	The rectification of a monthly data file where it has been necessary to return the file due to data inaccuracies	Within 20 days of receipt of the returned file/feedback

4	General administration and change notifications in relation to active members		
	Function / Task	Expectation	Measurement / Review
4.4	Produce an estimate of member benefits prior to approving retirements on the grounds of redundancy to establish any associated costs	Early Retirement Costings to be calculated using the online facility or by contacting employer services where the functionality is unavailable	Prior to the redundancy being approved by the employer to avoid any subsequent dispute with the Fund over associated costs
4.5	Notify the Fund (via employer hub) when a member is due to retire including an accurate assessment of final pay details and authorisation of the reason for retirement	Notify the Fund when a member is due to retire: up to one month following the date of retirement if the date of retirement is before normal pension age (NPA) or; ASAP once final earnings are known, typically three weeks before and no later than one week after the date of leaving, if the member's benefits are payable on or after their normal pension age (NPA) ³	Notify the Fund when a member is due to retire: up to one month following the date of retirement if the date of retirement is before normal pension age (NPA) or; ASAP once final earnings are known, typically three weeks before and no later than one week after the date of leaving, if the member's benefits are payable on or after their normal pension age (NPA) S4 form to be submitted via employer hub
4.6	Notify the Fund (via employer hub) when a member leaves employment including an accurate assessment of final pay details using the method stipulated by the Fund	Within 30 days of month end of date of leaving, S4 early leaver form (S4EL/OPT) to be submitted via employer hub ⁴ Where the member is subject to TUPE this should be not be confirmed via an S4	Within 30 days of month end of date of leaving S4 form to be submitted via employer hub

³ Notification should not be given prior to the final earnings being known to avoid recalculation of member benefits

⁴ On receipt of the appropriate S4 notification, where data is incomplete or inaccurate this may lead to delays in processing by the Fund should queries need to be raised

4	General administration and change notifications in relation to active members		
	Function / Task	Expectation	Measurement / Review
4.7	Provide responses to enquiries regarding submitted member notifications	Respond to enquiries from the Fund in regard to member notifications and submitted forms (i.e S15, N15 etc via email or via the webtray functionality)	Within 10 days of receipt of enquiry
4.8	Notify the Fund (via employer hub) of the death of a scheme member	As soon as practicable, but within a maximum of ten days of the employer being notified, S4 retirement/ death in service form (S4RB) to be submitted via employer hub ⁴	Within 10 days of notification
4.9	Review payment of Tier 3 ill-health benefits	After benefits have been in payment for 18 months	After benefits have been in payment for 18 months
4.10	Completion of the Annual Employer Health Check	Respond to the Funds communication with any changes and amendments within one month of receipt of the request (to include but not limited to a review of employer hub users, contact details and active member lists)	Annually

⁵ Please refer to the **Fund's website** for more detailed guidance for requirements relating to the McCloud judgement

4 General administration and change notifications in relation to active members			
	Function / Task	Expectation	Measurement / Review
4.11	Self-review of performance and data quality via the employer hub	Regularly utilise the WMPF active member function and review the Employer dashboard via the employer hub	At least annually, where active member count is less than 1,000 Quarterly where active member count is over 1,000
4.12	Provision of data appropriate to the McCloud ruling 3	Submission of all data required to enable the necessary checks to be carried out to enable an underpin check to be carried out with respect the McCloud judgement	By 31st October for all data up to 31st March 2021 By 31st May 2022 for all data required for the period 1st April 2021 to 31st March 2022

5 IDRPs			
	Function / Task	Expectation	Measurement / Review
5.1	Notify the Funds Compliance team of the receipt of a complaint under the IDRPs process	Notify the Fund on receipt	Within two days of receiving the complaint
5.2	Notify the Funds compliance team that the first stage decision has been issued	Notify the Fund once issued	Within five days of issuing the decision
5.3	Timeframe for resolution of IDRPs within two months	Notify the fund if timeframe is not going to be met	Notify the Fund immediately when known the original time frame will not be met
5.4	Respond to Fund enquiries	Assist with enquiries where the Fund is dealing with stage 2 IDRPs	Within five days of receipt of enquiry

6 Employer Hub User Access			
	Function / Task	Expectation	Measurement / Review
6.1	Creation of new employer hub users by superusers	Superusers to assist with the set-up of new users within their organisation	As required
6.2	Maintenance and modification of existing employer hub users	Superusers to assist other users with maintenance of web accounts (e.g. Change access level, reset passwords)	As required
6.3	Verification of employer hub users by superusers	Employer hub superusers to regularly review user access lists using self-serve functionality (WMPF Managed User report)	At least annually via the Employer Health Check but also periodically by the employer to ensure accurate access is held
6.4	Revocation of employer hub users no longer required and/or employed	The fund to be notified immediately when access is no longer required by a user	Immediately on occurrence
6.5	Employer hub usage policy	Regular use of the employer hub in order to perform administration duties relevant to WMPF	At least annually. Where account remains dormant for 12 months, access may be automatically revoked by the Fund following written warning being issued

3.2 WEST MIDLANDS PENSION FUND

3.2.1 DUTIES, RESPONSIBILITIES AND MEASUREMENTS

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

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

The Fund routinely reviews performance across all areas including the PAS, which is monitored and reviewed by the Pensions Committee and Local Pensions Board. Regular reporting is undertaken, and performance is also reported annually in the Fund's annual report and accounts. Where the function is routinely measured using the Funds key performance indicators the method of that measurement is also confirmed below.

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

1 General Information			
	Function / Task	Expectation	Measurement / Review
1.4	Regularly review the Funds termination policy statement and publish as appended to the Funding Strategy Statement	Within 30 days of any changes being made to the policy	Annual review
1.5	Review and communicate the Funds publications listed below: <ul style="list-style-type: none"> • Annual report • Annual Statement of accounts • Governance and compliance statement 	By 31 October following the year-end	Annually, no later than 31 October

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

3 Support for Employers			
	Function / Task	Expectation	Measurement / Review
3.1	Employer Helpline	Dedicated helpline: Monday – Thursday 8.30 am – 5.00 pm Friday 8.30 am – 4.30 pm	>85% of calls received to the employer helpline to be answered
3.2	Email/Web enquiry support	Fund to support with general employer queries	10 working days from receipt of enquiry
3.3	Employer Peer Group	Quarterly meetings to be held each year between employer representatives and at least 2 Fund officers	Quarterly
3.4	Employer Newsletters	Quarterly briefing notes to be issued plus bespoke editions as required focusing on topical issues	Quarterly and, as required
3.5	Face-to-face meetings	Whole employer meetings to be held twice yearly One-to-one engagement with employers to discuss feedback and performance as required and appropriate	As required but with all employers invited to at least 2 meetings each year
3.6	Online support	Online support to be reviewed and maintained in order to remain accurate and relevant	Continual review
3.7	Member services presentations and roadshows	Regular presentations to be made available for employers to facilitate for members.	Largest 35 employers (based on active member count) plus at least 15% of all other employers annually

3 Support for Employers			
	Function / Task	Expectation	Measurement / Review
3.8	Organise and provide webinars on the roles and responsibilities of an employer in the Fund	Monthly webinars to be scheduled. Bespoke sessions can also be made available on request	At least two employer webinars to be scheduled each month
3.9	Notify scheme employers and scheme members of changes to the scheme rules	As per disclosure requirements with inclusion of an overview in the Employer Brief	Continual review
3.10	Provide a facility (via employer hub) for employers to calculate estimates and early retirement costs for active members	Functionality to be available to enable employer self-service at all times with periods of downtime to be monitored by WMPF systems support and any issues addressed immediately	Continual review
3.11	Production and maintenance of an IDRPs employer guide	On an ongoing basis	Annual review

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4 General administration and member communications			
	Function / Task	Expectation	Measurement / Review
4.1	Produce annual benefit statements for active members as at 31 March and deferred members as at pensions increase date in April	By 31 August following the year-end	Annually
4.2	Produce and issue pension savings statements each year to members who have exceeded their annual allowance	By 6 October (provided receipt of all relevant information from scheme employer) following the year-end	Annually

4 General administration and member communications			
	Function / Task	Expectation	Measurement / Review
4.3	Publish and keep up to date all forms required for completion by scheme members or employers	Within 30 days from any revision	As required
4.4	Provide feedback on errors contained in monthly data submission files	Within 20 working days of the later of the 19th of each month or the date the file is received by the Fund	Quarterly review of KPI reported Pension Committee and/or Pension Board

5 Processing Scheme member records and benefits			
	Function / Task	Expectation	Measurement / Review
5.1	New Joiners		
	Set up a new starter and provide statutory notification to the member	Member Record created and confirmed	Within 20 days of receipt of correct data file from a scheme employer
5.2	Transfers		
	Transfer in quotations processed	Quotation and paperwork issued	Within ten days of receipt of all the required information
	Transfer notification of transferred in membership to be notified to the scheme member Transfer out quotations processed	Member notified of completion of transfer in Quotation and paperwork issued	Within ten days of receipt of payment Within 20 days
	Transfer out payments processed	Payment made	Within ten days

5	Processing Scheme member records and benefits		
	Function / Task	Expectation	Measurement / Review
5.3	Additional contributions		
	Notify the scheme employer of any scheme member's election to pay additional pension contributions (APCs), including required information to enable deductions to commence	Arrange deduction of member payments with employer	Within ten days of receipt of election from a scheme member
	Process scheme member requests to pay/ amend/ cease additional voluntary contributions (AVCs)	Arrange deduction/cessation of member payments with employer	Within five days of receipt of request from a scheme member
5.4	Leavers		
	Deferred benefits calculated and confirmed to member	Confirm member benefits	Within 15 days of receipt of all necessary information
	Refund details calculated and issued	Confirm member benefits	Within ten days of receipt of all necessary information
	Refund payments	Make payment to member	Within five days of receipt of all necessary information from member
5.5	Deferred into payment		
	Provision of deferred retirement options to member	Deferred retirement quotation issued to member	Within 30 days of the member's eligible payment date or receipt of request from a member
	Deferred retirement benefits processed for payment following receipt of election	Payment commences	Lump sum payment within five days of receipt of all necessary documentation First pension payment on next available payment run

5	Processing Scheme member records and benefits		
	Function / Task	Expectation	Measurement / Review
5.6	Retirements		
	Provision of retirement options to members	Retirement quotation issued to member	Within 15 days of receipt of all necessary information
	New retirement benefits processed for payment following receipt of election	Payment commences	Lump-sum payment within five days of receipt of all necessary documentation First pension payment on next available payroll run
5.7	Deaths		
	Acknowledgement of a death	Appropriate acknowledgement issued	Within five days of receiving the notification
	Notification of benefits payable to dependents	Confirm benefits payable	Within five days of receiving the required information
	Payment of death lump-sum will be made information	Payment made	Within ten days of receipt of all the required information
5.8	Customer service		
	Member Helpline	Dedicated helpline: Monday – Thursday 8.30 am – 5.00 pm Friday 8.30 am – 4.30 pm	>85% of calls received to the customer helpline to be answered
	Provide an answer/ acknowledgement to an enquiry from a scheme member/ personal representatives/ dependents and other authorised persons	Appropriate response issued	Within ten days from receipt of enquiry

5	Processing Scheme member records and benefits		
	Function / Task	Expectation	Measurement / Review
5.8	Customer service		
	Acknowledge member complaints on initial receipt	Appropriate response issued	Within five days of receipt
	Issue full response to member complaints	Appropriate response issued	Within 20 days of receipt
	Monitor IDRPs cases and target completion of stage 1 and stage 2 reviews	Within two months. For further information, please see the Fund's IDRPs policy	Within two months
	Acknowledge employer complaints on initial receipt	Appropriate response issued	Within five days of receipt
	Issue full response to employer complaints	Appropriate response issued	Within 20 days of receipt

4 MONITORING PERFORMANCE

4.1 WORKING WITH OUR EMPLOYERS

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

The Fund will seek to work closely with employers when identifying areas of poor performance. At the earliest opportunity, the Fund will provide training and development to aid improvement of service levels in the future. Where performance issues are identified, in the first instance,

the Fund will work to resolve the issues informally. However, where this is not possible and persistent sub-standards occur (with no measurable improvement demonstrated by the employer), additional steps may be taken by the Fund in line with its powers under the LGPS Regulations 2013.

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

4.2 APPROACH TO MANAGING PERFORMANCE

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

The Fund and scheme employers are to ensure that all functions and tasks are carried out to the agreed quality standards. On a regular basis, the Fund will monitor, measure and report on both the Fund's and scheme employers' compliance with the agreed service standards outlined in this document. Employers are encouraged to review their own performance using the self-service tools and dashboards available via the employer hub.

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

Where persistent and ongoing failure occurs in relation to administration requirements and no improvement is demonstrated and/or willingness to resolve the identified issues is shown by an employer following the Fund taking any appropriate steps as set out in its Employer Engagement Roadmap,, the following sets out the steps that will be taken in dealing with this situation:

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

4.3 POLICY ON CHARGING EMPLOYERS FOR POOR PERFORMANCE

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

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

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

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

4.4 POTENTIAL IMPACT OF SUB-STANDARD PERFORMANCE

Item	Impact
Failure to make payment of monthly contributions and/or provision of breakdown of contributions for reconciliation against payment	The Fund will be unable to prepare cashflow information to facilitate the provision of annual accounting standards (FRS102, IAS19) by the Fund actuary or any other actuarial firm Impact on contribution rates set at proceeding triennial valuation Report to be made to the Pensions Regulator
Failure to submit monthly data and leaver notifications and/or respond to Fund queries regarding associated data issues	Inability to produce member benefit statements Inaccurate data used in triennial valuation and subsequent impact of contribution rates set Delays in processing member requests for information and calculation of benefits on leaving
Failure to maintain up to date contact information	Communications and important messages regarding changes may not be received
Late notification of new contracts to the Fund by the employer and/or ceding authority	Potential Trade Union involvement Breach of law if contribution deducted and agreement not sealed Members not covered by Death in Service benefits Increased costs due to delay in application being received
Failure to comply with McCloud data provisions in line with Fund and regulatory requirements	Employer Liabilities may be understated Member benefits may be incorrect
Failure to notify the Fund of any Notifiable Events	Potential report to the Pension Regulator Liabilities are under/over stated resulting in an incorrect contributions being paid

4.5 CHARGING SCALES FOR ADMINISTRATION

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

1 Payment of contributions	
<p>Payment of primary rate contributions</p> <p>Payment of monthly employee and employer contributions⁶ in full by the 19th of the following month (but by the 22nd of the month where payment is made electronically)</p>	<p>£100 per occasion plus interest⁷</p> <p>Thereafter for each working day the payment remains late an additional charge of £10 will be applied.</p>
<p>Payment of secondary rate contributions</p> <p>Payment of deficit contributions either:</p> <ul style="list-style-type: none"> • In advance at the commencement of each scheme year, or; • Monthly alongside primary rate contributions by the 19th of the following month (but by 22nd of the month where payment is made electronically) • In full by 31st October (academies only) <p>An election should be made during the triennial valuation consultation period regarding the method of payment</p>	<p>Interest will be charged in accordance with Regulation 71 of the LGPS administration regulations, which states interest should be charged at Bank of England base rate plus one per cent on a day to day basis from the due date to the date of payment and compounded with three monthly rests.</p>

⁶ Future service contributions including additional contributions, eg, APP and APCs

⁷ Interest will be charged in accordance with Regulation 71 of the LGPS administration regulations, which states interest should be charged at Bank of England base rate plus one per cent

2 Monthly data collection	
<p>Timeliness</p> <p>Comply with each of the following requirements:</p> <ul style="list-style-type: none"> • Submission of the member data file by 22nd of the following month • Submission of the web remittance advice by 22nd of the following month 	<p>£50 for each month the data file and/or web remittance advice is received after 22nd (ie, both items must be received so as to incur no penalty). There after for each monthly data file the charge will increase as follows:</p> <ul style="list-style-type: none"> • 5p per member⁸ per working day late for the first month following the deadline • 10p per member⁸ per working day late for the second month following the deadline • 15p per member⁸ per working day late for the third month following the deadline and every month thereafter <p>A minimum daily rate will be set at:</p> <ul style="list-style-type: none"> • £5 per day for the first 30 days following the deadline • £10 per day for the second 30 days following the deadline • £15 per day for the third 30 days and thereafter following the deadline <p>Assessment of the overall charge will be made in aggregate following year-end</p>
<p>Data quality⁹</p> <p>Quality of the information provided to be below the acceptable tolerance level set at 5% of the employer active member count³</p> <p>Errors include but not limited to missing members, missing new joiner flags, incorrectly flagged leavers/TUPE</p>	<p>The Fund will recover costs for the work involved to resolve these errors. Costs will be based on officer hourly rates and will be determined based on the resources required to address errors above the tolerance in aggregate over a 12-month period</p>

⁸ For the purposes of monitoring and the application of charges the active member count will be set as at 1 April of the monitoring period (ie, based on the monthly data file for the 1 April in the monitoring period)

⁹ A file will be rejected for one or more of the following reasons:

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

3 Other	
<p>Bulk amendments</p> <p>Bulk member record corrections or amendments of member records en masse as a result of (but not limited to) employer changes, mergers, initiatives, policy decisions or prior incorrect notifications</p>	The Fund will recover the cost for the work involved based on officer hourly rates
<p>Incorrect Scheme Member cases</p> <p>Incorrect admission to the Fund where the member was eligible to join and should have been offered alternative pension scheme membership (eg, TPS, USS)</p>	A charge of £250 for each incorrectly admitted member plus recovery of the work involved based on officer time
<p>Leaver Rollbacks</p> <p>Incorrect submission of an S4 leaver notification where the member has either, not left or has been subject to TUPE</p>	A charge of £50 for each incorrectly submitted leaver notification plus recovery of the cost for the work involved based on officer hourly rates where there are additional effects on processing (such as the reversal of aggregations)
<p>Provision of Replacement member ABS</p> <p>Provision of replacement ABS due to submission of incorrect FTE resulting in inaccurate member ABS being produced as part of the annual cycle</p>	A charge of £250 for each occasion plus recovery of the cost for the work involved based on officer hourly rates.
<p>Other rectification work</p> <p>Any other significant work the Fund is required to carry out in order to rectify errors caused a result of employer error</p>	The Fund will recover the cost for the work involved based on officer hourly rates.

5 FEEDBACK FROM EMPLOYERS

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

West Midlands Pension Fund
PO Box 3948
Wolverhampton
WV1 1XP

DRAFT

CITY OF
WOLVERHAMPTON
COUNCIL

Pensions Committee

23 June 2021

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

Recommendation for noting:

1. The Pensions Committee is asked to note the report, prepared annually in order to meet the legislative requirement for recording the work of the Local Pensions Board.

1.0 Purpose

- 1.1 To inform the Committee on the work undertaken by the Local Pensions Board (“the Board”) during the 2020-21 municipal year and to meet the legislative requirement for producing an annual report.

2.0 Background

- 2.1 The Public Service Pensions Act 2013 introduced the requirement to have a Local Pensions Board to assist in the good governance of the scheme.
- 2.2 The West Midlands Pension Fund created and implemented the Local Pensions Board ahead of the deadline of the 1 April 2015 and has since developed an appropriate training programme and annual workplan in consideration of matters relevant to the Fund and the role of the Board.

3.0 Board Membership

- 3.1 During the democratic year the Board saw some movement in its membership with vacancies emerging for three member representatives and one employer representative.
- 3.2 The vacancy for the Unite member representative seat, which became available in October 2020 has been filled, with the nomination confirmed at the Board meeting 27 April 2021. Following recent engagement from GMB, they have confirmed a nomination to their vacant member representative seat, which is due to be established at the next Board meeting, 20 July 2021.
- 3.3 The vacancy for the admitted-body employer representative has been filled, with the nomination confirmed at the Board meeting 26 January 2021.
- 3.4 The Fund undertook its annual nomination process for the Board in May 2021. As there remained natural vacancies for member representative seats, no annual nomination process was required. The annual nomination cycle for employer representatives concluded that the academy representative seat, currently held by the Board Chair Joe McCormick, was due for nomination. The nomination process has commenced with new appointments to be confirmed at the first Board meeting of the municipal year.

4.0 Training

- 4.1 The Fund has offered a number of virtual training opportunities for Board members where possible, to maximise attendance and to support the delivery of topics relevant to the reporting that the Board receive.
- 4.2 The Fund also endeavoured to deliver joint training opportunities alongside the Pensions Committee to strengthen relationships across the two governing bodies. During the 2020/21 year, in addition to the Fund’s Mid-Year Review and AGM, the Board were invited to attend a Responsible Investment Summit held by the Fund’s Investment

Pooling Company, LGPS Central, as well as joint training events hosted by the Fund in October 2020, February 2021 and March 2021. The Fund will look to continue this collaborative training during the 2021-22 year, as well as considering methods of training, to support all member's needs.

- 4.3 This year, the Fund has looked to offer a wider range of training opportunities to its governing bodies, to reflect continued good governance requirements as well as to support training during restrictions due to the Covid-19 pandemic. These initiatives included regular briefing notes in areas such as regulatory change and responsible investment, as well as a dedicated SharePoint site available to both Pensions Committee and Local Pensions Board members, which hosts governance documents, handbooks, and training materials.
- 4.4 All members are encouraged to meet their training target to ensure that they obtain the relevant knowledge and skills required to undertake their role on the Board. Attached in Appendix A is a copy of the 2020/21 individual training hours recorded for members of the Board as at 30 April 2021.

5.0 Reports of the Pension Board

- 5.1 During 2020/21 the Board did not refer any matter to the Pensions Committee and continued its focus on Customer Engagement, Risk Management, Service Development, Investment Governance as well as the impact of the Covid-19 pandemic. The Board considered customer engagement and service provision during the pandemic, working with officers to ensure support and information was available to members, as well as working with Fund's employers to support and understand their individual challenges in light of the pandemic.
- 5.2 The Board also considered the impact of LGPS regulatory changes on the Fund, continuing to engage with their respective groups on these issues and regularly informing their counterparts on key messages of the Fund, including the changes being implemented to ensure continued compliance with regulation.
- 5.3 Throughout the year, the Board considered reports on the following topics:
- Customer Engagement
 - Pensions Administration
 - Governance and Assurance, including monitoring of Key Performance Indicators and Risk Management
 - Covid-19 Impact
 - Impact of changes to regulations
 - Service Development
 - Funding Management
 - Responsible Investment and Climate Change
 - Investment Governance

6.0 National Governance Developments

6.1 A number of governance programmes progressed at a national level, notably the publication of Phase 3 of the Scheme Advisory Board's Good Governance Report and the publication of the Pension's Regulator's (tPR) draft Single Code of Practice, both of which place heightened reporting requirements on LGPS Funds, ensuring accountability for their working practices.

7.0 Reports of the Pension Board

7.1 In line with its Regulatory duty, the national Scheme Advisory Board (SAB) has every year since 2013 produced its Scheme Annual Report highlighting national averages in areas such as investment returns, asset allocation, funding and governance.

7.2 The SAB produces its report based on published annual report and accounts of the LGPS Funds across England and Wales. It is therefore produced retrospectively each year. This latest report highlights the aggregated position from the 2020 reports and provides a useful point of reference for a variety of stakeholders.

7.3 The LGPS Highlights for 2020 as noted by SAB include;

- The total membership of the LGPS grew by 261,000 (4.2%) to 6.16m members in 2020 from 5.89m in 2019
- The total number of LGPS employers in 2020 was over 16,307 as compared with 15,597 for 2019 (an increase of 4.6%)
- The total assets of the LGPS decreased to £276bn (change of -4.9%) during 2020
- The net investment return on these assets (after fees) as at 31 March 2020 was -4.8% compared with +6.2% in 2019. The 2020 figure reflecting less stable financial market conditions than in 2018/2019
- The scheme held a positive cash-flow position in 2020
- The most recent Scheme funding level, aggregated across local valuations, was 98% (2019 valuation)

7.4 In comparison, the Fund's highlights for the year to 31 March 2020 show;

- The total membership grew from 323,795 to 333,934 (3.1%)
- Employers increased from 673 to 704 (4.6%)
- The Fund's total assets decreased from £15.7 billion to £15.3 billion (-2.6%), reflecting less stable financial market conditions, largely due to the impact of Covid-19 in March 2020
- The Fund's local funding level was 94% (2019 valuation)

7.5 Throughout the year, the Scheme Advisory Board has issued a number of communications reporting on the outcomes of their meetings and delivery of their own workplan all of which have been presented to the Local Pension Board and Committee in update reports at formal meetings, through training events or communication round-ups.

8.0 Costs

- 8.1 The cost of operating and supporting the Local Pensions Board is absorbed into the Fund Governance Budget and existing officer workload.
- 8.2 To support the work of the Scheme Advisory Board, all LGPS Funds are required to pay a levy based on membership numbers. For 2020/21 that levy was £25,479 (excluding VAT), which the Fund has paid as due.

9.0 Forward Plan for 2021/2022

- 9.1 In considering the work of the Board going forward to ensure the continued good governance of the scheme, areas of focus for 2021/22 will continue to be focused around Effective Governance, Customer Engagement and Communication, Data Management and Service Development, to ensure the Fund is able to adapt and respond to the changing demands of service from its customers and to the changing regulatory landscape of the LGPS. The Board themselves may also add items as they review the Fund's governance in line with their statutory duty.
- 9.2 The Board will also continue to monitor delivery of the Fund's Corporate Plan 2021 – 26, having supported the Pensions Committee and officers to shape the goals and objectives of the Fund developing its areas of focus to support the achievement of those goals, as outlined below.
- Outward looking, supporting in a Fund wide governance review in response to statutory changes
 - Accessible information and support, through effective customer engagement programmes using their roles on representative bodies to support messaging
 - Responsible asset owner and employer, working with the Pensions Committee to develop investment governance and stewardship reporting
 - Place of opportunity and people development, champion helping to promote the region at national/industry events
 - Active participation in Fund events and issues through engagement in training and development
 - Taking informed action with own representative bodies to support the work of the Fund
 - Instilling confidence through transparency ensuring accountability in the Fund's actions and its reporting

10.0 Financial Implications

- 10.1 As outlined in the report.

11.0 Legal implications

- 11.1 The Fund is required to have a Local Pensions Board as set out in the Public Service Pensions Act 2013 which also required the Fund to produce an annual report on the work of the Board.

12.0 Equalities implications

12.1 There are no direct equalities implications.

13.0 All other implications

13.1 There are no other direct implications to consider.

14.0 Schedule of background papers

14.1 Scheme Advisory Board, Good Governance Report (Phase 3)

https://lgpsboard.org/images/Other/Good_Governance_Final_Report_February_2021.pdf

14.2 Scheme Advisory Board, Annual Report 2020

<https://lgpsboard.org/index.php/schemedata/scheme-annual-report>

14.3 Scheme Advisory Board meeting papers are available on their website.

www.lgpsboard.org.uk

14.4 tPR Single Code of Practice (full draft)

<https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/full-draft-new-code-of-practice.ashx>

15.0 Schedule of appendices

15.1 Appendix A: Local Pensions Board Training Hours

SUMMARY OF PENSION BOARD TRAINING HOURS 2020-2021*				
MEMBERS	SEAT	START DATE	TARGET	TOTAL
Sharon Champion	Member	01/04/2015	22.00	22.75
Jacqueline Carman	Employer	01/04/2018	22.00	9.00
Stan Ruddock	Member	01/01/2020	22.00	30.00
Cllr Jasbir Jaspal	Employer	02/07/2019	22.00	21.50
Mark Smith	Employer	01/01/2021	11.00	18.00
Paul Johnson	Employer	01/04/2017	22.00	24.00
Ian Martin	Employer	01/06/2019	22.00	15.00
Joe McCormick	Employer	01/04/2015	22.00	36.50
Adrian Turner	Member	01/04/2015	22.00	35.50
TOTAL			187.00	212.25

**membership at 30/04/2021*

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 23 June 2021
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Report title	Internal Audit Plan Annual Report 2020 – 2021	
Originating service	Pensions Services	
Accountable employee	Amanda MacDonald	Client Lead Auditor
	Tel	01902 55 0411
	Email	Amanda.macdonald@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 55 1715
	Email	Rachel.brothwood@wolverhampton.gov.uk

Recommendation for noting:

The Pensions Committee is asked to note:

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

1.0 Purpose

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

2.0 Background

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

3.0 Internal Audit Annual Report 2020 – 2021

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

4.0 Financial implications

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

5.0 Legal implications

- 5.1 This report contains no direct legal implications.

6.0 Equalities implications

- 6.1 This report contains no equalities implications.

7.0 Environmental implications

- 7.1 This report contains no environmental implications.

8.0 All other implications

- 8.1 This report contains no other implications to consider.

10.0 Schedule of background papers

- 10.1 None.

11.0 Schedule of appendices

11.1 Appendix A – Annual Audit Report 2020 - 2021

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An aerial photograph of a city, likely Birmingham, showing a dense urban landscape with various buildings, parking lots, and green spaces. A semi-transparent text box is overlaid on the upper portion of the image.

West Midlands Pension Fund

Internal Audit Annual Report 2020-2021

1. *Introduction*

Our internal audit work for the period from 1 April 2020 to 31 March 2021 was carried out in accordance with the approved Internal Audit Plan. The plan was constructed in such a way as to allow us to make a statement on the adequacy and effectiveness of the Fund's governance, risk management and control processes. In this way our annual report provides one element of evidence that helps to confirm the control environment of the Fund. This is only one aspect of the assurances available to the Fund as to the adequacy of governance, risk management and control processes. Other sources of assurance on which the Fund may rely, include:

- The work of the External Auditors (Grant Thornton)
- The result of any quality accreditation
- Other pieces of consultancy or third- party work designed to alert the Fund to areas of improvement
- Other external review agencies
- Internal compliance

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

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

Internal audit activity is organisationally independent and further details behind the framework within which internal audit operates, can be found in the internal audit charter.

Executive Summary

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

- All audits undertaken for the year ended 31 March 2021.
- Any follow-up action taken in respect of audits from previous periods.
- Any key recommendations not accepted by management and the consequent risks.
- Any limitations which may have been placed on the scope of internal audit.
- The Fund's Strategic Risk Register.

Internal Audit Opinion

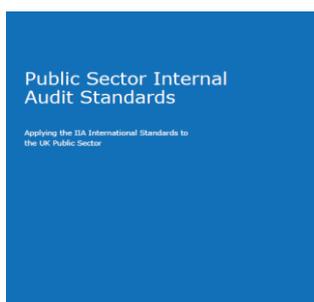
We have conducted our audits in accordance with the Public Sector Internal Audit Standards. Within the context of the parameters set out above, our opinion is as follows:

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

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

- We have had unfettered access to all records and employees during 2020-2021.
- The need for management to plan appropriate and timely action to implement our and other assurance providers' recommendations.
- Key areas of significance identified as a result of our audit work performed in the year.

Compliance with the Public Sector Internal Audit Standards



The internal audit service follows the Public Sector Internal Audit Standards, and the Code of Ethics that form part of the standards, as laid out in the internal audit charter approved by the City of Wolverhampton Council's Audit and Risk Committee.

Summary of work completed

A detailed written report and action plan is prepared and issued for every review where appropriate. We discuss the report with managers and agree recommendations and target implementation dates.

Further, an audit opinion is provided for each report issued, this sets out our overall opinion regarding the control environment for the area audited. Three opinions are provided:

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

2. Summary of work undertaken

Planned audit reviews

The following audit reviews were completed during the 2020-2021 financial year.

Audits Completed	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
Cyber security	High	-	3	6	9	9	Satisfactory
Risk management - governance	High	-	-	5	5	5	Satisfactory
Risk management - investments	High	-	-	4	4	4	Satisfactory
GDPR	High	-	-	7	7	7	Satisfactory
GMP	High	-	-	3	3	3	Substantial
Transfers Out	High	-	-	3	3	3	Substantial

Cyber Security

We reviewed the Fund's procedures to ensure compliance with the Pension Regulator's new single code of practice. A framework of controls governing cyber security was found to be in place. Main systems operate on a network provided by CWC which is subject to external reviews and accreditation. Advice and expertise was provided through CWC's IT Team, who also perform vulnerability scanning and penetration testing, provide reports and any remedial activities that need to be progressed.

Further, cyber risks are considered as part of risk management. However, we found that the cyber security policy was in draft format and required updating to reflect current arrangements. Further the service level agreement with CWC required review. Assurance regarding the security of external providers systems was not routinely obtained. Also, in accordance with the Pension Regulator's requirements, we recommended the development of a digital cyber map for the Fund's digital footprint which will identify where data travels (internally and externally) and is stored to determine vulnerabilities, the impact of breaches and the value of data to criminals. The establishment of a whole Fund wide incident response plan in liaison with CWC has also been agreed.

Recommendations were also made regarding system logon and permission rights, the development of a planned cyber security training and consideration of any insurance vulnerabilities.

All recommendations were accepted by Fund management and agreed implementation dates provided.

Risk Management – Governance

The Fund recently revised its approach to risk management and our review focused upon new procedures which were developed in order to ascertain compliance with CIPFA's publication *Managing Risk in Local Government Pension Scheme*. During the course of our work we confirmed that the operational approach was consistent with the publication, and risk management information was presented to Trustees. This included new risks, changes to risks and horizon scanning for potential new risks. The risk identification process used a range of sources to inform the risk process and was found to be well integrated into business activity.

However, we found that not all supporting documents and procedures had yet been developed. Overall, it was difficult to identify a "clear thread" regarding Risk Management across Fund documents. A risk management policy setting out the approach to risk across the Fund had yet to be prepared. Further, there was an absence of a framework document for non-investment activities to support the policy. All recommendations have been accepted by management.

Risk Management - Investments

The Fund has developed an Investment Risk and Assurance Framework, which identified the investment governance structure and how the Fund manage and monitor investment risks. This audit assessed the framework against key areas identified in CIPFA's publication *Managing Risk in the Local Government Pension Scheme*. We found a high level of knowledge demonstrated by staff regarding investment risks and appropriate risks were included in the Investment Strategy Statement.

However, the guidance had not been fully integrated into the framework, it was therefore difficult to evidence and assess the Fund's overall response to investment risks as stated in the CIPFA publication. Recommendations have been made and agreed to ensure the measures required by CIPFA are documented.

GDPR (General Data Protection Regulation)

This review sought assurance that the GDPR Requirements had been fully embedded within Fund procedures, including the effectiveness of the data champion role. From our review, we noted that the Fund had robust processes in place and had continued to make improvements around data protection and employees' understanding of the area.

Some enhancements were recommended, in particular, the Fund should complete all of the relevant Information Commissioner Office checklists, to assess overall compliance with all data protection regulations.

GMP (Guaranteed Minimum Pension)

We reviewed the procedures adopted for stage two of the process, ensuring a robust reconciliation and associated investigation of discrepancies was applied between members' records held on internal systems and the data provided by HMRC. We found appropriate evidence to confirm good practice in the management of the process.

This included the identification of external resources to assist in the delivery of the Stage 2 Reconciliation. Regular progress reports were received from the external provider and the contracted service was delivered at the cost agreed. Further, controls were evidenced to ensure

that the external provider did not make incorrect decisions on behalf of the Fund. Also, the Fund received case samples to check and approve where a reconciliation proposal was made by the provider.

Three minor administrative recommendations were agreed with management to further enhance procedures.

Transfers Out

Our review found that procedures for dealing with Transfer Out requests were being dealt with in accordance with the Voluntary Code for Combatting Pension Fraud produced by the Pensions Scam Industry Group. Processes and procedures in place met best practice advice. Training and awareness were taken very seriously and were updated to take account of the common warning signs of a potential scam. Regular checks were made on the Financial Services Register (FCA) and The Pension Regulators' (TPR) website for warning signs of a scam. There was also guidance and warning information on the Fund website. Further, the Transfer Out election member letter had been updated to include the additional risks since Covid-19. We identified some minor issues and made appropriate recommendations to further enhance risk control and operational efficiency.

Follow up of previous recommendations

We also continue to monitor the implementation of previous key recommendations, and an annual review of agreed key actions from reviews is undertaken and reported to management. From our review, we have updated two recommendations where issues have not yet been addressed. It is acknowledged that management were aware of these issues but, due to the unprecedented year resulting from the Covid-19 pandemic and the additional work this caused the issues that remain outstanding were as follows:

- Accounts Receivable – an updated debt policy was required which should also provide an approach for dealing with older debts.
- Treasury Management – a policy to support the management of treasury management activity was also required.

Progress on the implementation of these recommendations will be reviewed as part of ongoing internal audit work.

LGPSC Assurance Work

LGPSC (Local Government Pension Scheme Central) is the company owned by WMPF and partner funds, to manage the pooled assets of the eight midlands Local Government Pensions Schemes. As a member of the Internal Audit Working Group, the following work has also been completed during the year.

Work Completed	Details
LGPSC Ltd Internal Controls Progress Report.	A review of LGPSC Ltd self-assessment of the design, implementation and operating effectiveness of controls within the company.
AAF review (Audit and assurance faculty)	Review of the company interim AAF 01/06 report produced by independent external auditors. This did not identify any significant issues.
Review of the LGPS Governance Report	We reviewed the report produced by Shropshire County Council which assessed the governance arrangements for the pool. A "Good" level of assurance was provided.
Internal Audit Working Group	Continued membership and participation in the partner fund internal audit working group.

*On-going assurance work**Counter Fraud Activities*

We continue to act as the Fund's key contact for the National Fraud Initiative along with providing details of initiatives put in place, in order to both raise awareness of, and tackle fraud. Fund data was submitted to the NFI in October 2020 and results returned in January 2021, we are currently working with the Fund to investigate the results and ensure appropriate action is taken.

Consultancy and advice work

In addition to the planned audits completed in the year, we have also been involved in consultancy and advice projects, and as part of our ongoing support to the Fund, we completed 23 credit checks using Credit Safe LTD to review individual organisations financial stability when seeking admission to the Fund.

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 23 June 2021
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Report title	Budget Monitoring 2020/2021 and Quarterly Accounts 31 March 2021	
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

Recommendations for noting:

The Pensions Committee is asked to note:

1. The quarterly accounts for the period ending 31 March 2021 which estimate the value of West Midlands Pension Fund at this date to be £18.9 billion, an increase of £3.6 billion (23%) since 31 March 2021.
2. The Fund out-turn for 2020/21 against the operating budget for the year, noting the underspend in Fund management costs and increased disclosure of investment management costs over the year.

1.0 Purpose

- 1.1 The purpose of this report is to update Pensions Committee on the out-turn for the year against operating budgets as at the end of March 2021.
- 1.2 The operating budget for the year to 31 March 2021 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 financial year 2020/2021:

2.2

	Budget 2019/20	Budget 2020/21	Out-turn 2020/21	Variance Out-turn
	£000	£000	£000	£000
Employees	7,358	9,066	6,935	(2,131)
Premises	302	300	295	(5)
Transport	37	38	15	(23)
Other Supplies and Services	430	437	382	(55)
Service Development	949	1,027	340	(687)
Professional Fees	1,484	1,552	1,396	(156)
Communications and Computing	585	613	549	(64)
Support Services	634	723	686	(37)
Miscellaneous Income	(584)	(595)	(438)	157
Net Expenditure	11,195	13,161	10,160	(3,001)
External Investment Management Costs	73,836	77,970	95,397	17,427
LGPS Central Charges	4,669	4,949	4,693	(257)
Total External Investment Costs	78,505	82,919	100,090	17,171
Total	89,700	96,080	110,250	14,170

*There may be slight differences due to rounding.

- 2.3 Budget monitoring reports to Committee during the past year already anticipated an underspend on staffing due to challenges posed to recruitment by the Covid-19 pandemic. Recruitment activity restarted to some degree from quarter three onwards and continues into 2021 however, a number of roles envisaged at the outset of the 2020/21 budgeting process together with posts which have become available due to natural turnover, were not/will not be filled until after the end of the current budget year.

These delays in recruiting to vacant posts contributed to an overall underspend on employees of £2.1m. Included in this underspend is £0.6m across all budgeted posts on employer's pension contributions arising due to a reduction in the actual rate paid during the year, with the rate finalised as part of the 2019 Actuarial Valuation, after the WMPF budget for 2020/21 had already been set. The employee underspend in turn reduced associated computing and ICT support costs from the numbers originally budgeted for in March 2020.

- 2.4 Resulting from the pandemic and associated lockdown restrictions, the Fund has underspends on transport, training and conference activities in comparison to the levels originally budgeted for. These are reflected in the "transport" and "other supplies and services" summary budget lines. For the same reasons service development is underspent by £0.6m as delivery of a number of projects and initiatives has had to be carried forward to 2021/2022, most notably, allowance for further phases of the Digital Transformation Project to enhance functionality of the Fund's administration systems, work in developing the Fund's website, improving and expanding the Fund's data management capabilities and review of the investment recording and reporting systems. Professional fees were lower than budget with savings on actuarial fees, legal fees and covenant work from reduction in activity for part of the year and efficiency savings arising from the 2019/2020 merger with the WMITA Fund.
- 2.5 Reported external investment management costs as shown in 2.2 above and disclosed in the Fund's 2020/2021 draft Statement of Accounts are £100.1m which is above the estimate at the start of year based on prior year cost data collection. Part of the increase is a consequence of the gains in the value of the Fund's invested assets over the year as investment fees calculated by reference to the valuation of assets under management will be higher as this value grows. However, the most significant driver of change is the increased disclosure and reporting of investment management costs deducted at source by the Fund's investment managers. These include reported costs of transitions and transactions undertaken by both the Fund (on transfer between investment mandates) and by investment managers (on transactions within investment mandates) during the year.
- 2.6 Further commentary on the analysis and reporting on investment management costs during the year is included with the paper to the Committee on the Statement of Accounts.
- 2.7 It should be noted that actual investment management costs are heavily influenced by market movements and investment performance and are therefore expected to fluctuate during the year and between years. Portfolio changes during the year and asset allocation or strategic changes will also impact the development of costs over time..
- 2.8 LGPS Central Limited management costs have come in slightly lower (£257k) than budgeted due to similar COVID-19 impacts slowing down expenditure on employees during 2020/21 together with some savings realised by the Company on implementation of new risk and client reporting systems.

2.9 The majority of investment management costs and fees are deducted at source by fund managers. Total investment management costs of £100.8m can be broken down as follows:

	Actual 2019/20 £'000	Budget 2020/21 £'000	Actual 2020/21 £'000
External Costs:			
- Invoiced	10,476	9,678	14,827
- Deducted at Source	67,180	68,292	80,570
- LGPS Central	4,022	4,949	4,693
Total External Investment Management Costs	81,678	82,919	100,090
Internal Investment Management Costs	860	1,261	760
Total Investment Management Costs	82,538	84,180	100,850

2.10 Investment costs 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.

2.11 Cost-per-member is used as a measure of pension schemes' cost-effectiveness but does not necessarily 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. The out-turn represents a decrease on budget from £34.91 per member to £28.05 with disclosed investment management costs relative to assets under management emerging at 0.54% in line with 2019/2020 as a result of the growth in asset valuation offsetting the impact of increased cost disclosure within this measure.

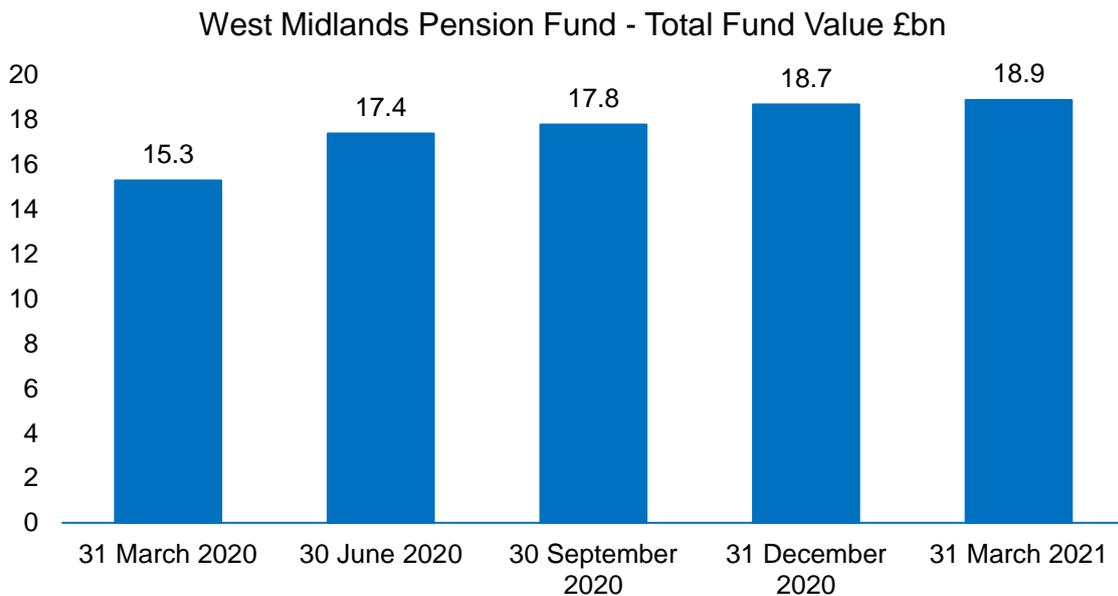
	2019/20 Actual	2020/21 Budget		2020/21 Actual
Total Administration Costs (£000)	6,067	7,710		6,268
Administration Cost per Member (£)	18.17	22.62		18.70
Total Oversight and Governance Costs (£000)	2,869	4,190		3,133
Oversight and Governance Cost per Member (£)	8.59	12.29		9.35
Number of Members	333,934	340,903		335,101
Total Administration, Oversight and Governance cost per Member (£)	26.76	34.91		28.05
Total Investment Management Costs (£000)		82,538	84,180	100,850
Investment Management Cost per Member (£)		247.17	246.93	300.95
Investment Management Costs as a Percentage of Forecast Net Assets		0.54%	0.50%	0.54%

2.12 The Fund, like all public-sector bodies, remains cost-conscious and keeps its operating costs and procedures under constant review.

3.0 Quarterly Accounts – West Midlands Pension Fund

3.1 Appendix A provides a Fund Account for the final quarter ending 31 March 2021 together with a Net Assets Statement as at that date.

3.2 The Net Assets Statement estimates a value for the Fund at 31 March 2021 of £18.9 billion. This is an increase of £3.6 billion (23%) from the 31 March 2020 value shown in last year's accounts.



There are two main reasons for this increase.

- Investment markets experienced sharp falls in the last few weeks of the prior financial year due to the impact of the COVID-19 pandemic and lockdown of economies around the world and the valuation of the Fund's investments was therefore, some £1.4bn lower than had originally been forecast for end of March 2020. Global investment markets have since made significant recoveries over 2020/2021 pushing valuations back up to and beyond pre-COVID levels.
- Following the actuarial valuation as at 31 March 2019, some employers chose to pay their full 2020/2021 – 2022/2023 future service and past service deficit contributions as a lump sum before the end of April 2020 and these payments were accounted for in full in the first quarter of this year.

3.3 The Fund's 2020/2021 Statement of Accounts is currently subject to external audit review and initial commentary is included as another report at this Committee.

4.0 Financial implications

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

5.0 Legal implications

5.1 This report contains no direct legal implications.

6.0 Equalities implications

6.1 This report has no direct equalities implications.

7.0 All other implications

7.1 This report has no other direct implications.

8.0 Schedule of background papers

8.1 Budget Monitoring 2020/2021 and Quarterly Accounts to 31 December 2020, Report to Pensions Committee, 24 March 2021

9.0 Schedule of appendices

9.1 Appendix A: West Midlands Pension Fund Quarterly Accounts to 31 March 2021

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WEST MIDLANDS PENSION FUND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021

Fund Account

2019/20		2020/21
£m		£m
	Contributions & Benefits	
353.2	Contributions Receivable	1,182.7
31.2	Transfers In	22.3
14.3	Other Income	13.9
398.7	Total contributions and other income	1,218.9
(637.8)	Benefits Payable	(646.8)
(40.0)	Payments To and On Account of Leavers	(31.0)
(0.9)	Other Payments	(0.4)
(678.7)	Total benefits and other expenditure	(678.2)
(280.0)	Net additions/(withdrawals) from dealings with members	540.7
(91.5)	Management expenses	(110.2)
491.7	Transfer in of WMITA Fund at market value	-
	Returns on Investments	
178.2	Investment Income	84.8
(745.1)	Changes in Value of Investments	3,123.8
20.7	Revaluation of bulk annuity insurance buy-in contract	(14.1)
(546.2)	Net return on investments	3,194.5
(426.0)	Net (decrease)/increase in the Fund during the year	3,625.0
15,714.1	Net Assets of the Fund at the beginning of the year	15,288.1
15,288.1	Net Assets of the Fund at the end of the year	18,913.1

WEST MIDLANDS PENSION FUND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021

Net Assets Statement

31 March 2020		31 March 2021
£m		£m
	Investment Assets (at Market Value)	
494.0	Bonds	508.4
28.9	UK Equities	27.0
1,408.8	Overseas Equities	2,567.5
10,869.9	Pooled Investment Vehicles	13,640.8
965.1	Property (Direct)	1,014.0
11.7	Derivatives - Futures	-
-	Derivatives - Forward Foreign Exchange	3.1
582.5	Foreign Currency Holdings	399.6
569.6	Cash Deposits	498.2
75.8	Other Investment Assets	19.2
7.0	Outstanding Dividend Entitlement and Recoverable With-Holding Tax	7.5
15,013.3	Investment Assets	18,685.3
	Investment Liabilities (at Market Value)	
-	Derivatives - Futures	(2.3)
(76.8)	Derivatives - Forward Foreign Exchange	-
(76.8)	Investment Liabilities	(2.3)
14,936.5	Net Investment Assets	18,683.0
229.4	Bulk annuity insurance buy-in policy	200.0
14.5	Long-term Debtors	10.2
132.4	Current Assets	40.4
(24.7)	Current Liabilities	(20.5)
15,288.1	Net Assets of the Fund at the end of the year	18,913.1

CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 23 June 2021
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Report title	Quarterly Investment Report to 31 March 2021	
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 Pensions Committee is asked to note:

1. The global market and investment update paper prepared by the Fund's Investment Consultant, Redington (appendix A).
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 previous ISS and SIAB policy targets. These were refreshed as part of the 2020 ISS review and later re-confirmed in the interim 2021 review, approved by the Pensions Committee in March 2021. Implementation of the 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 31 March 2021, the West Midlands Pension Fund's market value was £18.7 billion (incl. WMTL and PB ABSF). Investment markets generally rose in the quarter continuing the strong recovery from lows seen in March 2020.
- 3.2 The Main Fund increased by 1.7% over the quarter matching the return of its benchmark. The Fund's growth assets (largely equities) delivered strong positive returns in the quarter and for the 12 month period to end March 2021. Income and stabilising assets performed less well. 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 are ahead of the benchmark return 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. For both ABSF Multi-Asset Credit contributed positively to deliver excess return over the quarter and year.

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 31 March 2021, 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:

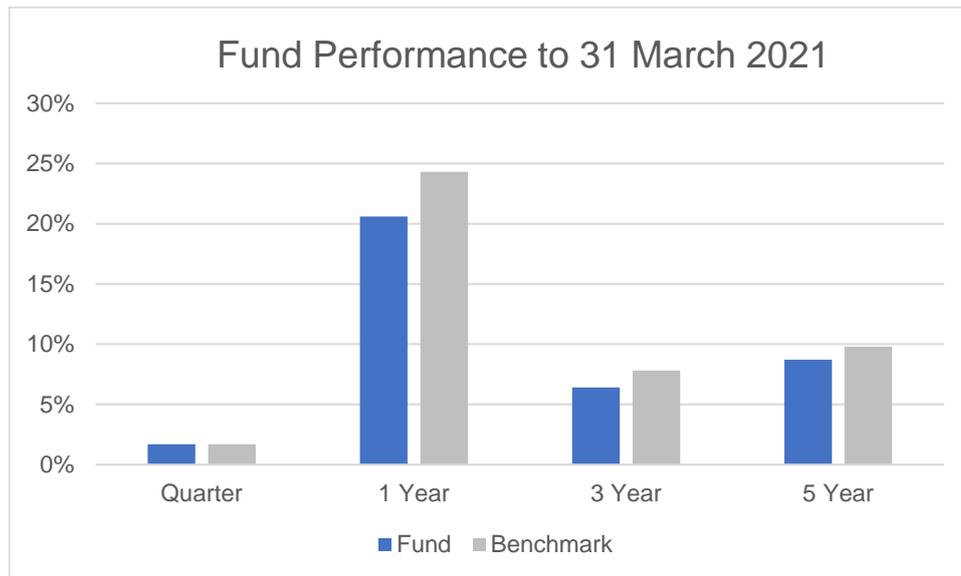
Asset Class Returns (£)	3 months (%)	12 months (%)
US Equity (S&P 500)	5.2%	40.5%
UK Equity (FTSE All Share)	5.2%	26.7%
Emerging Market Equity	1.3%	42.3%
UK Gilts (All Maturities)	-7.4%	-5.6%
Corporate Bonds	-4.1%	7.0%
Global High Yield Bonds	-1.0%	12.9%

4.3 Equities advanced further in Q1 2021 capping a very strong rebound for the 12-month period. Cyclical and lowly-valued parts of the market fared well. Emerging Markets lagged developed markets. Government bond yields rose and Corporate Bonds outperformed Government Bonds. 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 Including the currency hedge the Main Fund delivered a return of 1.7% over the quarter matching the benchmark return. The Fund's relative return remains negative over 1, 3 and 5 years.



- 5.2 The Fund trailed its benchmark significantly over the 12 months to 31/03/2021. Private Equity, Infrastructure and holding excess cash were the main causes. Relative returns are also negative over 3 and 5 years. Strong performance from Active Equity and Direct Property portfolio are the main positives. The currency hedge added to absolute returns (as Sterling strengthened) but Fund relative return worsens vs benchmark when the hedge is considered (the Fund was underhedged vs the ratio assumed benchmark).
- 5.3 Over 3 years the main detractors remain Private Equity, Infrastructure and Insurance Linked Securities.
- 5.4 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 revised Investment Strategy Statement will be adopted as new strategies are implemented and meaningful allocation changes are made. New target weights are shown for reference.
- 5.5 The Fund remained overweight in stabilising assets versus previous policy targets, as a result of the higher than allocations to sovereign debt. This position is being deliberately maintained whilst the Fund holds excess Growth assets versus new targets being adopted.

	Value (£m)	Allocation (%)	Current Benchmark (%)	New Target (%)
Quoted equities	9,900,382,079.06	53.9%	48%	42.0%
Private Equity	1,375,520,896.38	7.5%	10%	6.0%
Opportunistic	304,745,372.48	1.7%	5%	2.0%
Total growth	11,580,648,347.92	63.1%	63%	50.0%
UK Gilts	429,611,851.78	2.3%	2%	2.0%
Index Linked bonds	1,247,946,545.81	6.8%	5%	4.0%
Cash	524,890,713.98	2.9%	2%	2.0%
Corporate bonds	1,163,994,590.65	6.3%	5%	6.0%
Total Stabilising	3,366,443,702.22	18.3%	14%	14.0%
Multi-Asset Credit	392,204,225.30	2.1%	4%	6.5%
Private Debt	65,837,774.15	0.4%	0%	7.0%
Emerging Market Debt	750,128,613.62	4.1%	4%	4.5%
Property	1,377,101,350.92	7.5%	10%	9.0%
Infrastructure	819,688,000.51	4.5%	6%	9.0%
Total Income	3,404,959,964.50	18.6%	23%	36.0%
TOTAL	18,352,052,014.64	100%		

5.6 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 (private debt) in particular, with cash holdings expected to be deployed over the coming quarters.

6.0 West Midlands Pension Fund

Detailed Performance Commentary

Growth Assets

6.1 The total Combined Equity Fund delivered strong absolute performance during the quarter and for the 12 months to 31 March 2021.

6.2 The Main Fund’s passive equity assets are now almost exclusively managed by the investment pool company, LGPS Central Ltd (LGPSC) with a large proportion of these assets held in an LGPSC Global Equity passive fund. All passive funds performed broadly in line with the respective benchmarks during the quarter but with significant divergence between region and strategy as shown below.

	Q1 2021	Full Year 2020
LGPSC UK (FTSE All Share)	5.0%	26.4%
LGPSC Global ex UK	3.0%	38.0%
LGPSC Dividend Growth (Blended)	4.2%	28.4%
LGPSC Climate Multi-Factor	3.1%	34.7%

6.3 Over the quarter the Fund’s actively managed global equities comprised the 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 5.8% outperforming by the benchmark and target return by 1.4%. The fund also ended the full year ahead of the benchmark. The LGPSC Global Active Equity Fund is a blended multi-manager portfolio consisting of 3 underlying portfolios.

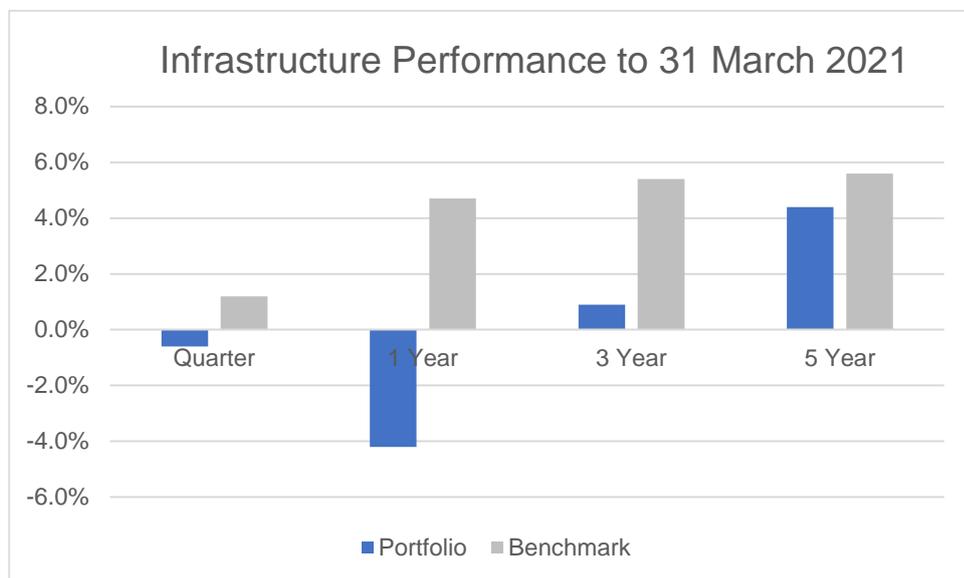
6.5 Emerging Markets delivered strong returns in Q4 and the Fund’s portfolio outperformed its benchmark. All three managers outperformed during the quarter and over 1 year. A review of these managers is being undertaken prior to effecting the increase in allocation set within the 2020 ISS.

6.6 The Private Equity outperformed during the quarter but significantly underperformed over 1 year. The benchmark used for this asset class comprises listed equities plus an outperformance target. Most Private Equity assets experience at least a 3 month ‘lag’ in being valued. As such, during volatile periods (such as last year) the relative performance (against benchmark) should be interpreted with caution. Over longer time periods the portfolio has met expectations and achieved benchmark level returns. Underperformance from the Private equity portfolio was a significant driver for underperformance for the entire Fund. For illustration purposes, the portfolio is shown below against the assigned benchmark (global equities +1% outperformance target) and the same index with a lag (i.e. to December 2020).

	Quarter	1 Year	3 year	5 Year
Private Equity Portfolio	14.0%	20.2%	12.8%	12.6%
FTSE All World +1%	4.1%	40.6%	14.2%	16.1%
FTSE All World (to Dec'20)	8.5%	13.0%	10.1%	14.5%

Income Assets

- 6.7 The Income pool underperformed its respective benchmark over the quarter. The aggregate property portfolio had a very mixed 12 months and continues to outperform on a longer-term basis. The Direct portfolio performed particularly well (significantly ahead of IPD/MSCI indices) due to resilient performance from sectors such as industrial, supermarkets and offices. As previously highlighted, valuation uncertainty persists, and future rental levels remain unclear. The Indirect portfolio performance was weaker.
- 6.8 The infrastructure portfolio delivered a negative return over the course of the year. The portfolio has significantly underperformed its target return (CPI +4%) over 3 years but has done better on a longer-term basis. The Fund's UK assets have struggled during the pandemic, and the US portfolio has also fared poorly.



- 6.9 The Fund's Fixed Interest holdings performed well over the year. Both Emerging Market Debt holdings are ahead of benchmark (the LGPS Central fund making a strong start since launch). The Fund's Multi Asset Credit investment had a good twelve months (despite underperforming at the onset of the pandemic) as high duration assets such as sovereign and investment grade bonds underperformed high yield. The Fund remains tilted to floating-rate assets. The Fund's Corporate Bond allocations delivered negative returns over the final quarter but outperformed their benchmarks. Longer-term performance remains strong.

Fixed Income Performance highlights

	Quarter		1 Year		3 Year		5 Year	
	Return	Relative	Return	Relative	Return	Relative	Return	Relative
Corporate Bonds	-3.7%	0.4%	8.9%	1.9%	5.8%	4.0%	6.2%	4.5%
Multi Asset Credit	2.1%	0.1%	25.0%	2.2%				
Emerging Market Debt	-6.3%	0.2%	6.1%	3.2%	3.4%	1.2%		

Stabilising Assets

- 6.10 Stabilising Fixed Income: The stabilising portfolio comprises the Fund's exposure to government bonds and index linked securities, high-grade corporate bonds and cash. The stabilising component of the fixed interest portfolio delivered negative returns for the quarter as yields on sovereign debt rose (meaning prices fell). This performance should be expected when risky assets such as equities deliver such strong returns.
- 6.11 Over the 1 and 3 year timeframes the stabilising portfolio has outperformed its benchmark.

Currency

- 6.12 The Fund changed its hedge ratios from 50% EUR and 25% USD to 25% EUR effective 16 September 2020. The hedge has had a positive impact on performance over the course of the last 12 months. It has however, had a larger impact on the performance of the benchmark (which reflect higher hedge ratios for these currency pairs) impacting relative returns (i.e. versus benchmark). The hedge overlay is primarily a risk reduction tool.

7.0 Admitted Body Sub Funds (ABSFs)

7.1 The current allocation for the two ABSFs is shown below.
WMTL asset allocation (excluding buy-in policy):

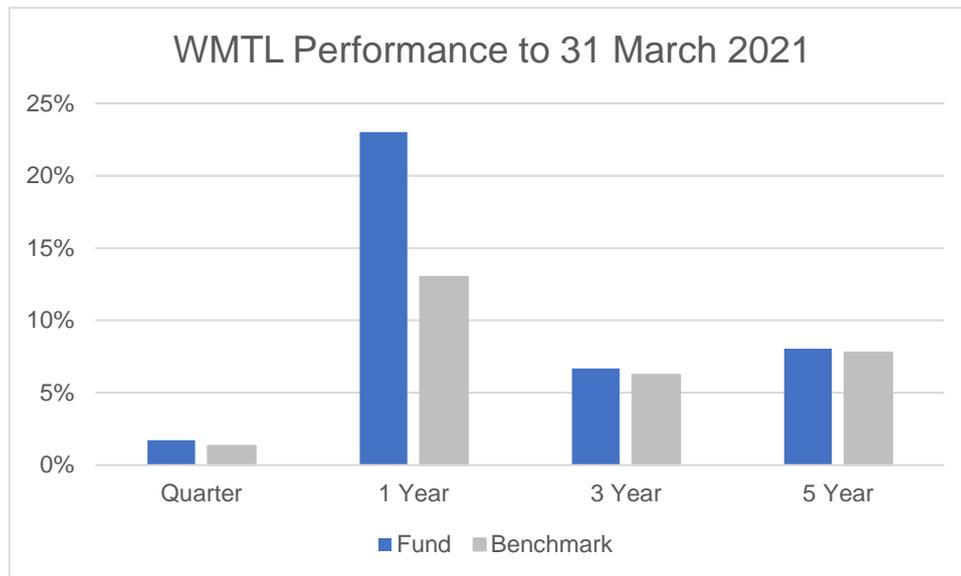
	Value (£m)	Allocation (%)
Equities	85,828	30%
Diversified Growth Funds	107,146	38%
Total Growth	192,974	68%
Corporate Bonds	10,135	4%
Multi Asset Credit	51,038	18%
LDI/Index Linked Bonds	27,015	10%
Cash	2,352	1%
Total Defensive	90,540	32%
TOTAL	283,574	100%

WMPB asset allocation:

	Value (£m)	Allocation (%)
Equities	3,429	18%
Total Growth	3,429	18%
Corporate Bonds	5,454	28%
Multi Asset Credit	5,586	29%
LDI/Index Linked Bonds	5,054	26%
Cash	<1	0%
Total Defensive	16,094	82%
TOTAL	19,534	100%

WMTL Performance

- 7.2 The Fund outperformed for the quarter and also significantly for 1 year. The Fund is also now marginally ahead of its benchmark for 3 years. Relative performance is driven by the Multi-Asset Credit and Diversified Growth Fund holdings which outperformed 'base rate plus' target performance.



Fixed Income

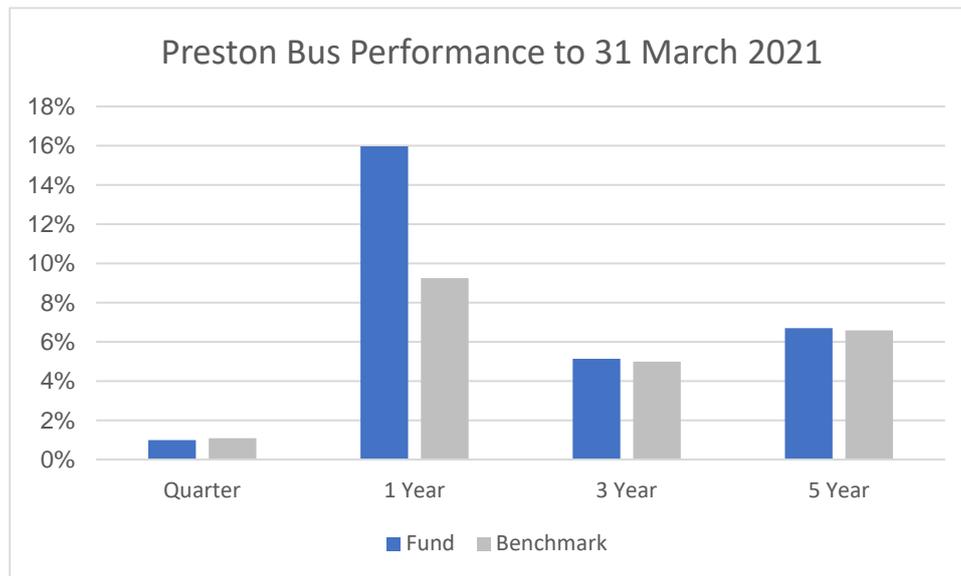
- 7.3 Alongside the Multi-Asset Credit holding in the bond portfolio, there are passive Index Linked Gilts and actively managed Corporate Bonds. The Corporate Bond mandate is performing well, ahead of benchmark over the 1-year period.
- 7.4 Multi-Asset Credit was introduced in Q3 2018. The fund continued its recovery in Q1 2021 and ended the year with a very strong return (but behind its benchmark).

Diversified Growth Funds

- 7.5 Both Diversified Growth Fund holdings delivered positive absolute and relative performance for the quarter and 1 year performance is now ahead of target. In both cases, equities were the largest contributor to quarterly gains. More defensive holdings held back performance for both funds.

WM PB Performance Summary

7.6 WM PB performance is summarised below. The Fund very slightly underperformed for the latest quarter but significantly outperformed for 1 year. Relative performance for PB is almost entirely driven by the Multi-Asset Credit allocation, for the same reasons as those described above (for WMTL).



7.7 PB's 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. In Q4 2020 assets were transitioned to the LGPSC Emerging Market Debt fund (at its launch).

8.2 Work has taken place alongside input from the Fund and other Partner Funds to establish a Multi-Asset Credit (MAC) sub-fund launched in April 2021. In addition, the Fund has been working with a number of Partner Funds and LGPSC to develop a Private Debt offering.

9.0 Financial implications

9.1 The financial implications are set out throughout the report.

10.0 Legal implications

10.1 This report contains no direct legal implications.

11.0 Equalities implications

11.1 This report contains no direct equal opportunities implications.

12.0 All other implications

12.1 This report contains no other direct implications.

13.0 Schedule of background papers

13.1 Investment Strategy Statement -

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

13.2 Funding Strategy Statement -

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

14.0 Schedule of appendices

14.1 Appendix A – Redington Economic and Market Update Q1 2021

YOUR MARKET AND INVESTMENT UPDATE

Q1 2021

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West Midlands Pension Fund

REDINGTON



West Midlands Pension Fund

Private and Confidential



WHAT HAPPENED DURING THE QUARTER



Philip Rose
(CIO, Strategy
& Risk)

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Market Summary

Q1 2021 saw the combination of continued fiscal stimulus and the hope of an end to the pandemic further reverse some of the market moves seen in the first three quarters of 2020. The combination of fiscal and monetary policy (at least in the US) looks to make up for the fall in growth due to the pandemic and potentially some of that from the 2008 financial crisis.

Whether the US will succeed in stimulating growth and/or inflation where Japan has failed remains to be seen with pandemic-related “bounce-back” effects likely to be the main driver of economic statistics over the next few quarters. The lack of such aggressive policy intervention in the UK and the rest of Europe may lead to a divergence in both economic and market performance with the US.

Key Points for You

- Expected return increased from Gilts + 3.3% at 31 December 2020 to Gilts + 3.5% at 31 March 2021. This was largely driven by an increase in equities and a reduction in cash as a percentage of total assets, and an increase in the expected return on equity assets.
- Asset-side risk, as measured by VaR 95%, increased from 15.4% at 31 December 2020 to 16.4% at 31 March 2021. This was driven by a higher allocation to equities, with equity risk being the main driver of overall risk, and a reduced allocation to cash. Asset-side risk at 31 March 2021 has moved higher than the stated risk budget of 16%, however remains within an acceptable range of this target.

Market Data

Equity Index	Level	Change since 31-Dec-20	Change since 31-Mar-20
FTSE 100 (Total Return)	6482	5.0%	21.9%
S&P 500 (Total Return)	8238	6.2%	56.4%
EuroStoxx 50 (Total Return)	1669	10.8%	44.4%
Nikkei 225 (Total Return)	48538	7.0%	56.7%
MSCI World (Total Return)	6350	6.1%	50.7%
MSCI Emerging Markets (Total Return)	774	4.0%	53.0%
FX			
USD vs GBP	1.38	0.8%	11.0%
EUR vs GBP	1.18	5.0%	4.4%
GBP vs JPY	0.7	-7.5%	-12.5%
Credit Spreads			
Sterling Non-Gilt Index	90	-10 bps	-112 bps
Sterling Non-Gilt 15Y+ Index	144	-14 bps	-103 bps
Global Investment Grade	92	-11 bps	-173 bps
US Investment Grade	102	-11 bps	-196 bps
Global High Yield	352	-30 bps	-408 bps
European High Yield	290	-36 bps	-338 bps

Market Data

UK Gilts	Level	Change since 31-Dec-20	Change since 31-Mar-20
10Y	0.94	71 bps	58 bps
30Y	1.41	62 bps	57 bps
UK Nominal Swaps			
10Y	1.07	67 bps	47 bps
30Y	1.25	67 bps	64 bps
Gilt Breakeven Inflation			
10Y	3.62	42 bps	63 bps
30Y	3.38	28 bps	70 bps
UK RPI Swap			
10Y	3.72	31 bps	40 bps
30Y	3.40	29 bps	61 bps
UK Gilt Real Rates			
10Y	-2.68	29 bps	-4 bps
30Y	-1.97	33 bps	-13 bps
US TIPS			
20Y	-0.01	39 bps	-16 bps
30Y	0.20	46 bps	3 bps

VIEWS FROM THE ASSET CLASS SPECIALISTS



		<p>Kate Mijakowska LDI and Overlay</p>	<p>The UK nominal gilt yield curve moved sharply higher over the quarter, following positive news about vaccine rollout and investors' optimism about economic prospects. The largest move occurred at the 10-year point, with the nominal yield up 70bps, which is remarkably high. Inflation expectations also rose significantly, with the 20-year inflation breakeven rate up 30bps over the quarter. Overall, real yields are up considerably (38bps at the 20-year point); we therefore expect most clients to have experienced a reduction in their LDI collateral buffers. Repo spreads remain low relative to history, with all tenors now below SONIA + 10bps.</p> <p>In March, the Chancellor's Budget announcement revealed there will be at least £15bn of green gilt issuance this fiscal year. Also in March, the FCA announced that GBP LIBOR will either cease to be provided or no longer be representative from January 1st, 2022.</p>
		<p>Oliver Wayne Liquid Markets (Equities)</p>	<p>Developed markets delivered a positive return during the first quarter of 2021, supported by the roll-out of COVID-19 vaccines and news of further US fiscal stimulus. Emerging markets registered a moderately lower positive return, with emerging-market vaccine programmes lagging developed markets. China was the worst-performing market following exceptionally strong returns in 2020. Economically sensitive sectors continued to extend their recovery. From a factor perspective, the rotation observed in Q4 2020 broadly persisted in Q1 2021. Value and high volatility outperformed in all regions. Momentum was the worst-performing factor group. From a size perspective, smaller companies continued to outperform 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>The majority of multi-asset and liquid alternative strategies generated positive performance in Q1 as risk-on assets – equities and commodities – rose on continued optimism around an economic recovery. Significant government stimulus drove inflation expectations, positively affecting both asset classes while proving detrimental to government bond pricing. As a consequence, risk parity performance was generally muted but discretionary strategies holding more equity beta generally profited. Trend following benefited over the quarter as long equity and commodities positioning and short bond positioning drove returns. Equity style premia strategies were generally positive, with some dispersion driven by the degree to which managers weight the value factor. Value continued its strong performance as investors reacted to economy reopening news and higher interest rates by rotating into more cyclical names.</p>

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VIEWS FROM THE ASSET CLASS SPECIALISTS

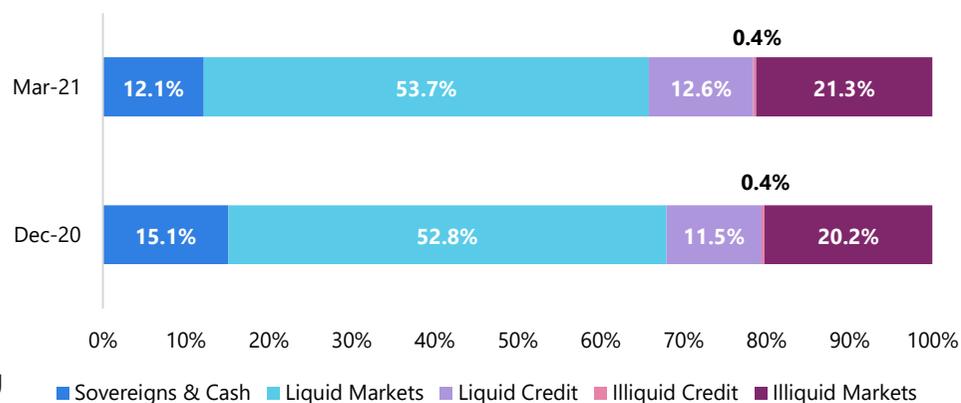


		<p>Chris Bikos Liquid & Semi-Liquid Credit</p>	<p>Government yields rose across major markets, with the 10-year US treasury yield reaching 1.74%. The UK 10-year yield increased by 70 basis points (bps) to 0.91% and in Europe yields rose by 20bps (as measured by 10-year Bund). Yield curves steepened, and credit markets were range-bound as investors considered potential inflation risks on fixed income markets. In the US, high yield returned 0.9% in the first three months, but leveraged loans (which are predominately floating rate) returned 2.0% over the same period. It was a similar picture in Europe, with high yield returning 1.5% and loans 1.7%. Across corporate credit markets, spreads tightened but that was not enough to offset the negative impact from rising rates, leading to negative total returns across maturity buckets (especially at the long end). Structured credit markets traded with a positive tone in Q1 2021, benefiting from their floating-rate nature, tightening spreads and lower defaults. In emerging markets, Turkey was in the news as President Erdogan fired another central bank governor and, whilst Turkish assets underperformed, the contagion to other emerging markets was limited.</p>
		<p>Sarah Miller Illiquid Credit</p>	<p>Private market activity held strong over the first quarter of the year, with c.\$1.3trillion worth of M&A deals announced, the second highest ever to be reported in any quarter. Deal activity across private credit echoed this sentiment with a bias towards sectors less affected by COVID-19. This clear bifurcation in activity between sectors – with fewer deals closed in sectors worst hit by COVID-19 such as travel, leisure and hospitality – continued to be a theme over Q1. Globally, direct lending dry powder continues to increase; as at the end of February 2021 it was reported at c.\$108bn compared to \$82bn and \$107bn at year-end 2019 and 2020 respectively. Special purpose acquisition company (SPAC) IPOs – an alternative route for private corporates to go public – reached new highs in Q1, accounting for 17% of quarterly M&A activity.</p>
		<p>Jaspal Phull Illiquid Markets</p>	<p>Rental collection has picked up significantly over the last two quarters and investor confidence appears to be increasing in line with general business confidence. However, transactional volumes across all of the commercial property sectors remained subdued, driven by the fall in activity across the London office market. This activity is expected to recover as social distancing measures ease. The UK industrial property market remains pressured by the inexorable rise of e-commerce and structural change in retail distribution. Demand for industrial space from tenants is strong, whilst investors are also actively looking to get more exposure. This increase in demand is pushing both rents and pricing higher. Lending markets remain active, but pricing and liquidity has diverged, with sectors out of favour (such as retail and hotels) treated very differently to the rest.</p>

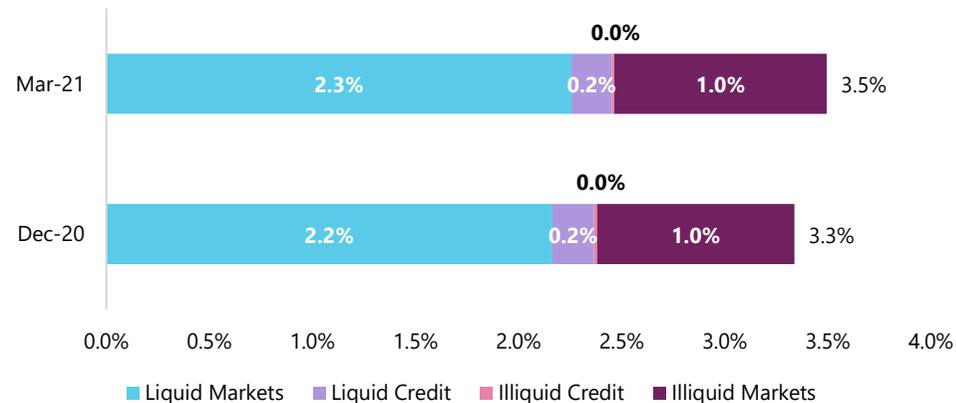
YOUR ASSET ALLOCATION AND EXPOSURE



Asset Allocation Change

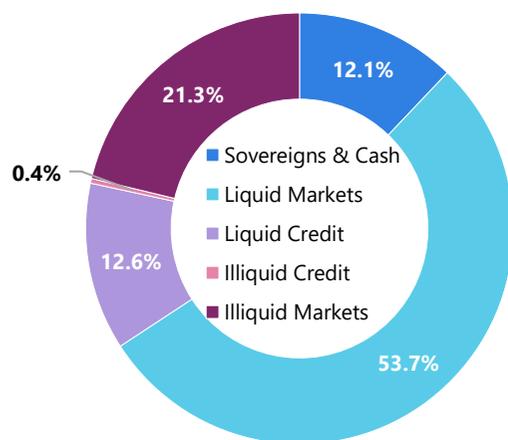


Expected Return Contribution Change (over gilts)



Note, asset class expected returns are in the appendix.

Detailed Asset Allocation



- 3.0% Cash
- 5.2% Index-Linked Gilts
- 1.8% Nominal Gilts
- 0.6% LGIM Overseas Bond Fund
- 1.6% US TIPS
- 5.9% ACS LGPS UK Equity Passive Fund
- 13.8% ACS LGPS Global Ex UK Passive Equity Fund
- 3.0% ACS LGPS Global Equity Dividend Growth Factor Fund
- 10.1% ACS LGPS All World Equity Climate Multi Factor Fund
- 5.8% LGPS Central Global Equity Multi Manager Fund
- 0.3% LGIM UK All Share
- 1.1% Global Active Futures
- 0.6% Equities held with Merrill Lynch
- 0.1% Smaller Equity Positions
- 2.3% Sustainable Equities - Impax
- 2.2% Sustainable Equities - RBC
- 0.6% Sustainable Equities - WHEB
- 2.8% Emerging Markets Equities - AGF
- 3.0% Emerging Markets Equities - BMO
- 2.1% Emerging Markets Equities - Mondrian
- 1.6% Aegon Short Dated Investment Grade Bond Fund
- 3.6% UK Corporate Bonds
- 1.1% LGPS Central Global Active IG Corporate Bond Fund
- 2.1% Multi-Class Credit
- 4.1% Emerging Market Debt Funds
- 0.4% Schroders FOCUS II
- 4.6% Infrastructure
- 7.5% Property
- 1.7% Opportunistic Funds
- 7.5% Private Equity

HELPING YOU UNDERSTAND YOUR RISK

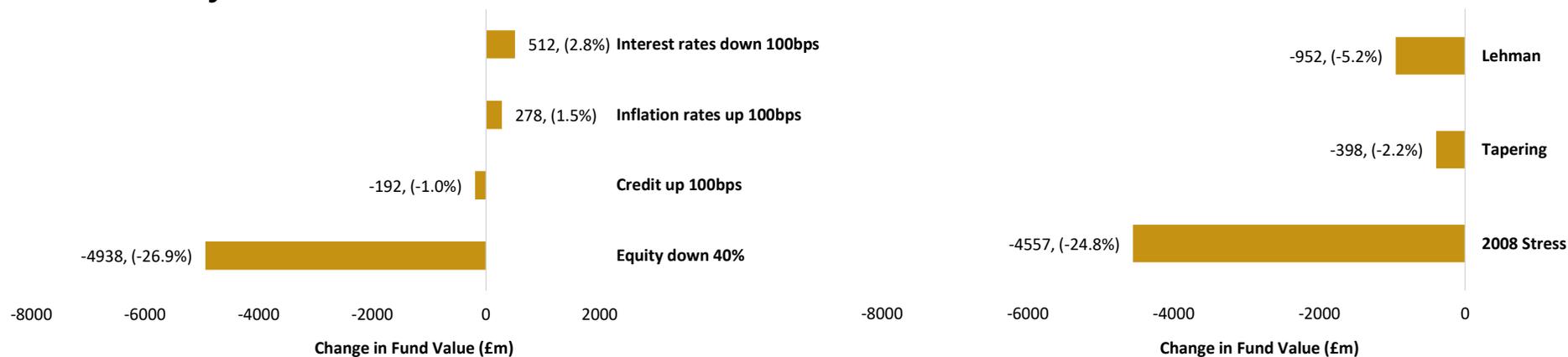


Current Value-at-Risk 95% (Asset Only)



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Scenario Analysis





APPENDICES

REDINGTON'S EXPECTED RETURNS – MARCH 2021



Asset Class	Expected Return (Gilts +)	Volatility	Expected Fees (p.a.)
Equity			
Developed Market Equities	4.0% ↑	17.8% -	0.0%-0.1%
Sustainable Equities	4.3% ↑	16.3% ↑	0.2%-0.4%
Emerging Markets Equities	4.6% ↑	20.9% ↓	0.1%-0.2%
China A Share Equities	5.9% ↑	30.7% ↑	0.3%-0.8%
Liquid Credit			
Corporate Debt GBP – Passive	0.8% -	5.4% ↓	0.1%-0.2%
Corporate Debt GBP – Active	1.1% -	5.5% ↓	0.2%-0.3%
Emerging Market Debt – Corporates	1.9% ↓	5.8% ↓	0.4%-0.6%
Emerging Market Debt – Local Currency Sovereign	2.6% -	13.3% ↓	0.5%-0.8%
Emerging Market Debt – Hard Currency Sovereign	1.7% -	7.9% ↓	0.5%-0.8%
Multi-Class Credit Global	2.2% ↓	6.7% ↑	0.4%-0.7%
Illiquid Credit			
Diversified Matching Illiquids (Uninvested)	2.4% ↑	6.6% -	0.3%-0.5%
Opportunistic Illiquid Credit	3.8% ↓	9.8% ↑	1.0%-1.5% (+ performance fee)
Securitised Opportunities	2.8% ↓	5.6% ↓	0.5%-0.7%
Special Situations	4.4% ↓	15.7% ↑	1.0%-1.5% (+ performance fee)
Illiquid Markets			
Private Equity	5.9% ↑	31.7% ↑	1.0%-1.5% (+ performance fee)
Insurance-Linked Securities	4.4% -	10.0% -	1.0%-1.5%
Renewable Infrastructure (Whole Projects)	3.7% ↓	13.7% ↑	0.5%-0.7% (+ performance fee)

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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.

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 23 June 2021
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Report title	Responsible Investment Activities	
Originating service	Pension Services	
Accountable employee	Rachael Lem Tel Email	Responsible Investment Officer 01902 55 4764 Rachael.lem@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 55 1715 Rachel.Brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Pensions Committee is asked to note:

1. The Fund's engagement and voting activity for the three months ending 31 March 2021.
2. The issues discussed by LAPFF are set out in the Quarterly Engagement Report, which is available on the LAPFF website: [LAPFF QER1 2021.pdf \(lapfforum.org\)](#)
3. The voting and engagement activity of LGPS Central, as set out in the Quarterly Stewardship Report, available on the LGPS Central website: [LGPSC-Stewardship-Update-Q1-2021.pdf \(lgpscentral.co.uk\)](#)
4. The research and engagement activity undertaken by EOS at Federated Hermes as set out in the Quarterly Engagement Report, which is available on the EOS website: [EOS Public Engagement Report \(hermes-investment.com\)](#)
5. The Fund's 2021 Annual Stewardship Report, available at <https://www.wmpfonline.com/CHttpHandler.ashx?id=17878&p=0>

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.

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 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 Principles for Responsible Investment (PRI).
- 3.2 Through LAPFF, the Fund undertook approximately 60 engagements with 38 companies during the quarter, addressing human rights, climate change and governance issues. Most engagements were conducted through dialogue with company Chairpersons; eight engagements are currently categorised as change in process, whilst substantial and moderate improvements were documented in 11 engagements.
- 3.3 The quarter LGPS Central undertook 1,563¹ engagements with 605 companies on behalf of the Fund, the majority of which were carried out by EOS. Against 579 specific engagement objectives set by EOS, there was achievement of some or all on 137 occasions. Most engagements were conducted through letter issuance or remote company meetings, where LGPS Central, collaborative engagement partners or EOS in a majority of cases met or wrote to the Chair, a Board member or a member of senior management.
- 3.4 Through LGPS Central and EOS, the Fund has been closely monitoring the developing engagement activity in support of responsible financial management, with focus on the banking sector and company response to social needs highlighted by the COVID-19 pandemic. Topical issues such as fair tax payment and coronavirus vaccine distribution have come to the fore as attention turns to global recovery.

¹ There can be more than one engagement issue per company, for example board diversity and climate change.

- 3.5 The ongoing global COVID-19 pandemic 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. During 2020, LGPS Central signed IIGCC-coordinated letters to EU and UK leaders calling for a sustainable recovery from the COVID-19 pandemic.

Climate Change

- 3.6 With the UN's COP26 meeting set to take place in November 2021, this is a critical year for both corporate and policy makers in accelerating action towards the goals of the Paris Agreement - to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels. The focus is now on the UK and the contribution that local authority pension funds and other institutional investors can make to help decarbonise the economy in a way that protects beneficiaries and secures just transition to net zero.
- 3.7 An investor group including LGPS Central have also asked the COP26 President (The Rt. Hon Alok Sharma) to support investors by seeking publication of key underlying assumptions tied to the International Energy Agency's (IEA's) Net Zero Emissions 2050 scenario. Further clarity from IEA on underlying assumptions and commodity price projections for this scenario will provide a basis on which to conduct further analysis into the implications of climate change for investment portfolios and asset allocation decisions.
- 3.8 During the quarter LAPFF undertook climate change engagement with 22 companies. Four of the engagements are categorised as change in progress and substantial improvements have been recognised for five of the company engagements, one of which was Anglo American PLC.
- 3.9 LAPFF wrote to Anglo American in November 2020 as part of a collaborative initiative coordinated by Sarasin and Partners, underscoring the vital role of accounting and audit in driving the net-zero transition. LAPFF received one of its best responses obtained to date from the Audit Committee Chair (ACC) who stated that the company has undertaken a review of climate risks in its financial statements and will publish the results in its forthcoming Annual Report and Accounts. The ACC has asked that, due to clear parallels, issues raised in this engagement be aligned with engagement undertaken by Climate Action 100+, of which the Fund, LAPFF and LGPS Central are members.
- 3.10 For the first time, companies are seeing 'say on climate' resolutions at their AGMs this year. LAPFF has supported the say on climate resolutions and has issued voting alerts on these resolutions at a number of companies. LAPFF and LGPS Central voted to oppose Shell's climate plan; the Fund is supportive of this position and communicated this response to correspondence received on the topic in the run up to the AGM on 18 May. While Shell's net-zero by 2050 goal and accompanying targets are ambitious, they are still not fully aligned with Paris and a 1.5 °C temperature rise. It is our view that we can and should ask more of leading companies, in order to really see a step-change for the sector and we will continue to support engagement and dialogue with Shell to this effect.

- 3.11 This quarter LGPS Central's climate change engagement set comprised 252 companies with 324 engagement issues. There was engagement activity on 315 engagement issues and achievement of some or all specific engagement objectives on 102 occasions.
- 3.12 LGPS Central is co-leading or in the focus group of eight climate change engagements with CA100+ companies. Through a combination of direct and collaborative engagement, LGPS Central have engaged with an electric utility on the topics of Paris Alignment and corporate lobbying practices. The company lacked top-line statements on climate policy and its industry association relationships are considered to contradict its positive advocacy on climate policy. Following a period of engagement, the company has agreed to conduct an annual review of its trade association memberships and hire a new staff member with an investor relationship focus. Looking forward, LGPS Central and fellow investors would like to see a stronger climate ambition, including a commitment to clear medium and long-term greenhouse gas reduction targets.
- 3.13 In 2017 the pool company's Stewardship provider, EOS, raised its concerns about the weakness in Hyundai Motor's sustainability performance, particularly the carbon intensity of its vehicles, as revealed in a report published by the Carbon Disclosure Project. With little initial improvement, EOS continued to question vehicle sustainability performance over the next three years, including meeting with the independent chair in 2018. Hyundai has now made good progress in improving the sustainability of its vehicles, launching a number of lower emissions models including hybrid, plug-in hybrid and fully electric vehicles. The company is also accelerating the development and promotion of hydrogen fuel cell vehicles and plans to increase its sustainable vehicle models from approximately 3.8% to 20% of total sales by 2025.

Sustainable Food Systems

- 3.14 This quarter LGPS Central's single-use plastics engagement set comprised 33 companies with 41 engagement issues². There was engagement activity on 39 engagements and achievement of some or all engagement objectives on 11 occasions.
- 3.15 Through the PRI Plastic Working group, LGPS Central has continued its engagement with six packaging companies. With increased governmental attention on the negative impacts of plastic use, in tandem with consumers calling for less harmful alternatives, investee companies in the plastic value chain are becoming exposed to increasing regulatory, environmental and reputational risks. The investor group has put forward expectations of companies to: set targets for their use of sustainable materials and disclose progress against those targets; outline the initiatives they are using to reduce plastic pollution; ensure full alignment between the company's sustainable materials strategy and carbon emissions reduction strategy; and include sustainability-related performance KPIs in executive remuneration.

² There can be more than one plastic-related engagement issue per company.

- 3.16 During January 2021, LAPFF met with Tesco to discuss the company's long-term strategy relating to health and nutrition. Part of the objective of this engagement was to encourage the company to disclose metrics relating to the proportion of healthy versus unhealthy produce available to customers and to set relevant targets to improve the availability of healthy items. This engagement aligns with the Healthy Markets initiative being coordinated by ShareAction. Tesco outlined that it already collected data relating to health and nutrition. Since the engagement took place, ShareAction has announced the filing of a resolution at the upcoming Tesco AGM requesting that the company disclose the share of total food and non-alcoholic drink annual sales by volume made up of healthier products and publish a target to significantly increase that share by 2030.
- 3.17 During the quarter EOS had a meeting with the coordinators of the Finance for Biodiversity Pledge³ to share initial ideas about the focus and objectives for the engagement group. EOS shared views on how companies with material impacts on biodiversity could be identified, whether by sector or sub-theme. This task is challenging in the absence of a single metric, such as greenhouse gas emissions, that would enable comparison between different companies' biodiversity impacts. EOS emphasised the importance of setting clear engagement goals so that companies understand the aims and requests of the collaborative engagement group. These are yet to be defined, although we suggested that there should be an emphasis on positive impacts as well as mitigating negative impacts.

Human Rights

- 3.18 On behalf of the Fund, LAPFF has engaged two companies on human rights issues during the quarter. In April 2021 the Financial Times reported on the UK High Court ruling that Ryanair must pay passengers for flights cancelled during a 2018 strike. Payouts are expected to be between 250 and 400 Euros per passenger amounting to millions of Euros as around 15 million passengers were affected. LAPFF has attended Ryanair AGMs, written voting alerts, and met with the company to warn of the financial consequences of the company's failure to engage adequately with unions and workers.
- 3.19 LAPFF has been engaging with Vale and BHP for around two years in relation to both the Samarco and Brumadinho dam collapses. LAPFF deem Samarco to be a particular concern in relation to the time it is taking to make appropriate reparations. Given the delays, LAPFF's primary objective is to put pressure on BHP, Vale, and Renova to speed up the reparations process. LAPFF will continue to engage with the companies and affected communities in the hopes of speeding up reparations. It will check in monthly with Renova and the communities to ensure that it has the accurate number of houses to post on the LAPFF website. This process highlights the importance of ensuring that companies prevent these disasters rather than scrambling to make reparations, where these are even possible, after the fact.

³ <https://www.financeforbiodiversity.org/>

- 3.20 The Fund has re-joined the Rathbones modern slavery engagement initiative to improve employment standards in companies' supply chains. Rathbones is re-running its vote against slavery engagement in 2021 with 69 FTSE350 companies after success in 2020 in getting target companies to comply with the UK Modern Slavery Act. As per end April 2021, all companies have responded and 45 are now compliant. Initial positive responses have given an opening for future meetings to discuss companies' approaches to modern slavery. This is an important step beyond the initial ask of compliance with the Modern Slavery Act, to focus on the content of the statement and to enable investors an understanding of the key risks facing individual companies.
- 3.21 During the quarter LGPS Central's technology and disruptive industries engagement set comprised 31 companies with 52 engagements issues. There was engagement activity on 49 engagement issues and achievement of some or all engagement objectives on eight occasions. LGPS Central has joined a collaborative investor engagement, led by the Council on Ethics to the Swedish National Pension Funds discussing human rights risks with a group of American technology companies. The collaboration has developed a set of human rights expectations which were shared and discussed with the identified technology companies in Q4 2020. These expectations are designed to provide a baseline for ongoing engagement and a means for more constructive and effective dialogue.
- 3.22 The Fund continues to support the New Zealand Superfund's collaborative engagement with social media companies' engagement, which has a targeted focus upon Facebook, Alphabet and Twitter. During the quarter, as a direct response to the NZ Superfund's engagement efforts, the charter for Facebook's Risk and Oversight Committee has been updated to include 'the sharing of content on its services that violate the Company's policies'. The NZ Superfund deem this to be a major win for the Collaboration and a real strengthening of governance and accountability for the Risk and Oversight Committee on this issue, putting the Board on the front foot in working towards prevention of the issue rather than just fire-fighting inherent problems.

Responsible Financial Management

- 3.23 This quarter, LGPS Central's tax transparency engagement set comprised 14 companies with 14 engagement issues. There was engagement activity on 9 engagements and achievement of some or all engagement objectives on three occasions. During 2020, LGPS Central collaborated with five fellow European investors to engage a selection of companies across technology, telecommunication, finance and mining sectors. During the last quarter, LGPS Central held discussions to assess progress for these engagements and whether to expand the scope of the project.
- 3.24 LGPS Central consider four of the six companies engaged during 2020 to be largely lacking in tax transparency. There are "red flags" on issues like companies having subsidiaries incorporated in one jurisdiction but which are tax residents in another jurisdiction paying zero tax. This does not appear to be in line with OECD's Base Erosion and Profit Shifting Framework, which the pool company see as a standard that is relevant to assessing responsible tax behaviour. LGPS Central will continue engagement with the four "laggard" companies and are assessing the inclusion of some more companies that

appear to pursue particularly aggressive tax strategies and/or lack a tax policy, and/or pay the lowest effective rate of tax.

Voting Globally

- 3.25 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.
- 3.26 During the quarter LGPS Central revised their Voting Principles to reflect their heightened expectations on companies in two areas. LGPS Central would firstly like to see stronger diversity on Boards both in terms of gender and ethnicity. They expect FTSE 100 and 250 companies to have at least 33% women on their Boards. The Pool company have also reinforced their view that companies should align their operations and business strategy with the Paris Agreement. LGPS will consider voting against the Chair of companies if there is not clear justification when these expectations have not been met. WMPF will renew its Voting Principles and submit to Committee for approval in December 2021, ahead of the 2022 AGM season.
- 3.27 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 477 company meetings (4,996 resolutions) – 68 UK, 101 Europe, 45 North American, 212 Developed Asia, 3 Australasian and 48 in Emerging and Frontier Markets. At 199 meetings we recommended opposing one or more resolutions. The largest number of resolutions that were opposed concerned board structure and remuneration (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

- 3.28 The Fund continues to receive correspondence from individual members of the public, and more established divestment groups in connection with climate change and calls for divestment. During the quarter the Fund received queries and correspondence on responsible investment topics relating to investment in Palestine and the arms trade.
- 3.29 Through membership of the Local Authority Pension Fund Forum (LAPFF) dialogue with both Palestinian and Israeli interest groups have taken place following the Supreme Court decision on the 29th April 2020. In its work for the LGPS, the Forum undertakes holdings-based engagement with the aim of protecting long-term shareholder value through adherence to the appropriate standards of human rights and humanitarian law. LAPFF undertook preliminary engagement during Q4 2020 with three of the seventeen companies identified by the United Nations and operating in Occupied Palestinian Territories with the objective of understanding and promoting company conduct and publication of human rights impact assessments. The Forum is continuing a programme of engagement over 2021 and is monitoring both UN activity and the developing political situation in the area.

- 3.30 Engagement on the Fund's behalf is also undertaken through LGPS Central's external stewardship provider, EOS at Federated Hermes, with whom it shares the view that companies operating in areas of conflict have enhanced governance obligations thus demanding enhanced transparency and use of leveraged opportunities for engagement over the longer term for positive change. Through a variety of engagements and asks for further due diligence on Human Rights risks and HR policy, company commitments have been secured to help ensure equal employment opportunities and prevent discrimination. Engagement has led to one company confirmed a cessation of activities linked to the construction of illegal or contested settlements. These engagements will continue in 2021 and the engagement approach is apolitical, while distinguishing between those situations that contravene international law and those that do not.
- 3.31 The Fund continues to respond to all correspondents and will continue to monitor progress on the issues outlined, with updates to each quarterly Pensions Committee Meeting.

Leadership and Policy Development

- 3.32 The IIGCC Net Zero Investment Framework was launched on 10 March. This aims to provide a comprehensive set of recommended actions, metrics and methodologies to enable both asset owners and asset managers to maximise the contribution they can make to decarbonisation of the global economy in tackling climate change. It provides an important tool to support alignment with net zero and is one output from the Paris Aligned Investor Initiative (PAII) that the West Midlands Pension Fund, along with LGPS Central, has contributed to since 2019. The Fund continues to support PAII and development of framework implementation through two working groups.
- 3.33 In March 2021 Climate Action 100+ released its Net Zero Company Benchmark which assesses the world's largest corporate greenhouse gas emitters on their progress in the transition to a net zero future. The benchmark framework, developed in collaboration with signatory investors and leading climate research, will be a valuable resource for investors attempting to assess and engage with corporations on their progress and alignment with key commitments. This, together with the IIGCC framework will inform a review of the Fund's Climate Change Framework and Strategy over 2021/22.

Annual Stewardship Report 2021

- 3.34 In April 2021 the Fund submitted its first Annual Stewardship Report (ASR) to the Financial Reporting Council. The ASR provides an overview of the Fund's approach to stewardship and the efforts taken to ensure that WMPF practices stewardship at the highest level both in our own operations and throughout our investment chain. It covers each of the 12 principles of the UK Stewardship Code 2020 grouped into four categories: Purpose and Governance, Investment Approach, Engagement and Exercising Voting Rights and Responsibilities. The Fund is proud of the outcomes and effective actions that it was able to demonstrate within its first ASR and expects our approach to continue to evolve as we continue to engage in collaboration with key partners to drive our common ambition to build sustainable futures for all.

4.0 Financial implications

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

5.0 Legal implications

- 5.1 This report contains no direct legal implications.

6.0 Equalities implications

- 6.1 This report contains no equal opportunities implications.

8.0 All other implications

- 8.1 Environmental implications are addressed through the Fund's Responsible Investment Framework. This report contains no other direct implications.

10.0 Schedule of background papers

- 10.1 LAPFF Quarterly Engagement Report:
[LAPFF_QER1_2021.pdf \(lapfforum.org\)](#)
- 10.2 LGPS Central Quarterly Engagement Report:
[LGPSC-Stewardship-Update-Q1-2021.pdf \(lgpscentral.co.uk\)](#)
- 10.3 EOS at Federated Hermes Public Engagement Report:
[EOS Public Engagement Report \(hermes-investment.com\)](#)
- 10.4 The Fund's 2021 Annual Stewardship Report, available at
<https://www.wmpfonline.com/CHttpHandler.ashx?id=17878&p=0>

11.0 Schedule of appendices

- 11.1 Appendix A: WMPF Engagement Activity
- 11.2 Appendix B: WMPF Voting Activity

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West Midlands

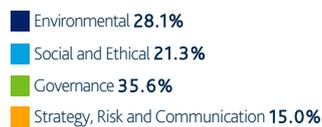
EOS at Federated Hermes

Engagement by region

Over the last quarter we engaged with **415** companies held in the West Midlands portfolios on a range of **1,415** environmental, social and governance issues and objectives.

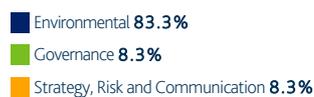
Global

We engaged with **415** companies over the last quarter.



Australia & New Zealand

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



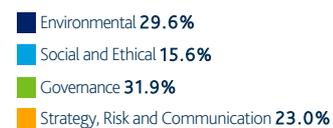
Developed Asia

We engaged with **45** companies over the last quarter.



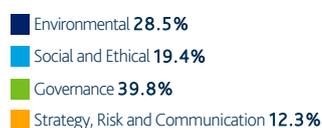
Emerging & Developing Markets

We engaged with **42** companies over the last quarter.



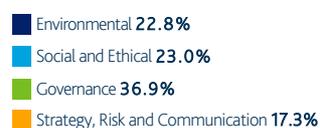
Europe

We engaged with **120** companies over the last quarter.



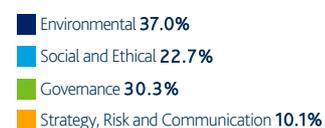
North America

We engaged with **161** companies over the last quarter.



United Kingdom

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

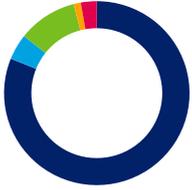


Engagement by theme

Over the last quarter we engaged with 415 companies held in the West Midlands portfolios on a range of 1,415 environmental, social and governance issues and objectives.

Environmental

Environmental topics featured in 28.1% of our engagements over the last quarter.



- Climate Change 81.1%
- Forestry and Land Use 4.5%
- Pollution and Waste Management 10.3%
- Supply Chain Management 1.3%
- Water 2.8%

Social and Ethical

Social and Ethical topics featured in 21.3% of our engagements over the last quarter.



- Bribery and Corruption 1.7%
- Conduct and Culture 12.9%
- Diversity 24.2%
- Human Capital Management 21.5%
- Human Rights 31.8%
- Labour Rights 5.6%
- Tax 2.3%

Governance

Governance topics featured in 35.6% of our engagements over the last quarter.



- Board Diversity, Skills and Experience 22.4%
- Board Independence 16.3%
- Executive Remuneration 43.7%
- Shareholder Protection and Rights 13.7%
- Succession Planning 4.0%

Strategy, Risk and Communication

Strategy, Risk and Communication topics featured in 15.0% of our engagements over the last quarter.



- Audit and Accounting 7.5%
- Business Strategy 40.1%
- Cyber Security 1.4%
- Integrated Reporting and Other Disclosure 28.3%
- Risk Management 22.6%



West Midlands

EOS at Federated Hermes

Over the last quarter we made voting recommendations at **477** meetings (**4,996** resolutions). At **199** meetings we recommended opposing one or more resolutions. We recommended voting with management by exception at **18** meetings and abstaining at **four** meetings. We supported management on all resolutions at the remaining **256** meetings.

Global

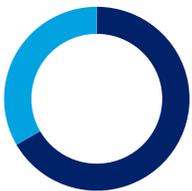
We made voting recommendations at **477** meetings (**4,996** resolutions) over the last quarter.



- Total meetings in favour **53.7%**
- Meetings against (or against AND abstain) **41.7%**
- Meetings abstained **0.8%**
- Meetings with management by exception **3.8%**

Australia and New Zealand

We made voting recommendations at **three** meetings (**eight** resolutions) over the last quarter.



- Total meetings in favour **66.7%**
- Meetings against (or against AND abstain) **33.3%**

Developed Asia

We made voting recommendations at **212** meetings (**1,675** resolutions) over the last quarter.



- Total meetings in favour **62.3%**
- Meetings against (or against AND abstain) **37.3%**
- Meetings with management by exception **0.5%**

Emerging and Frontier Markets

We made voting recommendations at **48** meetings (**449** resolutions) over the last quarter.



- Total meetings in favour **35.4%**
- Meetings against (or against AND abstain) **60.4%**
- Meetings with management by exception **4.2%**

Europe

We made voting recommendations at **101** meetings (**1,715** resolutions) over the last quarter.



- Total meetings in favour **41.6%**
- Meetings against (or against AND abstain) **49.5%**
- Meetings abstained **4.0%**
- Meetings with management by exception **5.0%**

North America

We made voting recommendations at **45** meetings (**487** resolutions) over the last quarter.



- Total meetings in favour **20%**
- Meetings against (or against AND abstain) **62.2%**
- Meetings with management by exception **17.8%**

United Kingdom

We made voting recommendations at **68** meetings (**662** resolutions) over the last quarter.

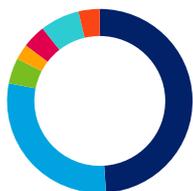


- Total meetings in favour **79.4%**
- Meetings against (or against AND abstain) **17.6%**
- Meetings with management by exception **2.9%**

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

Global

We recommended voting against or abstaining on **511** resolutions over the last quarter.



- Board structure **48.9%**
- Remuneration **29.2%**
- Shareholder resolution **4.5%**
- Capital structure and dividends **2.7%**
- Amend articles **4.1%**
- Audit and accounts **6.8%**
- Other **3.7%**

Australia and New Zealand

We recommended voting against or abstaining on **one** resolution over the last quarter.



- Remuneration **100%**

Developed Asia

We recommended voting against or abstaining on **163** resolutions over the last quarter.



- Board structure **68.1%**
- Remuneration **9.8%**
- Shareholder resolution **0.6%**
- Capital structure and dividends **1.8%**
- Amend articles **6.7%**
- Audit and accounts **12.9%**

Emerging and Frontier Markets

We recommended voting against or abstaining on **79** resolutions over the last quarter.



- Board structure **27.8%**
- Remuneration **31.6%**
- Shareholder resolution **1.3%**
- Capital structure and dividends **3.8%**
- Amend articles **10.1%**
- Audit and accounts **13.9%**
- Other **11.4%**

Europe

We recommended voting against or abstaining on **171** resolutions over the last quarter.



- Board structure **47.4%**
- Remuneration **32.7%**
- Shareholder resolution **6.4%**
- Capital structure and dividends **4.7%**
- Amend articles **1.2%**
- Audit and accounts **1.8%**
- Other **5.8%**

North America

We recommended voting against or abstaining on **70** resolutions over the last quarter.



- Board structure **42.9%**
- Remuneration **42.9%**
- Shareholder resolution **14.3%**

United Kingdom

We recommended voting against or abstaining on **27** resolutions over the last quarter.



- Board structure **22.2%**
- Remuneration **77.8%**

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