

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 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 Waters (Walsall Council)

Cllr Phil Davis (Birmingham City Council)

Cllr Peter Allen (Sandwell Metropolitan Borough Council)

Trade union observers

Malcolm Cantello (Unison)

Martin Clift (Unite)

Ian Smith (Unite)

Janice Wadrup (GMB)

Quorum for this meeting is nine Councillors.

Information for the Public

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

Contact Fabrica Hastings

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Wolverhampton WV1 1RL

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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 | Climate Change Framework and Strategy 2021-2026 (Pages 15 - 20)
[To present the Fund's revised and updated Climate Framework and Strategy for Committee discussion and approval.] |
| 7 | Pensions Administration Report from 1 April to 30 June 2021 (Pages 21 - 40)
[To inform Committee of the routine operational work undertaken by the pensions administration service areas during the period 1 April to 30 June 2021.] |
| 8 | Governance and Assurance (Pages 41 - 50)
[To provide Committee with an update on the work of the Fund to deliver a well governed scheme.] |
| 9 | Corporate Plan Monitoring (Pages 51 - 54)
[To provide Committee with an update on the work of the Fund in achieving its deliverables and targets set out in the Corporate Plan.] |
| 10 | Budget Monitoring 2021- 2022 and Quarterly Accounts 30 June 2021 (Pages 55 - 62)
[To update Pensions Committee on the forecast out-turn for the year against operating budget for 2021/22 and present the quarterly accounts to 30 June 2021.] |
| 11 | Annual Report and Accounts 2020-2021 (Pages 63 - 66)
[To update the Committee on the Fund's audit and preparation of the annual report for the year ending 31 March 2021 ahead of publication on the Fund's website.] |
| 12 | Customer Engagement Update (Pages 67 - 82)
[To provide Committee with an update of the Fund's customer engagement activity from 1 April 2021 to 30 June 2021 and to cover future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy.] |

- 13 **Responsible Investment Activities** (Pages 83 - 94)
[To update the Pensions Committee on the work undertaken in relation to responsible investment activities since the last Pensions Committee meeting.]
- 14 **Quarterly Investment Report to 30 June 2021** (Pages 95 - 116)
[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 **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

- 16 **Investment Strategy and Activity Update** (Pages 117 - 122)
[To provide the Committee with an update on investment strategy and activity in the WMPF and Admitted Body Sub Funds over the quarter.]
- 17 **LGPS Central Investment Pool** (Pages 123 - 130)
[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.]
- 18 **Employer Covenant Monitoring** (Pages 131 - 148)
[To provide Committee with an update on the findings of the in-house covenant monitoring framework and the individual cases arising from the ongoing monitoring process.]
- 19 **Procurement Programme** (Pages 149 - 154)
[To update Committee of the programme of work to procure key systems and professional services/advisors, which include a pension administration system, the Fund Actuary and benefits consultancy, risk advisor and the systems used to monitor and record activity in relation to the Fund's investments.]

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Attendance

Members of the Pensions Committee

Cllr Milkinder Jaspal (Chair)
Cllr Craig Collingswood (Vice-Chair)
Cllr Stephen Simkins
Cllr Tersaim Singh
Cllr Keith Inston
Cllr Clare Simm - V
Cllr Paul Sweet - V
Cllr Andrew Randle
Cllr Paul Singh
Cllr Alan Taylor (Dudley MBC)
Cllr Peter Allen (Sandwell MBC)
Cllr Vera Waters (Walsall MBC)
Cllr Angela Sandison (Solihull Metropolitan Borough Council) - V
Cllr Phil Davis (Birmingham City Council)

Trade Union observers

Malcom Cantello (Unison)
Martin Clift (Unite)
Ian Smith (Unite) - V
Janice Wadrup (GMB)

Employees

Rachel Brothwood	Director of Pensions - West Midlands Pension Fund
Simon Taylor	Assistant Director - Pensions
Tom Davies	Assistant Director – Investment Strategy
Darshan Singh	Head of Finance
Rachel Howe	Head of Governance and Corporate Services
Amy Regler	Head of Operations
Rachael Lem	Responsible Investment Officer
Hayley Reid	Regulatory Governance Manager
Claire Nye	Director of Finance – Wolverhampton City Council - V
Amanda MacDonald	Client Lead Auditor – Wolverhampton City Council - V

Part 1 – items open to the press and public

Item No. *Title*

- 1 Apologies for absence (if any)**
Apologies were received from, Councillor Philip Page and Martin Clift, Trade Union Representative.
- 2 Notification of substitute members**
None.
- 3 Declarations of interests (if any)**
None.

4 **Minutes of the Previous Meeting**

That the minutes of the previous meeting held on 24 March 2021 be approved as a correct record.

5 **Matters arising**

Malcom Cantello, Trade Union Representative, advised the group as per item 8 of the minutes of the previous meeting, the Committee would require an update on HMRC's consultation regarding an increase in the minimum pension age for pensions tax. Rachel Brothwood, Director of Pensions advised that the Fund had fed into consultation responses and were awaiting a response from MHCLG regarding the LGPS Regulations and whether these would be amended in light of a change in minimum pension age, with further information to be provided to Committee as these emerge.

Malcolm Cantello queried the work on the Guaranteed Minimum Pension reconciliation. The Director of Pensions advised that work was ongoing and that a further report would be provided to Committee when the exercise had been completed. .

6 **Pensions Committee Annual Governance**

Rachel Howe, Head of Governance and Corporate Services, presented the Pensions Committee Annual Governance Report, which aimed to ensure effective due diligence in decision making through regular review of delegated powers, terms of reference and the continued engagement of Fund stakeholders on its governing bodies.

The Committee were advised that the proposed amendments to the terms of reference had been made to reflect recommended changes to statutory guidance and to align with wider constitutional changes in the City of Wolverhampton Council's Constitution, which was presented to Full Council and approved during the Annual General Meeting on 19 May 2021.

Resolved:

1. That the revised Terms of Reference for the Pensions Committee be approved.
2. That 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 be confirmed
Martin Clift and Ian Smith – Unite;
Malcolm Cantello – Unison;
Janice Wadrup – GMB.
3. That the revised Training Policy developed for members of the Fund's governing bodies be approved.
4. That the following dates and time of the meetings of the Pensions Committee be noted:
Pensions Committee – 10am
29 September 2021;
15 December 2021;
30 March 2022.

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.

Following the proposed changes to statutory guidance recommended as outcomes from the LGPS Scheme Advisory Board's Good Governance Review, the Fund had established a Representation Policy and reviewed and updated its Governance and Compliance Statement.

The Committee were advised that the Fund had continued to monitor potential risks, in line with the risk management framework, with focus on the changing regulatory environment and the Fund's ability to recruit and resource to key roles. The report also recommended the establishment of a Special Appointment Committee to support the appointment to the post for Assistant Director, Investment and Stewardship.

Resolved:

1. That the Governance and Compliance Statement be approved.
2. That the Fund's Representation Policy be approved.
3. That the establishment of a Special Appointment Committee to support in the appointment of the Assistant Director of Investment and Stewardship to the Fund be approved.
4. That the latest strategic risk-register and areas being closely monitored in the current environment be noted.
5. That the compliance monitoring activity undertaken during the quarter be noted.
6. The Fund's Key Performance Indicators and action taken to support service delivery be noted.
7. That the updates on potential regulatory changes and statutory guidance emerging from the LGPS and wider pensions industry be noted.

8 **Statement of Accounts 2020-2021**

Darshan Singh, Head of Finance, presented the report on 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.

The Committee were advised that the Fund's net asset value had increased from £15.3billion, at 31 March 2020 to £18.9 billion at 31 March 2021.

It was also noted that the Fund had continued to take a fully transparent approach to reporting investment costs, with reported costs reflecting an ongoing increase in disclosure by the Fund's investment managers.

Resolved:

1. That the draft Statements of Accounts for the year ending 31 March 2021 be approved.
2. That authority be delegated to the Chair and Vice Chair of Pensions Committee to approve the final Statement of Accounts once the audit is completed in September.

3. That authority be delegated 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.
4. That it be noted, the draft accounts have been certified by the Section 151 Officer as required by regulations.
5. That it be noted, 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 audit opinion, to be reported to the Committee in September.
6. That it be noted, 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.

9 **Pensions Administration Report to 31 March 2021**

Amy Regler, Head of Operations, presented the report on the routine operational work undertaken by the pension's administration service areas during the period 1 January 2021 to 31 March 2021. The report provided the Committee with an overview of the activity and performance of the Fund's key functions.

The Committee were advised that following an increase in some pensions processes, volumes had returned back to business as usual levels during the quarter, with target KPI's met during the period 1 January to 31 March 2021.

The Committee were advised that monitoring of write-off's was ongoing and that the Fund had no concerns relating to the level of write-offs.

Resolved:

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

10 **Customer Engagement Update**

Simon Taylor, Assistant Director of Pensions, presented the report on 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.

The report informed the Committee of the ongoing improvement in employer and member engagement, and delivery of services targeting improved outcomes for the Fund's customers.

The Fund continued to promote the pensions portal through the 'Be Pension Smart and Take Control of your benefits' campaign, Retirement Planning Pension Saving and Pensions Scams.

The Committee were advised that the updated Pensions Administration Strategy and the Employer Roadmap were currently under consultation with employers. Delegated approval was sought for the Director of Pensions to agree any changes following close of consultation with the Chair and/or Vice Chair of the Committee.

Committee were also advised that the consultation on the Fund's Funding Strategy Statement had been completed and the Fund were in the process of responding to individual consultation responses, following which the final statement would be published. Following queries in regard to pension scams, the Committee were advised that pension scams were an increasingly prevalent area and that the Fund were working hard to increase awareness among members. The Fund had signed up to the Pensions Regulator Pledge to protect pensions transfers and had enhanced the Fund's review process.

Resolved:

1. That authority be delegated 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 be approved.
2. That the engagement activity and informed service development be noted.
3. That the publication of the Funding Strategy Statement effective 1 June 2021 be noted.
4. That the draft Pensions Administration Strategy and Employer Engagement Roadmap for 2021 be noted.

11 **Annual Report of the Local Pensions Board**

Rachel Howe, Head of Governance and Corporate Services, presented the report on the work undertaken by the Local Pensions Board ("the Board") during the 2020-2021 municipal year prepared in conjunction with the Board's Chair Joe McCormick, highlighting the work of the Board during the year, changes to membership and areas of focus for 2021/22.

The committee were advised that following the annual nomination process, the Board were at full capacity for 2021/22.

Resolved:

1. That the report prepared annually in order to meet the legislative requirement for recording the work of the Local Pensions Board be noted.

12 **Internal Audit Annual Report 2020-2021**

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

The Committee were advised that no significant issues had arisen throughout the year and that recommendations to address weaknesses/improvements had been agreed by management. Based on the work undertaken it was confirmed that internal audit had provided reasonable assurance that the Fund had adequate and effective internal controls in place.

Following discussion, it was confirmed that internal audit recommendations would be followed up during the year to confirm agreed actions had been implemented.

Resolved:

1. That the internal audit annual report for 2020 -2021 be noted .

13 **Budget Monitoring and Quarterly Accounts to 31 March 2021**

Darshan Singh, Head of Finance, presented the report on the out-turn do the year against operating budgets as at the end of March 2021, that detailed the Fund's administration, oversight / governance and investment management costs.

The Committee were advised that the Fund's quarterly accounts showed assets have increased to £18.9 billion during the period 2020-2021, an increase of £3.6 billion since 31 March 2020.

The Committee noted the underspend in operational budget linked to some delays in recruitment and service development during the year.

Following discussion with regards to the increase in investment management costs, the Committee were advised that the increase in reported costs was driven by an increase in manager disclosure and reflected the increase in the Fund's asset value.

Resolved:

1. That 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 be noted.
2. That 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 be noted.

14 **Quarterly Investment Report to 31 March 2021**

Tom Davies, 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 Fund had performed in line with the respective benchmarks for the quarter to 31 March 2021.

The Fund's growth assets had delivered strong positive returns, with property performing well but infrastructure behind target as a result of the pandemic.

Following questions from Malcolm Cantello (Unison) regarding levels of cash held by the Fund, the Committee noted levels had been reduced following recent investments, with some excess held as reserve and collateral for equity futures.

Resolved:

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

15 **Responsible Investment Activities**

Rachael Lem, Responsible Investment Officer presented the report in relation to responsible investment activities since the last Pensions Committee meeting,

highlighting areas of engagement across each of the Fund's four engagement themes and examples of progress and monitoring.

The Committee were advised that an update of its Climate Framework and Strategy would be presented at the meeting in September and that following questions raised at the meeting in March, further information on the Fund's action in support of human rights had been included within the report.

Committee members were also informed that the Fund's annual Stewardship Report had been published and was available on its website, following submission to the Financial Reporting Council for assessment against the 2020 UK Stewardship Code.

Following questions from Malcolm Cantello (Unison) it was agreed that an update would be brought to a future Committee meeting regarding LAPFF engagement with the National Express with in regard to contracted drivers' terms and conditions.

Resolved:

1. The Fund's engagement and voting activity for the three months ending 31 March 2021 be noted.
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 \(lapfforum.org\)](https://www.lapfforum.org/LAPFF_QER1_2021.pdf) , be noted.
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 \(lgpscentral.co.uk\)](https://www.lgpscentral.co.uk/LGPSC-Stewardship-Update-Q1-2021.pdf) , be noted.
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 \(hermes-investment.com\)](https://www.hermes-investment.com/EOS_Public_Engagement_Report) , be noted.
5. The Fund's 2021 Annual Stewardship Report, available at <https://www.wmpfonline.com/CHttpHandler.ashx?id=17878&p=0> , be noted.

16 **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.

17 **Investment Strategy and Activity Update**

Tom Davies, Assistant Director, Investment Strategy presented the report on investment strategy and activity in the WMPF and Admitted Body Sub Funds over the quarter.

The report outlined the current allocations against new benchmarks, including steps ongoing to progress implementation of changes approved within the 2020 Investment Strategy Statement, significant recent investments and future investments under consideration.

Following queries in regard to the Fund's private debt investment programme, the Committee were advised that these investments were illiquid in nature and following commitments, it would take time to drawdown into new investments.

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.

18 **CEM Benchmarking**

Tom Davies, Assistant Director, Investment Strategy presented the report on the outcomes of the benchmarking exercise undertaken in relation to the delivery of Fund's Investment Management.

The Committee were advised that the Fund participated in the annual benchmarking exercise undertaken by the global third-party organisation, CEM Benchmarking Inc. to identify areas of best practice and identify any further potential opportunities to improve cost effectiveness of investment implementation.

A presentation was provided to the Committee from a Representative of CEM outlining the results of the benchmarking exercise. It was noted that the Fund's investment management costs were significantly lower than the benchmark when compared to the peer group and returns were considered net of costs, demonstrating relative value add.

Resolved:

1. That the results and key outcomes of the benchmarking exercise undertaken to support value for money assessment of the Fund's Investment Management approach for the six years to the 2019/2020 financial year be noted.
2. That the initial comments on investment expenses information collected for the 2020/2021 financial year be noted.

19 **Annual Report on the Investment Advisory Panel**

Tom Davies, Assistant Director, Investment Strategy presented the report on the review of work undertaken by the Investment Advisory Panel (IAP) during 2020 – 2021.

The report outlined the considerations in development of the Fund's investment strategy and implementation, noting areas the IAP continues to monitor.

In response to queries, officers confirmed actions were in progress to continue to develop resourcing plans and partnership with the LGPS Central pool.

Resolved:

1. That the Pensions Committee is asked to note the report of the Investment Advisory Panel for 2020/2021 be noted.

20 **Fund Structure Update**

Rachel Brothwood, Director of Pensions presented the annual report on the Fund's structure development and requirements to support the Fund's service delivery. The report highlighted the recruitment and changes in the Fund's employee base during 2020- 2021, together with future initiatives planned to support delivery of the Fund's Corporate Plan 2021 – 2026, approved by Committee in March 2021.

Following a query in regard to the Fund's Apprenticeship Scheme, the Committee were advised that the all apprentices are supported through a training programme linked to their roles and that following development of a programme specific to pensions administration, the Fund had recruited a number of Pensions Apprentices, alongside graduate trainees.

Resolved:

1. That the pension fund service structure at as June 2021, together with recruitment over 2020/2021 be noted.
2. Recruitment planned over 2021/2022, to develop the capability to meet the needs of the service and noting vacant posts carried forward be noted.
3. That the roles undertaken by the Senior Management Team be noted.

21

LGPS Central Pool

Rachel Brothwood, Director of Pensions presented the report updating on the development of the Company, investment products and support services provided to the West Midlands Pensions Fund by LGPS Central Limited.

The report outlined the primary drivers for pooling set out by MHCLG following issues with statutory guidance in 2015, for the Local Government Pension Scheme and noted the meeting of the Joint Committee.

An update from LGPS Central Limited was presented to the Committee by company representatives including the Chair, Joanne Segars and Chief Executive Officer Mike Weston.

Resolved:

1. That the Joint Committee meeting in June 2021 and presentation from LGPS Central Ltd including an update on the products and services provided be noted.

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 29 September 2021
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Report title	Climate Change Framework and Strategy 2021-2026	
Originating service	Pension Services	
Accountable employee	Rachael Lem Tel Email	Responsible Investment Officer 01902 554764 Rachael.Lem@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 551715 Rachel.Brothwood@wolverhampton.gov.uk

Recommendation for approval:

The Pensions Committee are recommended to approve:

1. The Fund's Climate Change Framework and Strategy for 2021-2026, noting progress made against targets set in 2019 and the increased scope and stretch in ambition outlined for development over the next five years.

1.0 Purpose

- 1.1 To present the Fund's revised and updated Climate Framework and Strategy for Committee discussion and approval.

2.0 Background

- 2.1 The West Midlands Pension Fund has taken an active approach to investment stewardship and has had a dedicated responsible investment framework in place to support delivery of the Fund's Investment Strategy for a number of years. In 2018, recognising the increasing importance and relevance of Climate Change as a financially material risk, the Committee established explicit investment beliefs, noting the risks and opportunities associated with a decarbonising economy and the importance of integrating an evidenced-based approach to stewardship and risk management. The Climate Change Framework and Strategy ("the Framework") approved in March 2019, set a four-year path for strategic action to increase understanding of risks to the Fund, increase resilience through asset allocation and increase collaboration and transparency, to advocate on a global scale, an increased pace of action in response to Climate Change.
- 2.2 The Fund continues to believe no individual investor is influential enough to act alone – to drive change at the rate required, action is needed not just by the investment and financial industries but by policy makers, corporates and consumers, with all having a role to play to address both supply and demand factors, reduce carbon emissions and enable energy transition. Supporting international collaborative investor initiatives through the UN Principles for Responsible Investment (PRI), Institutional Investors Group on Climate Change (IIGCC), Transition Pathway Initiative (TPI), Climate Action 100+ (CA100+) and the Investor Agenda, the Fund has played a leading role in championing increased action: Through these leading initiatives, engagement and measurement tools have stepped-up to inform and enable pension funds to progress Paris-Aligned investment objectives and the transition investment portfolios to Net Zero.
- 2.3 More broadly the Fund has taken action to understand potential funding risks which may emerge from increasing pension liabilities and changes to employer covenant, as business and society consider the implications of Climate Change.
- 2.4 Since 2019, research to support the Fund's evidence and science-based approach has evolved, and regulations and frameworks are developing to support asset owners and pension funds in developing investment strategies aligned to a Net Zero pathway and measuring the investment and funding risks. Calls have increased for organisations to consider and manage their own carbon footprint and advocate actions across supply chains, in an attempt to increase the scope and pace of change. In response to this and reflecting on progress the Fund has made since 2019, the Climate Framework and Strategy 2021-2026 provides an update on the Fund's approach to Climate Change, confirming revised ambition, a broadening scope of actions and target outcomes which will be reviewed and measured at least every five years going forward.

2.5 The Fund's approach to stewardship and strive of real economic outcomes has been recognised in the Fund's award of signatory status to the UK Stewardship Code in September 2021. Outcomes of targeted initiatives in place to support the objectives of our Climate Strategy will be reported in the Fund's annual Stewardship Report. Climate Change will remain an engagement theme across the Fund and we will continue to routinely publish statements and information on our website.

3.0 Developments of the Fund's Climate Change Framework and Strategy

- 3.1 Significant steps have been taken over the last two years to evolve the Fund's asset allocation and make tangible steps towards decarbonising the investment portfolio. Supported by enhanced data and risk metrics there has been measurable decarbonisation within the Fund's equity, fixed income and property portfolios, with targets set for allocation to sustainable investment being achieved.
- 3.2 There has been an increased focus on corporate engagement and disclosure which is increasing information points and understanding of the scale of action required. Climate scenarios and sector-specific transition pathways continue to develop alongside benchmarks for strategic corporate action. As has been widely reported, there is more to do and at pace, with growing pressure for policy makers to take a more definitive and coordinated action to step-up the pace of change and enable transition through tangible action on commitments made.
- 3.3 The Fund's Climate Change Framework and Strategy ("the Framework") has been developed and updated in context of the evolving environment and pending development of regulation and guidance for the Local Government Pension Scheme. Taking a lead from the IIGCC Paris Aligned Investment Initiative and Net Zero Investment Framework, published in March 2021 and noting regulation and guidance published by the DWP and the Pensions Regulator, the Fund has outlined a series of practical and tangible actions it will take over the next five years in order to continue to develop its decarbonisation journey and realise opportunities emerging through the transition, including through investment in climate solutions.
- 3.4 The Framework defines the Fund's corporate sustainability objectives across four foundations – financed emissions, risk management, corporate emissions and value chain. Grounded in the Fund's Climate Change beliefs, in each area the approach covers three broad pillars – alignment and integration, engagement and stewardship and transparency and disclosure. From this a series of tangible commitments and actions have been identified to form our Climate Pledge.
- 3.5 Officers have developed the Framework over a period of time, informed by the Fund's most up-to-date Climate Risk Review (2021) undertaken by LGPS Central Ltd, dialogue with the Fund's investment and asset managers, independent advisers and appointed investment consultant.

4.0 Enabling real world economic action and impact

4.1 Over the last two years the Fund has been able to demonstrate progress in portfolio decarbonisation without adverse impact to the financial outcomes for the Fund. In line with other institution investors and pension schemes, the Fund has made commitment to increasing action in support of decarbonisation to Net Zero and enabling climate solutions. Significant milestones have been achieved through collaborative engagement and research, with an increasing number of companies establishing and disclosing their climate strategy for shareholder vote and developing standards of disclosure to enable management and performance standards to be measured and benchmarked.

4.2 Data and information sets to inform risk management and investment decisions are, however, still considerably lacking in the completeness and consistency needed to develop long term investment strategies aligned to a Net Zero ambition: There are gaps between climate ambition, policy action and risk disclosure and the IGCC Net Zero Framework acknowledges there are currently few available and credible pathways to achieve Net Zero by 2050. As investors continue to develop initiatives and frameworks to enable alignment, policy and regulatory frameworks will need to keep pace to motivate changes in behaviour.

4.3 The Fund supports the Investor Agenda (September 2021) in calling for governments to

- Strengthen interim commitments
- Implement domestic policy to deliver net-zero targets, with roadmaps for each carbon intensive sector
- Incentivise private investment and ensure robust carbon pricing/subsidy review
- Embed climate resilience in COVID recovery plans and develop plans for just transition for affected workers and communities
- Implement mandatory climate risk disclosure in line with recommendation of the Task Force on Climate-related Financial Disclosures (TCFD), ensuring disclosures are consistent comparable and decision-useful

<https://www.iigcc.org/download/global-investor-statement-to-governments-on-the-climate-crisis-2021-update/?wpdmdl=4867&refresh=61488d47474361632144711>

4.4 Regulation and guidance to support Local Government Pension Scheme response to Climate Risk is expected to be issued by MHCLG in the Autumn 2021. The DWP has published regulations in force from October 2021 which introduce reporting requirements for occupational pensions schemes and aim to improve the governance and actions of trustees tasked with managing climate risk. This is supported by statutory guidance issued in June 2021 and the Pensions Regulator published a consultation with further guidance on the governance of climate change risk in occupational pension schemes in July 2021. Although not directly relevant to the LGPS, pending regulation and guidance from MHCLG (and the LGPS Scheme Advisory Board), the Fund has considered wider-industry change in developing the Framework.

4.5 More broadly, the TCFD sought public comment in June/July 2021 on Guidance on Climate-related Metrics, Targets and Transition Plans and Measuring Portfolio Alignment. Once finalised, these stand to materially shape organisational disclosures across sectors.

4.6 The Fund has developed the ambition and targets set in the Framework in the context of an evolving policy and regulatory framework and assuming changes are forthcoming to facilitate increasingly credible pathways to Net Zero. These include planning to make significant progress toward Net Zero by 2030.

5.0 Monitoring and review

5.1 The Framework and alignment of targets with the Fund's overarching ambition for Net Zero, will be considered in view of developing and emerging research, policy, regulations and guidance applicable to the LGPS – all are expected to continue to evolve and will material influence the direction and progress of the Framework over the next five years. In 2026, if not before, the Framework will be reviewed and reset reflecting on the continuation of progress by the Fund over 2021-2026, evolving best practice and the investment opportunities and products emerging.

5.2 Forward-looking Climate Risk scenarios, illustrating the potential impact on the Fund's investment and funding strategies will be developed over 2022/23, in line with the Fund's triennial valuation and strategy review process. Climate risk metrics for the Fund's finance and corporate emissions will be reviewed annually. The Fund will continue to make annual disclosure through its Stewardship Report and Climate Risk Report, prepared, as far as possible, in line with TCFD-recommendations.

6.0 Financial implications

6.1 The identification, assessment and management of climate risk is financially material to the fund and could impact on the long term delivery of investment returns and pensions to members. The Framework demonstrates how the Fund will monitor and mitigate financial risk.

6.2 Although Trustees of occupational pensions scheme could be fined by the Pensions Regulatory for breach of climate risk reporting, monetary penalties do not currently apply to the LGPS.

7.0 Legal implications

7.1 There are no direct legal implications beyond those noted in the report.

8.0 Equalities implications

8.1 This report contains no equal opportunities implications.

9.0 Other implications

9.1 There are no other implications

10.0 Schedule of background papers

10.1 WMPF Responsible Investment Framework

<https://www.wmpfonline.com/CHttpHandler.ashx?id=17811&p=0>

10.2 WMPF Climate Change Framework and Strategy 2019-2023

<https://wolverhamptonintranet.moderngov.co.uk/documents/s154134/Appendix%20B%20-%20Climate%20Change%20Framework%20and%20Strategy.pdf>

10.3 WMPF Annual Stewardship Report 2021

<https://www.wmpfonline.com/CHttpHandler.ashx?id=17878&p=0>

10.4 WMPF TCFD 2020

<https://www.wmpfonline.com/CHttpHandler.ashx?id=17733&p=0>

10.5 IIGCC Paris Aligned Investment Initiative

[Paris Aligned Investment Initiative – IIGCC](#)

10.6 DWP Governance and reporting of climate change risk: guidance for trustees of occupational schemes

[Governance and reporting of climate change risk: guidance for trustees of occupational schemes \(publishing.service.gov.uk\)](#)

11.0 Schedule of appendices

11.1 Appendix A: Climate Change Framework and Strategy 2021-2026

CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 29 September 2021
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Report Title	Pensions Administration Report from 1 April to 30 June 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 decision:

The Pensions Committee is recommended to:

1. Approve the 11 applications for admission from employers into the Fund
2. Approve the write-offs detailed in section 13 of this report.

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 enhanced due diligence on transfer out requests, protecting members against pension scams

1.0 Purpose

1.1 To inform Committee of the routine operational work undertaken by the pensions administration service areas during the period 1 April to 30 June 2021.

2.0 Background

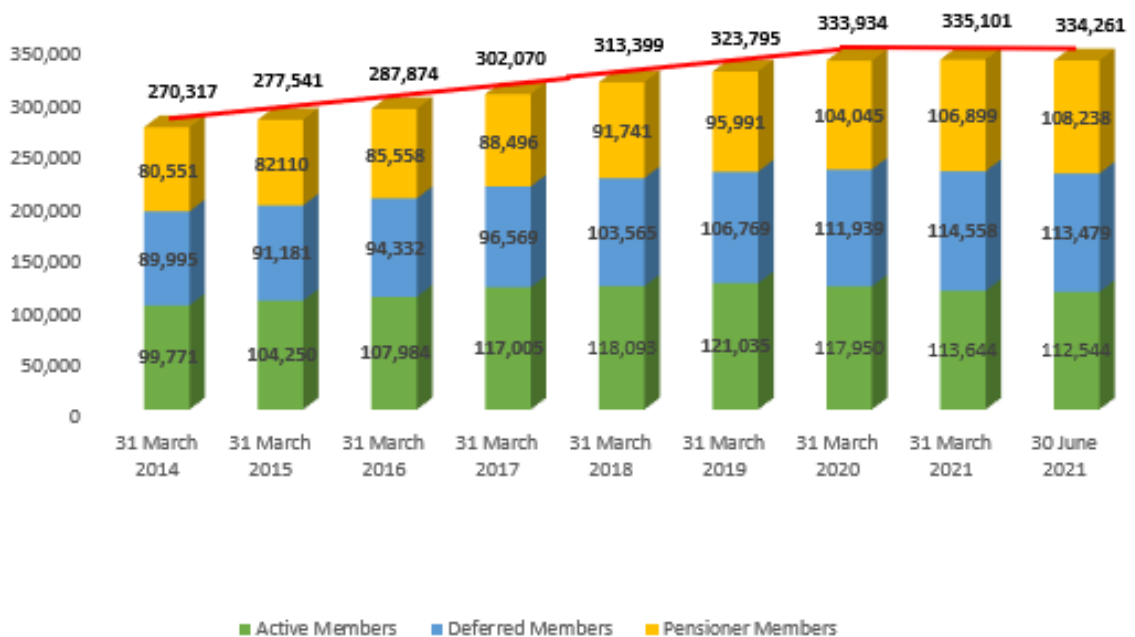
2.1 The Fund provides a pension administration service covering employer, customer and member services, data processing, benefit operations, payroll and systems/technical support. A report is provided to Committee on a quarterly basis to assist monitoring of the activity and performance of these functions 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 30 June 2021 stands at 334,261, with an overall decrease since March 2021. The longer-term trend over a 12 year period in membership continues to illustrate both an ongoing increase and a move towards a more mature profile whereby, in general, pensioners and deferred memberships continue to rise.

	Membership as at 31 March 2021	Net Movements during the period	Membership as at 30 June 2021
Active Members	113,644	-1,100	112,544
Deferred Members	114,558	-1,079	113,479
Pensioner Members	106,899	1,339	108,238
Total Members	335,101	-840	334,261



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 April to 30 June 2021. During the period covered by this report, 38,781 administrative processes were commenced, and 34,237 processes were completed.
- 3.2.2 As the Fund's overall membership continues to have an upward trend and we continue to see increasing member movements, the workload volumes will also naturally increase. On 30 June 2021 there were 47,286 items of work outstanding. This represents an increase of 656 items outstanding compared to 31 March 2021 (46,630). Of the 47,286 items of work outstanding, 6,638 items were pending as a result of information awaited from a third-party e.g. scheme members, employers or transferring authorities and 40,648 processes are now either proceeding to the next stage of the process or through to final completion.
- 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 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.
- 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 Key Performance Indicators (KPIs)

- 4.1 The Fund uses a number of KPIs to measure performance when processing items such as Transfers In and Out, Retirements and Deferred Retirements.
- 4.2 During the period the Fund performance fell slightly short of the cumulative KPI target for the following:

- Retirements, notification of estimated benefits
 - Due to a higher volume of casework (c43%) compared to the same period in 2020, the overall cumulative performance did not achieve the target, however was an improvement on Qtr 1 2020. On average, casework was processed in 16 days against a target of 15.
- Deferred Retirements, Issue Quote
 - Due to a higher volume of casework (c17%) compared to the same period in 2020, the overall cumulative performance of 84%. On average, days to process casework were within 5 days of the target.

All other KPIs have been achieved across the period.

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

5.0 Customer Services

5.1 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.

5.2 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

5.3 There have, unfortunately, during 2021 to date, been absence and vacancies emerging within the Customer Services Team which have affected our call handling performance during the year. New staff have been recruited and training is progressing alongside delivery of services.

5.4 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, the team continue to see the benefit of the automated email import functionality developed through our digital transformation programme. 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.

6.0 Complaints

6.1 The Fund has a complaint monitoring framework, which enables regular monitoring and review of trends impacting performance. 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.

6.2 The number of complaints received by the Fund is proportionally low compared to the number of scheme members, with 54 complaints received for the last quarter (less than 1%). Of those complaints, 61% were upheld and lessons learned incorporated in training and process development.

6.3 A slight increase in complaints year on year has been observed linked to an increase in processing timescales for casework. Resources were reallocated to front line services to return processing timescales to business as usual, and as a result, complaint volumes have since reduced. 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.

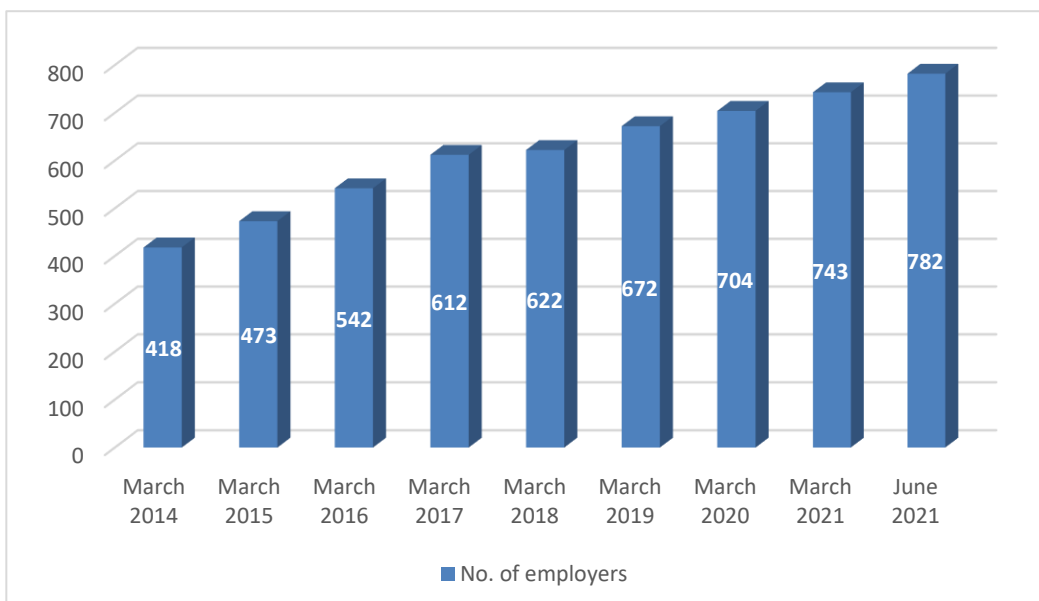
7.0 IDRPs Casework

7.1 The outstanding case from 2019/20 has now been completed. The case related to a historical medical appeal against the employer, which has required considerable engagement with third party medical practitioners, the employer and the member. The case was partially upheld and deferred benefits were paid early on ill health grounds as opposed to ill health retirement

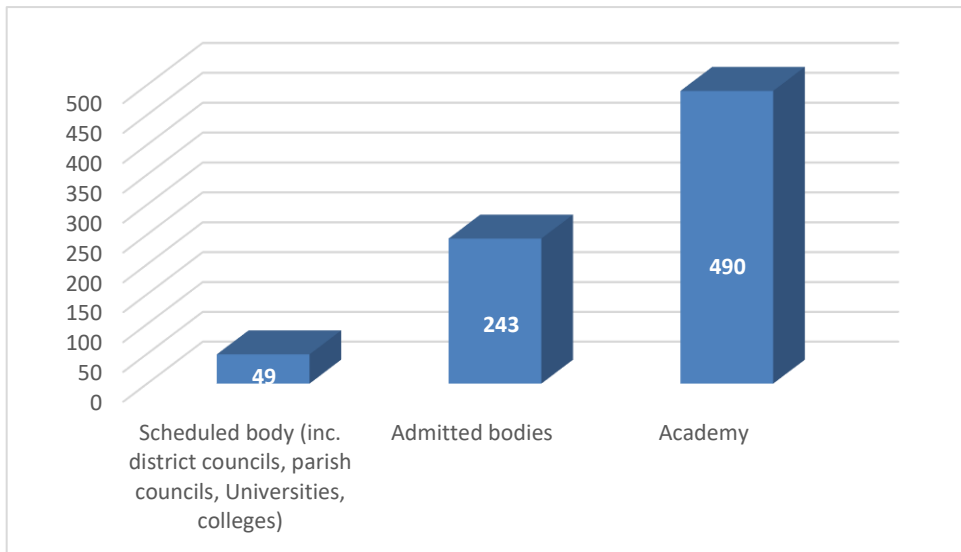
7.2 For the 2021/22 year to date, two cases have been referred to Stage one of the procedure on appeal against the Fund and one case has progressed to Stage two with all cases currently being investigated.

8.0 Employer Membership

8.1 The Fund has seen an increase in employer numbers, with the overall number of employers registered with the Fund as 782 at 30 June 2021. This continues to be a 5% increase from the previous period and a 87% increase since March 2014 as shown in the graph below.



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



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

- 73 admission agreements
- 13 academies
- 45 employer terminations

9.0 Application for Admission Body Status

9.1 Organisations must satisfy one or more of the admission criteria before they can be admitted to the Fund following approval of applications. Where applications need to be progressed outside of the Committee meeting cycle, 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.

9.2 There are 11 approvals requested from Committee in regard to applications for admission to the West Midlands Pension Fund. These are detailed in Appendix E.

10.0 Pensions in Payment

10.1 The gross annual value of pensions in payment to June 2021 was £546.80m, £15.4m of which (£7.5m for pensions increase and £7.9m for added year's compensation) was recovered from employing authorities and other bodies as the expenditure was incurred.

10.2 Monthly payroll details were:

Month	Number	Value (£)
April 2021	88,199	40,083,322
May 2021	88,422	40,362,560

June 2021	98,653	41,297,820
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The June figure includes pensioners paid on a quarterly basis.

11.0 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.

11.1 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	1	58	8	224
£100 - £500	20	3,236	1	166
Over £500	11	25,922	0	0
TOTAL	32	29,216	9	390

Of the cases where the overpayment has been written off:

- 17 cases are where the Fund has not received a response or are unable to trace the Next of Kin.
- 4 cases are where the Next of Kin has stated there is no money in the estate to make the repayment.
- 11 historical cases which are recommended for write off following advise from City of Wolverhampton Council legal team to write off.

Of the cases where the overpayment has been written on:

- 6 cases the Fund has received no response from Next of Kin
- 3 cases no details of Next of Kin

12.0 DWP Consultation on pension scams

12.1 On 14 May 2021, the DWP launched a consultation on pension scams: empowering trustees and protecting members. The consultation proposes new requirements are placed on trustees and scheme managers to conduct further due diligence and checks before a pension transfer can be completed. The new requirements introduce conditions tests, based on the type of scheme and the risks the receiving scheme is likely to present to the member.

12.2 If the transferring scheme does not fall into any of the conditions, then the Fund will have to determine whether there are any red flags (i.e. if the member has experienced unsolicited contact or the advisor does not have the regulator permission etc) and if so, whether the transfer should be allowed to proceed or be subject to any further conditions. The Fund fed into the LGA response to the consultation, alongside other Funds. The details of the consultation can be found on the [Department of Work and Pensions website](#).

12.3 The Fund currently undertakes due diligence on all transfer payments in line with our undertaking to the Pensions Regulator to take action to protect members from scams, anticipates prior updates to process would capture the proposed regulatory requirements. Ongoing compliance will be reviewed, ahead of new regulation and on issuance of emerging guidance and templates for the LGPS, expected for issue by LGA, in due course.

13.0 Transfer Out Cases

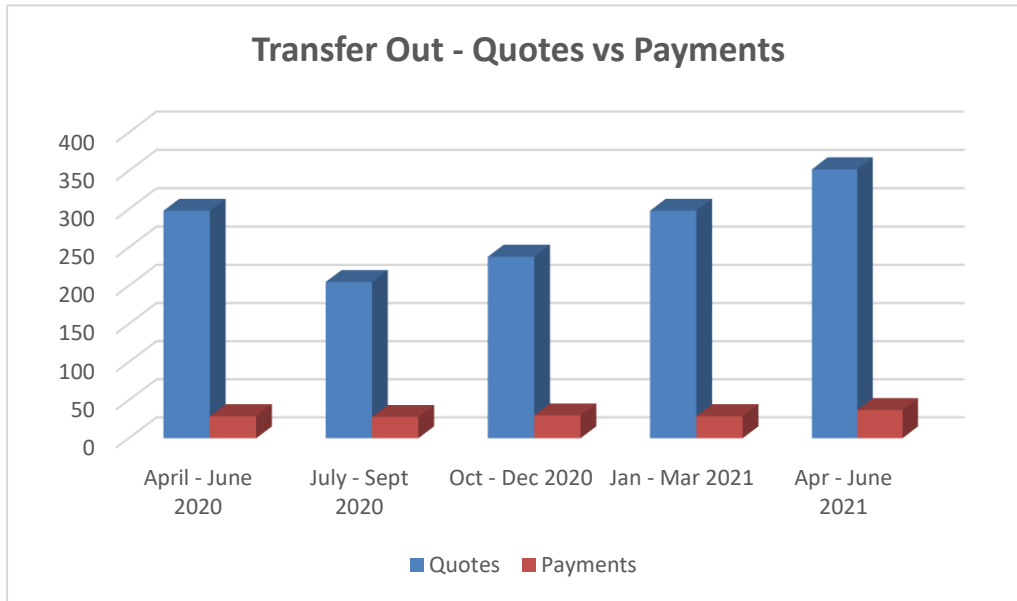
13.1 During the period 1 April to 30 June 2021, 352 transfer values were issued to members considering transferring their benefits out of the scheme (previous period, 1 April to 30 June 2020, 298 transfer values were issued to members).

13.2 In total 37 transfer payments made during the period 1 April to 30 June 2021 resulting in a total amount transferred of £1,448,654 (previous 1 April to 30 June 2020 a total of 29 transfer payments were made (£1,588,166 was transferred out). This amount is broken down as follows:

Value of Transfer Payments	Number of Transfer Payments
0 to £30,000	26
£30,001 to £100,000	7
£100,001 to £200,000	3
£200,001 to £300,000	0
£300,001 to £400,000	1
£400,001 to £500,000	0
Above £500,001	0
Total	37

13.3 Analysis has been undertaken of the transfer out payments to non-public sector or occupational schemes over the period of April to June 2021, to review the volume and trends. During the period, of the 37 completed, a total of 21 non-public sector or occupational scheme transfer out payments have been processed, to a total of 13 different receiving schemes. The average age of members transferring out was 47 years, with the main reason for members transferring out was to consolidate their benefits.

13.4 The Fund has seen a gradual increase in the number of requests from members for transfer out values, however the number of members electing to progress with the transfer of their benefits out of the Fund remains fairly low (c11% of the quotations requested). This is shown in the graph below



14.0 Financial implications

14.1 The report contains financial information which should be noted.

14.2 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.

15.0 Legal implications

15.1 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.

16.0 Equalities implications

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

17.0 All other implications

17.1 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.

18.0 Schedule of background papers

18.1 None.

19.0 Schedule of appendices

19.1 Appendix A: Process Summary

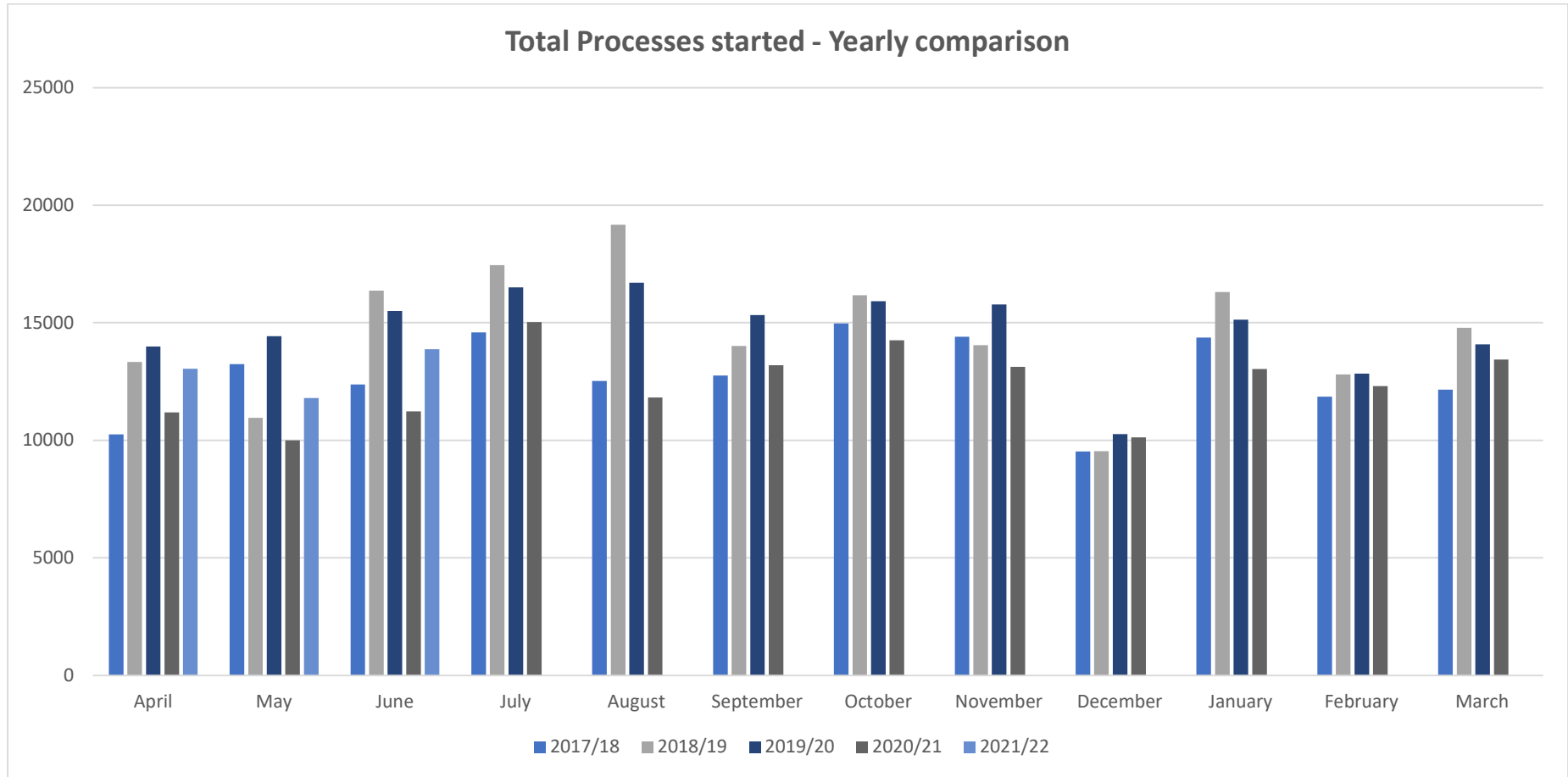
19.2 Appendix B: Detailed Process Analysis

19.3 Appendix C: Key Performance Indicators (KPIs)

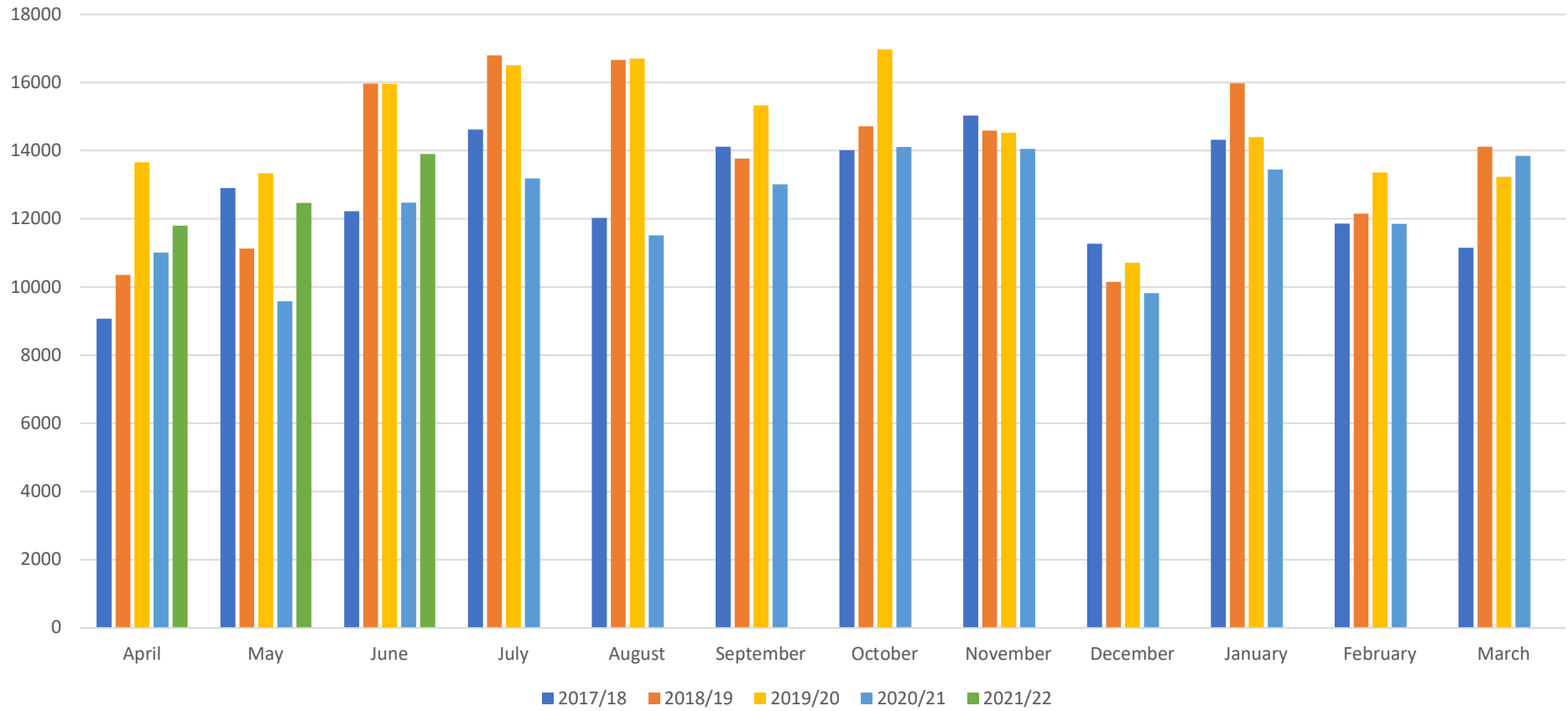
19.4 Appendix D: Customer Service Statistics

19.5 Appendix E: Admitted Body Applications

Appendix A



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	20/21	April	May	June	YTD
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Active & Deferred members

Process type															
Joiners and Rejoiners (Bulk)	8,763	6,403	11,138	13,558	9,816	16,688	20,227	17755	25509	19939	17479	991	466	695	2152
Changes in circumstances eg change in hours	18,759	15,303	12,385	11,273	6,391	8,752	6,370	5386	5725	6658	5161	369	332	445	1146
Deferments	5,939	7,818	5,741	6,728	5,664	8,340	8,178	8629	15934	11994	9444	536	630	1039	2205
Active Retirements (Employer retirements)	3,317	3,950	2,475	2,279	2,351	2,775	2,593	2676	2280	2112	1908	36	209	26	271
Deferred Retirements	3,332	2,970	2,971	2,726	2,301	3,421	3,552	4429	4814	5071	4844	321	429	722	1472
Deaths of members	295	262	287	285	230	379	399	470	429	441	570	38	41	40	119
Refund										6877	4499	325	328	391	1044
Opt Outs										3585	1228	97	93	92	282
Amalgamations										11628	8841	545	403	359	1307

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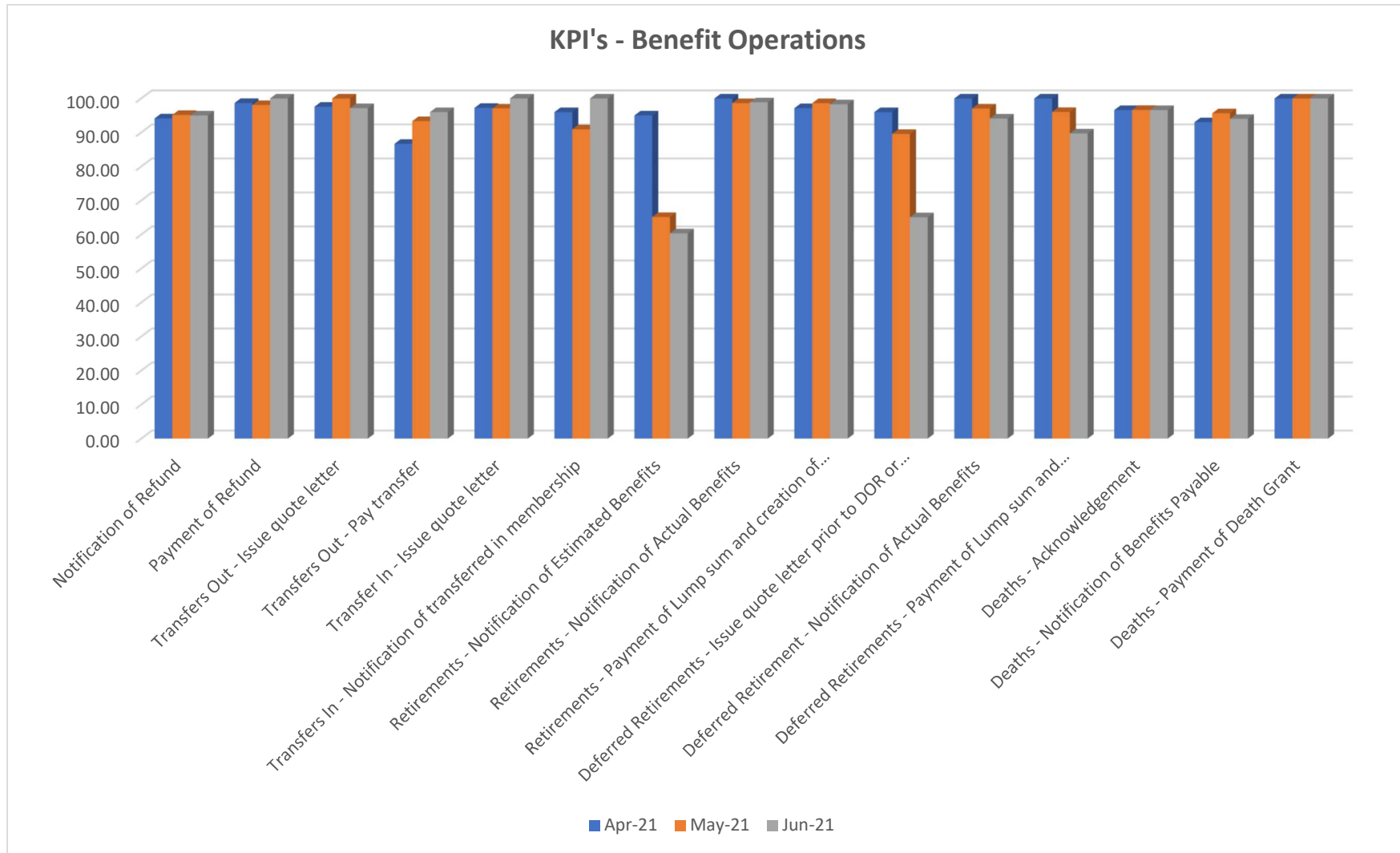
Pensioner members

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	1761	232	177	138	547
Changes of Address	2,420	2,681	2,131	1,732	1,733	2,237	2,589	3004	2628	2423	2448	384	415	209	1008
Changes of Bank	2,927	2,531	2,783	3,420	3,281	1,573	2,272	2214	1957	1874	1539	208	201	183	592
Deaths of pensioners	2,085	2,145	2,101	2,546	2,454	1,702	2,813	2919	2793	2650	3886	254	225	271	750

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	1,093,949	88,199	88,422	98,653	275,274

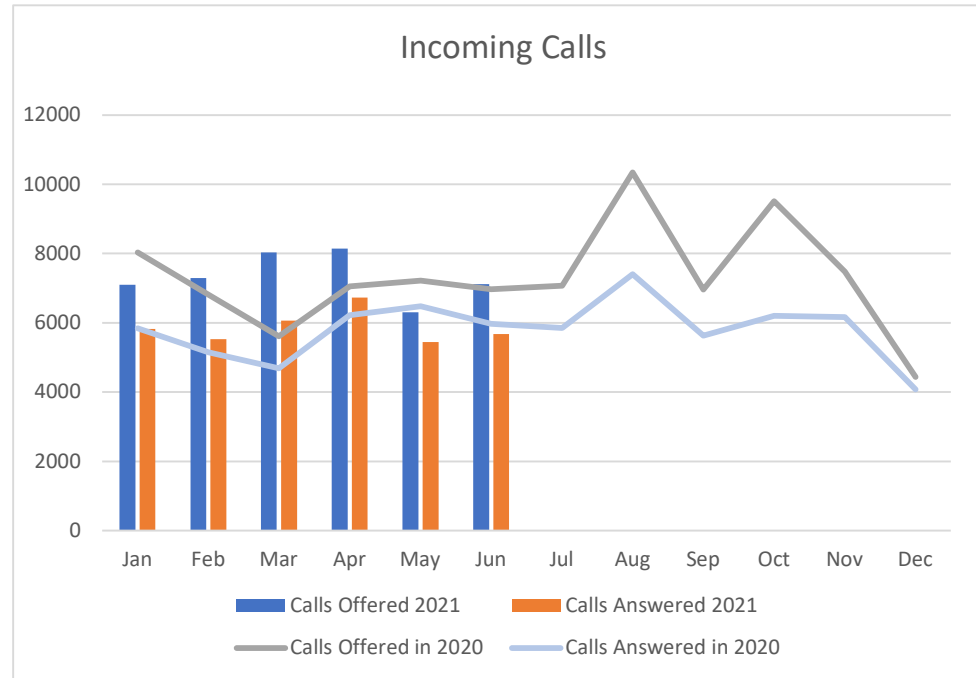
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Appendix C



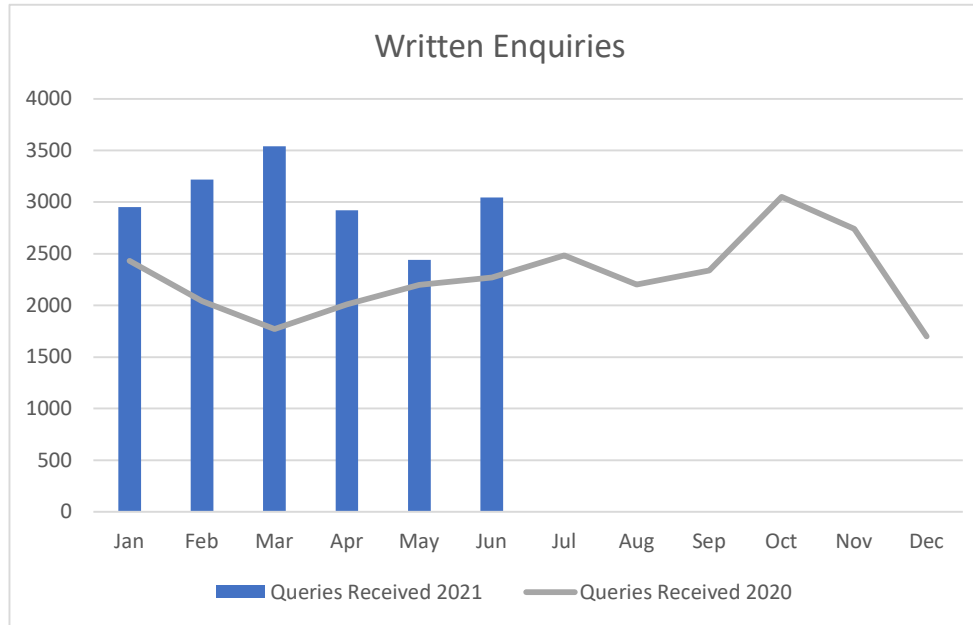
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**Appendix D: Customer Services Statistics
April to June 2021**



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Calls Offered 2021	7094	7293	8027	8142	6299	7114						
Calls Answered 2021	5822	5523	6065	6733	5437	5675						
Calls Offered in 2020	8031	6812	5603	7055	7224	6968	7068	10342	6956	9513	7476	4431
Calls Answered in 2020	5842	5149	4682	6216	6477	5968	5848	7398	5624	6206	6171	4071
Answer Rate (Target 85%)	82.07%	75.73%	75.56%	82.69%	86.32%	79.77%						
Percentage increase	-11.67%	7.06%	43.26%	15.41%	-12.80%	2.10%						

Appendix D: Customer Services Statistics



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Queries Received 2021	2953	3217	3541	2921	2441	3043						
Queries Received 2020	2431	2039	1770	2011	2199	2270	2485	2202	2338	3049	2741	1699
Percentage increase	21.47%	57.77%	100.06%	45.25%	11.01%	34.05%						

Appendix E

Application for admission body status

Employer name	Guarantee Status (Agreement)	No. of employees (Scheme members) Agreement type	Status (Approved/pending approval)
Miquill Catering Ltd (The Cromwell Trust)	The Cromwell Trust	3 (3) Closed	Pending approval
ABM Catering Ltd (Leigh Trust)	The Leigh Trust	25 (25) Closed	Pending approval
Alliance In Partnership Ltd (St Francis Catholic Primary School)	St Francis Catholic Primary School	TBC (TBC) Closed	Pending approval
Caterlink Ltd (Star Academies)	Star Academies	TBC (TBC) Closed	Pending approval
Sodexo Ltd - Birmingham Diocesan Multi-Academy Trust	Birmingham Diocesan Multi-Academy Trust	29 (29) Closed	Pending approval
Miquill Catering Ltd (John Paul II MAT)	John Paul II MAT	TBC (TBC) Closed	Pending approval
ABM Catering Ltd (Langley School)	Solihull MBC	12 (12) Closed	Pending approval
ABM Catering Ltd (Finham Primary School)	Finham Park MAT	2 (2)	Pending approval
ABM Catering Ltd (Prince Albert Community Trust)	Prince Albert Community Trust)	30 (30) Closed	Pending approval
Coombs Catering Partnership Ltd (Heath Mount Schools)	Birmingham City Council	6 (6) Closed	Pending approval

Mellors Catering Limited (Star Academies Trust)	Star Academies Trust	TBC) (TBC) Closed	Pending approval
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There was 1 approved by the Chair during the period in regard to applications for admission to the West Midlands Pension Fund.

Compass Contract Services (King Edward VI Academy Trust)	King Edward VI Academy Trust	7 (25) Closed	Approved
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CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 29 September 2021
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Report title	Governance and Assurance	
Originating service	Pension Services	
Accountable employee	Rachel Howe	Head of Governance and Corporate Services
	Tel	01902 55 2091
	Email	Rachel.Howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 55 1715
	Email	Rachel.Brothwood@wolverhampton.gov.uk

Recommendations for noting:

The 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.
4. Updates on potential regulatory changes and statutory guidance emerging from the LGPS and wider pensions industry.
5. Governing Body Training activities undertaken during the quarter.

1.0 Purpose

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

2.0 Risk Management

2.1 Strategic Risk Register

- 2.1.1 As previously reported, work to continually evolve the Fund's Risk Management practices is ongoing to ensure effective management and mitigation of risk, both operational and financial, current and risks which may be on the horizon, for example as a result of regulatory change.
- 2.1.2 In line with its Risk Management policy, 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 service area with each having area individual controls in place to manage the impact. The Strategic Risk Register is compiled and reviewed each quarter, reflecting both top-down and individual service area assessments.
- 2.1.3 This quarter the Fund has reduced its overall assessment of risk related to Data Management, noting the increased production of benefit statements ahead of statutory deadline, noting there remains a focus on the increased resourcing required to deliver the McCloud remedy for both the Fund and its employers.
- 2.1.4 Effective Governance remains a theme for all service areas as reliance and proactive management of third parties to support delivery remains key. Noting the ongoing wave of regulatory change across the pensions industry and LGPS, resources are being stretched within the Fund and at key suppliers and this is reflected in the increased rating given to organisational resource risk. Recently, the Fund has made some key appointments to roles across all service areas as part of a programme to manage the increasing governance and change environment.
- 2.1.5 This quarter, a new risk has been added on Funding and Cost Management, noting the heightened uncertainty in measures which may be taken to manage Scheme benefit costs and long term volatility of markets and reduced outlook for returns in the context of financial constraints in a post Covid environment for all LGPS employers.
- 2.1.6 The Strategic Risk Register is attached at Appendix A.

3.0 Compliance Monitoring

3.1 Data Protection

This quarter the Fund is reporting seven data breaches, a slight decrease from the nine reported during the previous quarter. As per the previous quarter all of the breaches were

minor and involved minimal amounts of data with the majority providing an indication of areas with scope to strengthen controls in processes, rather than true breaches. 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.

3.2 Freedom of Information (FOI) Requests

This quarter the Fund received nine FOI requests, all of which were dealt with in accordance with the deadlines set by the City of Wolverhampton Council who operate in accordance with statutory timescales. The Governance Team continue to work across the Fund and in conjunction with Information Governance staff based at the City Council to ensure that FOI requests are dealt with within prescribed guidelines and timescales. Part of the monitoring undertaken on FOI requests includes the types of information sought and from which areas of the Fund, the governance team work closely with the Fund's Responsible Investment Officer to support information requests and are working with other teams in the Fund to further build understanding about requests for information.

3.3 Subject Access Requests (SARs)

This quarter the Fund has received three Subject Access Request, a decrease of one since the previous quarter. In addition, a further two third party requests for member information were also received. As reported previously, the majority of third-party requests for information are received from claims companies seeking information in connection with a member's decision to transfer out their pension to another provider; Committee will recall that the Fund has reported these concerns to the FCA and continues to monitor such requests for any flags which may indicate a need for further escalation with regulatory bodies.

4.0 Key Performance Indicators

4.1 Attached at Appendix B are the Fund's Key Performance Indicators. This quarter the Fund has seen above target performance in the majority of areas, further detailed explanations of KPI scores are provided in the relevant Committee report.

5.0 Data Management

5.1 In accordance with statutory requirements the Fund has undertaken the production of Annual Benefit Statements for 2021 and is reporting 93% production of annual benefit statements for active members and 99% production of deferred benefit statements. (Accounting for membership movement, the total number of statements produced as an actual figure has increased by just over half a percent). A further run of Annual Benefits statements will be undertaken in December and the details will be reported to a future meeting of the Committee.

5.2 All statements were published live on member pensions portal in advance of the statutory deadline of 31 August 2021. For those members for whom the Fund was unable to produce a statement, a NILABS letter has been produced confirming the reasons for

non-production. The Fund is undertaking detailed analysis of the reasons for non-production and is working with employers as part of the data management strategy to cleanse any data queries. As queries are resolved, statements may be produced on an individual basis.

5.3 The Fund continues to develop its data management strategy and data cleansing programme, supported by the appointment of a new Data Manager during September. Work with employers through regular data feedback to enhance data quality and the timely production of information to members in order to facilitate retirement planning is ongoing with further detailed outlined in the Customer Engagement Report.

6.0 Regulator Activity

6.1 The Pensions Regulators (TPR) Single Code of Practice

6.1.1 TPR have released an interim response to their consultation on the single code of practice, which is available on their website. Committee will recall that TPR are reviewing their 15 codes with the intention of creating one single code of practice covering all pension schemes, including public sector and the LGPS. The interim response noted high levels of engagement during the consultation and that these responses are currently being analysed and reviewed. TPR have stated they envisage the new code is unlikely to become effective before summer 2022. Whilst there is a delay in implementation, market commentators are encouraging schemes to continue to prepare for the changes and step-up in governance standards expected.

6.1.2 In preparation for the launch of the new code, work to assess the Fund's compliance via a gap analysis is underway and some policies have been reviewed and updated to reflect forthcoming change. An update on the work being undertaken by the Fund in preparation for the new code of practice will be presented to a future meeting of the Committee.

6.2 Chartered Institute of Public Finance and Accountancy (CIPFA) LGPS Knowledge and Skills

6.2.1 CIPFA have released updated versions of their LGPS Knowledge and Skills Code of Practice and Framework, which sets expectations on knowledge and understanding for both LGPS Governing Body (Pensions Committee and Local Pensions Board) members and senior officers. This version updates the knowledge and skills requirements first published by CIPFA in 2011.

6.2.2 The updated framework seeks to reflect the changes within the LGPS, at both national and local levels and includes clearer expectations regarding the levels knowledge and understanding. The framework is expected to progress further (to include knowledge on Climate risk management and reporting), as regulatory requirements develop the recommendations from the Scheme Advisory Board's Good Governance review.

6.2.3 CIPFA have highlighted eight core areas with knowledge and understanding requirements which are detailed below;

- pensions legislation and guidance
- pensions governance
- funding strategy and actuarial methods
- pensions administration and communications
- pensions financial strategy, management, accounting, reporting and audit standards
- investment strategy, asset allocation, pooling, performance and risk management
- financial markets and products
- pension services procurement, contract management and relationship management.

6.2.4 Members will recall that the Fund's Governing Body Training Policy was approved at the Committee meeting in June. This policy outlines how the Fund will support members to meet the expectations set out by CIPFA. In addition, the Fund's training plan is regularly mapped across to the areas of knowledge and understanding included in CIPFA's framework to ensure that training provided is in accordance with requirements and to identify any potential gaps in training provision.

7.0 Financial implications

- 7.1 Poor management of the Fund's data, financial information and assets can result in additional costs and detract from investment returns. Effective monitoring of the management arrangements, facilitated by timely disclosure of information, is required to ensure the Fund is well placed to ensure the delivery of its administration, funding and investment strategy.
- 7.2 Failure by the Fund to meet statutory requirements of effective governance and administration could result in fines imposed by the Pensions Regulator (tPR).

8.0 Legal implications

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

9.0 Equalities implications

- 9.1 There are no direct equalities implications.

10.0 Other Potential implications

- 10.1 There are no other potential implications.

11.0 Schedule of background papers

- 11.1 [TPR Interim response to new code of practice consultation](#)
- 11.2 [CIPFA Knowledge and Skills Code of Practise and Framework](#)

11.3 [WMPF Governing Body Training Policy](#)

12.0 Schedule of appendices

12.1 Appendix A: Strategic Risk Register

12.2 Appendix B: KPI's Quarter One

**West Midlands Pension Fund Strategic Risk Register
Quarter 2 2021**

	Risk Issue	Area of Concern	Current Driver	Rating	Risk ID (from operational risk map)
1	Data and Information Reporting	Data Quality and the ability of the Fund to produce statutory requirements for reporting together with meeting current legislative drivers.	<p>McCloud data cleansing is an ongoing project which will require additional data cleansing work by both the Fund and Employers</p> <p>Increased oversight on investment governance (and Pools) and the performance of LGPS Assets.</p> <p>Ongoing challenge to manage and process high volumes of investment and financial data.</p>		G1, F7, OP1, INV2, INV7
2	Effective Governance	The Fund is not able to update and effect its processes to ensure ongoing compliance	<p>Forthcoming regulatory change and statutory guidance redefining reporting requirements for the Fund</p> <p>Ongoing reliance on third party suppliers/stakeholders and the collective agreement of partners on common deliverables</p> <p>Ongoing resource constraints in key areas with a reliance on interim support</p>		G1, G2, F2, F3, OP2, F4, F8, OP8, PS1, PS2, PS4, INV1, INV2
3	Business Continuity and Cyber Risk	The Fund is unable to perform its functions	Global concern on increasing Cyber risk and evolving practices required to mitigate		G3, G4, F11, OP5
4	Resourcing	<p>Systems and current processes ability to cope with workload demands and the impact of manual processes pending automation enhancements.</p> <p>People resource risk and the ability to recruit to vacant roles with required skills</p>	<p>Competition in the market for skilled and specialist roles. Increasing employee mobility offering reducing potential for job seekers.</p> <p>Ongoing medium term reliance on interim and individual roles to support service delivery.</p>		G5, F1, OP4, OP7, PS7, PS8, INV6
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	<p>Growing complexity in scheme regulations and the increasing reporting requirements, placing increased demands on the Fund's monitoring processes.</p> <p>Manual processes for monitoring compliance create challenges to effect appropriate controls and assurance</p> <p>Ongoing challenge to manage and process high volumes of member, financial and asset data together with oversight of a large numbers of fund employers and asset managers</p>		F2, F4, F6, F10, F12, F13, PS6, OP6, PS1, INV1, INV2, INV3
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.	<p>A number of processes remain manual pending system updates and/or automation</p> <p>Growing complexity in scheme rules creating confusion for Fund stakeholders resulting in increased demands for front line services.</p> <p>Multitude of regulatory change in the operational and reporting requirements of Funds</p>		F9, PS3, PS5, INV3
7	Service Delivery - Third Parties	The Fund is unable to deliver its services due to the reliance on third parties	<p>Software updates to support automation and process efficiencies are dependent on the software provider</p> <p>Employers own resource risk limits ability to deliver requirements for the Fund</p>		OP3, F5, PS4
8	Funding and Cost Management	The uncertainty of long term volatility in markets affecting inflation and the discount rate in a backdrop of local government budget constraints	<p>Changing market conditions impact on investment returns and pace of change in asset allocation</p> <p>Increased level of employer interest in exit from the LGPS</p>		INV4,

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Operations - Benefit Operations Processes				
KPI Summary	KPI Description	Frequency	KPI Target	T Yr 21/22 Q1 % Hit
Refund Notification	Notify member of Refund within 10 days of receiving required information	Monthly	90%	94.77%
Refund Payment	Refund payments processed within 5 days of receiving required information	Monthly	90%	98.88%
Retirement Quote	Notification of Estimated Benefits within 15 days of retirement date	Monthly	90%	98.89%
Retirement Notification	Notification of the actual benefits within 5 days of receiving member option form (Retirement Notification)	Monthly	90%	66.73%
Retirement Payment	Payment of lump sum and creation of payroll record within 5 days of receiving election form (Retirement)	Monthly	90%	98.44%
Deferred Retirement Quote	Issue quote letter within 30 days of the members eligible payment date or receipt of request from member	Monthly	90%	77.30%
Deferred Retirement Notification	Notification of the actual benefits within 5 days of receiving member option form (Deferred Retirement Notification)	Monthly	90%	94.27%
Deferred Retirement Payment	Payment of lump sum and creation of payroll record within 5 days of receiving election form (Deferred Retirement)	Monthly	90%	92.21%
Transfer In Quote	Transfer in quotations processed within 10 days of receiving all the required information	Monthly	90%	98.10%
Transfer In Payment	Transfer notification of transferred in membership to be notified to the scheme member within 10 days of receiving payment	Monthly	90%	94.92%
Transfer Out Quote	Transfer out quotations processed within 20 days of receiving required information	Monthly	90%	98.30%
Transfer Out Payment	Transfer out payments processed within 20 days of receiving required information	Monthly	90%	92.73%
Deaths Acknowledgement	Acknowledgement of a death within 5 days of receiving the notification	Monthly	90%	96.60%
Deaths Notification of Benefits Payable	Notification of benefits payable to dependents will be issued within 5 days of receiving the required information	Monthly	90%	94.24%
Deaths Payment	Payment of death lump sum will be made within 10 days of receipt of all the required information	Monthly	90%	100.00%

Pension Services - Service Calls				
KPI Summary	KPI Description	Frequency	KPI Target	T Yr 21/22 Q1 % Hit
Customer Services Calls	Calls received to the customer helpline to be answered	Monthly	85%	82.93%
Employer Services Calls	Calls received to the employer helpline to be answered	Monthly	85%	96.43%

Pension Services - Customer Satisfaction				
KPI Summary	KPI Description	Frequency	KPI Target	T Yr 21/22 Q1 % Hit
Customer Satisfaction	Customer satisfaction	Quarterly	90%	85.23%

Pension Services - Web Portal Registrations				
KPI Summary	KPI Description	Frequency	KPI Target	T Yr 21/22 Q1 % Hit
Web Portal Registrations	Web Portal Registrations	Monthly	3000 increase per quarter	2875

Operations - Web Portal Availability				
KPI Summary	KPI Description	Frequency	KPI Target	T Yr 21/22 Q1 % Hit
Web Portal Availability	Pensions Portal to be available 95% of the time (based on working hours as monitored)	Monthly	95%	98.53%
Employer Portal Availability	Employer Portal to be available 95% of the time (based on working hours as monitored)	Monthly	95%	99.86%

Pension Services - Complaints Monitoring				
KPI Summary	KPI Description	Frequency	KPI Target	T Yr 21/22 Q1 % Hit
Member Complaints	All member complaints to be responded to within 20 working days of receipt	Monthly	100%	98.15%
Employer Complaints	All employer complaints to be responded to within 20 working days of receipt	Monthly	100%	100.00%

Pension Services - Complaints Monitoring				
KPI Summary	KPI Description	Frequency	KPI Target	T Yr 21/22 Q1 % Hit
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 - Statutory Response Timeliness				
KPI Summary	KPI Description	Frequency	KPI Target	T Yr 21/22 Q1 % Hit
Combined Statutory Timeliness	Overall statutory response timeliness	Monthly	100%	100.00%

Governance - Data Quality				
KPI Summary	KPI Description	Frequency	KPI Target	T Yr 21/22 Q1 % Hit
Common Data	Common Data	Monthly	99%	97.57%

Operations - Data Improvement				
KPI Summary	KPI Description	Frequency	KPI Target	T Yr 21/22 Run 1 % Hit
ABS	ABS produced for 100% of active member records	Annually	100%	93.00%
DBS	DBS produced for 100% of deferred member records	Annually	100%	99.00%

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 29 September 2021
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Report title	Corporate Plan Monitoring	
Originating service	Pension Services	
Accountable employee	Rachel Howe	Head of Governance and Corporate Services
	Tel	01902 55 2091
	Email	Rachel.Howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 55 1715
	Email	Rachel.Brothwood@wolverhampton.gov.uk

Recommendation for noting:

The Pensions Committee is asked to note:

1. The work undertaken by the Fund to work towards the goals and ambitions outlined in the Corporate Plan 2021 – 2026.

1.0 Purpose

1.1 To provide Committee with an update on the work of the Fund in achieving its deliverables and targets set out in the Corporate Plan.

2.0 Corporate Plan 2021 – 2026

2.1 The Fund adopted its corporate plan in March 2021 following a period of engagement with our Governing Bodies, employees, and customers which helped shape the focus of our service delivery and goals and ambitions for the next five years including;

- Providing accessible information and support to our members and employers
- Continuing to scan and plan for regulatory and sector changes which may impact our employers and their interaction with the Scheme
- Ensuring the Fund continues developing activity as a responsible investor and employer
- Providing a place of opportunity to collaborate and create training and skills within the region
- Active participation in policy development and enhanced data and information management to support effective decision making
- Effectively resourcing the Fund to deliver services and enable agility in working and service delivery arrangements to continue to build an inclusive and sustainable future for the Fund and its stakeholders.

2.2 During the first quarter of 2021/22, the Fund remained committed to supporting its people and servicing members as we continued to work and evolve in response to the Covid pandemic and restrictions in place. The Fund's pension services team saw increases in call volumes from members seeking support and information about their pension benefits and with potential for financial and operational challenges post Covid, there has been ongoing engagement with employers. The Fund has also reviewed and responded to relevant consultations on changing guidance and regulation.

2.3 In response, the Fund focussed its delivery on ensuring *Accessible Information and Support* through evolving its customer engagement offerings and launching bespoke campaigns relevant to the member journey. An achievement recognised in the Fund's award winning Retirement Planning Campaign focussing support and information to members aged 55 and over, offering individual support and bespoke webinars enabling our members to take *Informed Action* and plan for their retirement. Our digital transformation programme continued to enhance self service offerings for members through the roll out of retire online for deferred members.

2.4 In conjunction with this, our *Active Participation* in industry discussion and response to the Pension Regulator's Single Code of Practice, Academy Transfer and the proposed changes to the public sector pensions and cost management process, together with the consultation with our employers on our updated Funding Strategy following the introduction of enabling employer flexibility regulations, has enabled the Fund to *Instil Confidence Through our Transparent Engagement*.

- 2.5 In keeping with the focus on demonstrable outcomes, the Fund was within the first group of UK asset owners and LGPS Funds to report and publish its 2021 Stewardship Code, receiving signatory status from the Financial Reporting Council earlier this month and delivering on our commitment to be a *Responsible Asset Owner*.
- 2.6 As well as supporting our customers, the Fund remained committed to supporting our people during the ongoing social restrictions and working from home environment. We continued to deliver on our ambition of becoming a *People Development Champion* launching this years' graduate and trainee recruitment programme and updating the Fund's People Strategy to reflect ambition set in the Corporate Plan 2021-2026. The trainee and apprenticeship programmes have continued to grow from strength to strength with high number and calibre of candidates recognising the opportunities on offer. Employees continue to utilise the support available through the Fund's Training Policy, with a range of online learning support utilised for continuing or gaining new qualifications and skills or studying towards a relevant qualification.
- 2.7 Our role as a *Responsible Employer* in supporting our people ensures inclusion and opportunity for all and our signatory status to the Employers Network for Equality and Inclusion highlights our commitment to providing opportunities and ensuring all feel supported. Our commitment to this area is outlined in our Annual Report and Accounts where we voluntarily disclose statistics about our workforce. In line with our People Strategy, the Fund has reviewed and relaunched its Training Policy for colleagues wanting to undertake training, development and qualification with time granted to undertake exams and exam study individual to the demands of the courses being taken.

3.0 Looking Ahead

- 3.1 Over the next quarter, focus remains on supporting our customers, providing opportunities for them to become *Active Participants* in the Fund's service delivery as we reintroduce opportunity for face to face support and roll out Annual Benefit and Pension Savings Statements. Our continued focus on enhancing offerings, supported through technology developments in our digital transformation programme, will focus on providing more opportunities for members to access information and engage with their pension savings and benefits.
- 3.2 Our status as an accredited learning centre for a variety of qualifications will enable us to support region wide knowledge and development and continue to grow our success as a *People Development Champion* as we look for reaccreditation of our Investors in People Gold in the Spring 2022.
- 3.3 Of key focus, is on our ability to build and create a working and collaborative environment that supports our values and behaviours, helping to support our ambitions on engagement and accessibility and ensuring best use of technology. Creating an environment where our people feel supported and can see opportunities for growth whilst ensuring we do our part to provide a sustainable environment and opportunities for local communities.

4.0 Financial implications

4.1 The Fund's delivery of its Corporate Plan and the initiatives developed to support are included in the Fund's budget for 2021/22, an update is provided in the Budget report.

5.0 Legal implications

5.1 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.

6.0 Equalities implications

6.1 The Fund undertakes Equality Impact Assessments for all new initiatives with considerations given to Equality and Inclusion in line with guidance from ENEI. There are no implications.

7.0 Other Potential implications

7.1 There are no other implications in this report.

8.0 Schedule of background papers

8.1 [Corporate Plan 2021 – 2026](#)

9.0 Schedule of appendices

9.1 None.

CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 29 September 2021
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Report title	Budget Monitoring 2021-2022 and Quarterly Accounts 30 June 2021	
Originating service	Pension Services	
Accountable employee	Darshan Singh	Head of Finance
	Tel	01902 552768
	Email	darshan.singh@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	rachel.brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Pensions Committee is asked to note:

1. The Fund accounts for the quarter ending 30 June 2021 which estimate the value of West Midlands Pension Fund at this date to be £19.9 billion, an increase of £960 million (5%) since 31 March 2021
2. As at the end of June 2021, West Midlands Pension Fund forecasts an out-turn underspend for the year against operating budgets as recruitment to new posts continues into the second quarter of 2021-22.

1.0 Purpose

- 1.1 The purpose of this report is to update Pensions Committee on the forecast out-turn for the year against operating budget for 2021-2022 and present the quarterly accounts to 30 June 2021.
- 1.2 The operating budget for the year to 31 March 2022 was approved by Committee on 24 March 2021.

2.0 Forecast Out-turn against Operating Budget 2021/22

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

2.2

	Budget 2020/21	Budget 2021/22	Forecast 2021/22	Variance Out-turn
	£000	£000	£000	£000
Employees	9,066	9,700	9,307	(393)
Premises	300	700	700	-
Transport	38	40	40	-
Other Supplies and Services	437	488	484	(4)
Service Development	1,027	1,054	1,067	13
Professional Fees	1,552	1,499	1,499	-
Communications and Computing	613	627	627	-
Support Services	723	733	733	-
Miscellaneous Income	(595)	(590)	(590)	-
Net Expenditure	13,161	14,251	13,867	(384)
External Investment Management Costs	77,970	82,539	82,539	-
LGPS Central Charges	4,949	5,225	5,225	-
Total External Investment Costs	82,919	87,764	87,764	-
Total	96,080	102,015	101,631	(384)

*There may be slight differences due to rounding.

- 2.3 Forecasts have been made using a combination of reviewing spend to date and taking into account plans for the remainder of the financial year. At this early stage, it is anticipated there is likely to be an underspend on staffing (£393k) as the recruitment to newly budgeted positions is underway but ongoing at the end of quarter one.

- 2.4 The budget includes allowance for an increase in premises cost for 2021/22 reflecting plans for the Fund to transition to new offices during the year. This allowance is based on an estimate of the cost of rent and moving which may be refined during the year.
- 2.5 Investment management costs are heavily influenced by market movements and investment performance and are therefore expected to fluctuate during the year. The Fund will continue to take a transparent approach to reporting investment management costs, including capture of previously 'hidden' charges and recording of transaction costs associated with turnover within individual portfolios but now increasingly captured in the cost transparency reporting templates, along with performance fees. These are analysed in depth on an annual basis.
- 2.5.1 By their very nature and given the scale and complexity of the Fund's investment portfolio, these fees deducted at source are difficult to collate and measure on a quarterly basis with sufficient precision from which to draw conclusions and estimates can be misleading. Portfolio changes during the year and asset allocation or strategic changes can also impact on the annual reported costs. Following each year end, the Fund obtains, scrutinises and reconciles cost transparency reports from all its managers as part of its annual Statement of Accounts preparation and audit processes to be able to present the final position to Committee more accurately in its Out-turn 2021/22 reporting and, in context with the results from investment performance benchmarking exercises which the Fund undertakes each year.
- 2.6 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.
- 2.7 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.
- 2.7.1 At this time, we are forecasting a slight increase relative to budget for total administration, oversight & governance cost from £35.83 to £36.33 per member. This increase is not driven by forecast costs but derives from the number of members at 30 June 2021 being lower than the membership estimated for budget setting purposes.

	2020/21 Actual	2021/22 Budget	2021/22 Forecast
Total Administration Costs (£000)	6,268	9,266	9,043
Administration Cost per Member (£)	18.70	27.04	27.04
Total Oversight and Governance Costs (£000)	3,133	3,012	3,107
Oversight and Governance Cost per Member (£)	9.35	8.79	9.29
Number of Members	335,101	342,684	334,421
Total Administration, Oversight and Governance cost per Member (£)	28.05	35.83	36.33
Total Investment Management Costs (£000) *	100,850	89,737	89,481
Investment Management Cost per Member (£)	300.95	261.87	267.57
Investment Management Costs as a Percentage of Forecast Net Assets	0.54%	0.46%	0.45%

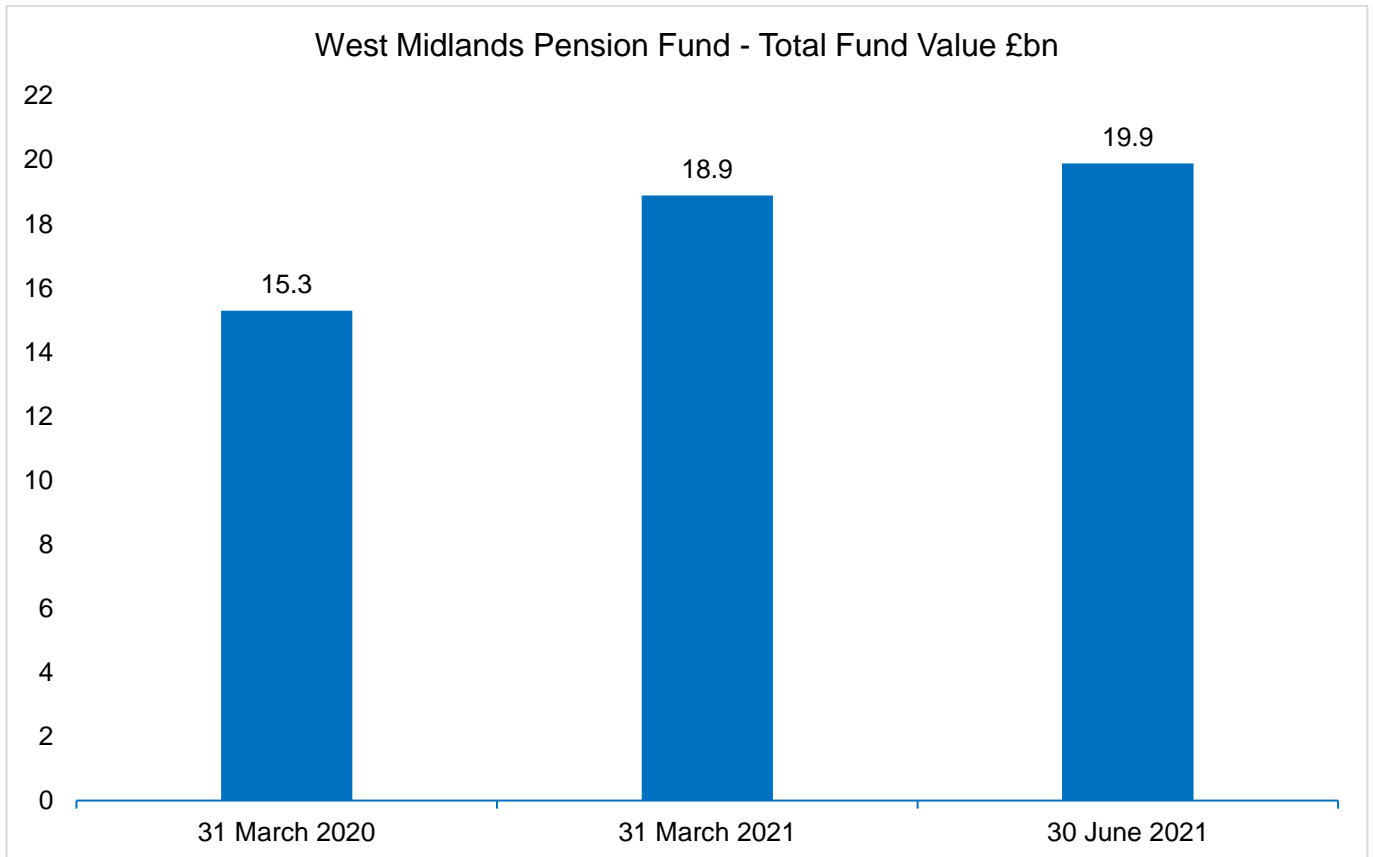
*Total investment management costs include costs of the Fund's internal Investments team. Pending ongoing recruitment to posts in this team, the forecast for internal investment costs 2021/22 is below the amount budgeted at the start of the year.

2.8 The Fund, like all public-sector bodies, remains cost-conscious and keeps its operating costs and procedures under regular review, with annual benchmarking.

3.0 Quarterly Accounts – West Midlands Pension Fund

3.1 Appendix A provides a Fund Account for the three months ending 30 June 2021 together with a Net Assets Statement as at that date.

3.2 The Net Assets Statement estimates a value for the Fund at 30 June 2021 of £19.9 billion. This is an increase of £960m (5%) from the 31 March 2021 value shown in last year's accounts.



*There may be slight differences due to rounding.

3.2.1 The main reasons for the increase in the value of the Fund for the year so far are market movements and investment performance which have increased valuations of invested assets by £960m over the period.

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

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

4.0 Financial implications

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

5.0 Legal implications

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

6.0 Equalities implications

6.1 This report has no equalities implications.

7.0 Other implications

7.1 There are no other implications.

8.0 Schedule of background papers

8.1 Budget 2021/22 and Financial Plan to 2025/26, Report to Pensions Committee, 24 March 2021

<https://wolverhampton.moderngov.co.uk/documents/s168576/Budget%2020212022%20and%20Financial%20Plan%20to%2020252026.pdf>

9.0 Schedule of appendices

9.1 Appendix A: West Midlands Pension Fund Quarterly Accounts to 30 June 2021

WEST MIDLANDS PENSION FUND ACCOUNTS FOR THE QUARTER TO 30 JUNE 2021

Fund Account

2020/21 £m		Quarter to 30 June 2021 £m
	Contributions & Benefits	
1,182.7	Contributions Receivable	140.5
22.3	Transfers In	4.6
13.9	Other Income	0.1
1,218.9	Total Contributions and Other Income	145.2
(646.8)	Benefits Payable	(159.6)
(31.0)	Payments To and On Account of Leavers	(6.9)
(0.4)	Other Payments	-
(678.2)	Total Benefits and Other Expenditure	(166.5)
(110.2)	Management Expenses	(27.3)
	Returns on Investments	
84.8	Investment Income	18.7
3,123.8	Changes in Value of Investments	989.8
(14.1)	Revaluation of bulk annuity insurance buy-in contract	-
3,194.5	Net Return on Investments	1,008.5
3,625.0	Net Increase in the Fund During the Period	959.9
15,288.1	Net Assets of the Fund at the Beginning of the Period	18,913.1
18,913.1	Net Assets of the Fund at the End of the Period	19,873.0

WEST MIDLANDS PENSION FUND ACCOUNTS FOR THE QUARTER TO 30 JUNE 2021

Net Assets Statement

31 March 2021 £m		30 June 2021 £m
	Investment Assets (at Market Value)	
508.4	Bonds	539.7
27.0	UK Equities	33.9
2,567.5	Overseas Equities	2,715.0
13,640.8	Pooled Investment Vehicles	14,636.1
1,014.0	Property (Direct)	997.4
3.1	Derivatives - Forward Foreign Exchange	2.9
399.6	Foreign Currency Holdings	442.0
498.2	Cash Deposits	242.4
19.2	Other Investment Assets	18.0
7.5	Outstanding Dividend Entitlement and Recoverable With-Holding Tax	7.7
18,685.3	Investment Assets	19,635.1
	Investment Liabilities (at Market Value)	
(2.3)	Derivatives - Futures	(0.2)
(2.3)	Investment Liabilities	(0.2)
18,683.0	Net Investment Assets	19,634.9
200.0	Bulk annuity insurance buy-in policy	196.1
10.2	Long-Term Debtors	10.4
40.4	Current Assets	50.0
(20.5)	Current Liabilities	(18.4)
18,913.1	Net Assets of the Fund at the End of the Period	19,873.0

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 29 September 2021
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Report title	Annual Report and Accounts 2020-2021	
Originating service	Pension Services	
Accountable employee	Darshan Singh	Head of Finance
	Tel	01902 55 5768
	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. Approval of the 2020-2021 Statement of Accounts, certified by the Administering Authority's Section 151 officer and published on 21 June 2021.
2. Grant Thornton's Audit Findings Report for West Midlands Pension Fund (WMPF).
3. That the Management Representations letter to Grant Thornton was signed in September 2021 by the Chair and the Director of Pensions on behalf of the Fund.
4. 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 as agreed by the Committee in June 2021

1.0 Purpose

- 1.1 The purpose of this report is to update the Committee on the Fund's audit and preparation of the annual report for the year ending 31 March 2021 ahead of publication on the Fund's website.

2.0 Background

- 2.1 Local Government Pension Scheme (LGPS) funds are required by law to produce a Statement of Accounts and an Annual Report. Normally, these must be subject to external audit and published no later than 31 July (accounts) and 1 December (annual report).

With effect from 31 March 2021 and applicable to the Statement of Accounts for the year ended 31 March 2021 the Accounts and Audit (amendment) Regulations 2021 extended the publication deadline for the Statement of Accounts to 30 September 2021.

- 2.2 The draft Statement of Accounts was published on 21 June and presented to Committee on 23 June and has since been audited by the Fund's external auditor, Grant Thornton, who will attend the Committee to present their Audit Findings Report.

3.0 Audit Findings

- 3.1 Subject to the finalisation of certain audit work that was outstanding at the time of writing, it is anticipated that Grant Thornton will issue an unqualified audit opinion for the Fund with the Statement of Accounts having been finalised before the revised statutory deadline of 30 September.

- 3.2 There is one adjustment that the Fund is making voluntarily to the draft Statement of Accounts presented to Committee in June and published on the City of Wolverhampton Council website. Subsequent to preparation of draft accounts, a reconciliation of the pensionable salary assumptions used in order to calculate payment in advance of certain employer's future service contributions for the year against actual pensionable salaries for 2020/21 revealed contributions of some £2.2m due to the Fund. The Fund is accounting for these in the finalised Statement of Accounts by the creation of an additional accrual at 31 March 2021.

The effect of this change is to increase the Net assets of the Fund at 31 March 2021 from £18.913m as reported in June to £18.915m per the final Statement of Accounts.

- 3.3 Grant Thornton's findings for WMPF are summarised in their "Report to those charged with governance" (ISA 260 report) a copy of which is attached at Appendix A.

3.4 In accordance with International Auditing Standards, the Fund is required to confirm to the external auditor that it has complied with all relevant requirements and provided all relevant information to the auditor. This takes the form of a Management Representation letter, signed by the Chair and the Director of Pensions on behalf of WMPF in September and submitted to Grant Thornton.

4.0 Publication

4.1 It is recommended that the Committee notes the draft Annual Report and Accounts which will be finalised in consultation with the Chair and Vice Chair ahead of publication. Committee members are invited to feedback any comments on the report to Officers by 15 October.

4.2 The approved Annual Report will be placed on the Fund's website at the following link, <http://www.wmpfonline.com/annualreports>. A copy of the draft report has been circulated separately to members of Committee.

4.3 The consolidated Scheme Annual Report for the LGPS in England & Wales will be published by the Scheme Advisory Board in due course, expected late Spring 2022.

5.0 Financial implications

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

6.0 Legal implications

6.1 This report contains no direct legal implications.

7.0 Equalities implications

7.1 This report contains no direct equalities implications.

8.0 Other implications

8.1 There are no other implications.

9.0 Schedule of background papers

9.1 Draft Accounts 2020/21, published online within the City of Wolverhampton's Statement of Accounts

10.0 Schedule of appendices

10.1 Appendix A – Grant Thornton Audit Findings Report, WMPF

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 29 September 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

Recommendation for noting:

The Pensions Committee is asked to note:

1. The engagement activity and informed service development.

1.0 Purpose

- 1.1 To provide Committee with an update of the Fund's customer engagement activity from 1 April 2021 to 30 June 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 followed up with individual telephone consultations as required. The webinars mirror our normal suite of member presentations and during this reporting period **50** webinars/workshops were delivered to **727** attendees. These were followed by **124** 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 **17** satellite support events to **189** 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 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 **2,875** bringing the total pension portal registrations to **111,008** at the end of June 2021.
- 3.4 The Fund continues to promote aspects of our work via the social media platform LinkedIn. Since the last reporting period a further **7,735** people have interacted with our articles.
- 3.5 During this reporting period the Fund's member video suite, providing on-demand support and guidance, has been expanded to include four new videos 1.) to raise encourage members complete a nomination form, 2.) understanding Additional Pension Contributions, 3.) understanding your 2021 deferred benefits statement and 4.) understanding your 2021 annual benefits statements.

- 3.6 Following the Fund's commitment to raise member awareness on the importance of Retirement Planning, earlier this year 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. In June 2021 this campaign was awarded the winner of the Pension Age - Pensions Marketing Campaign of the Year award.
- 3.7 **99,940** Deferred Benefit Statements have been produced. To raise member awareness and encourage members to engage with their benefits, the Fund produced a bulk mailing notifying **51,000** Deferred members whose email address we hold that their Annual Benefit Statement is now on the Pensions Portal.
- 3.8 The Fund produced its annual "Be Pension Smart newsletter" for our deferred members (appendix B) This newsletter was emailed out to all our deferred members who we hold email addresses for and put on the Fund's website. The newsletter contained important updates for members including the opportunity for them to join a deferred webinar and also to be part of a new deferred engagement forum.
- 3.9 Member information leaflets and videos have been updated and are now being uploaded to the Fund's website. There have been **371,000** web page views in this quarter.
- 3.10 Customer feedback is key to understanding our customer's journey, highlighting our strengths and any gaps in the service we deliver so that we can continually improve the services we offer. Some service enhancements made over the period includes:
- Improving the training suite for the Customer Services Team
 - Procedure for 'case review' processes has been reviewed

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 **85%**.

4.0 Employer engagement

4.1 Employer Peer Group

- 4.1.1 The first session of the Fund's virtual Employer Peer Group cycle for 2021/22 took place in June. A number of organisations who had not previously attended registered their interested were able to join this year's cycle with 16 employer representatives present. The content for the meeting included:
- Introductions and expectations for the new group
 - Pensions Administration Strategy and Employer Roadmap Consultation
 - McCloud - WMPF Requirements discussion

- Keeping Informed: New Online Employer Enquiry forms
- 2021 Health Check update and progress

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 16 virtual sessions delivered to over 195 attendees from 100 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
- Deferments
- Retirements
- Early retirement estimates and associated strain costs
- Ill health processing for employers
- Employer Hub Refresher demonstrations

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 13 feedback and performance meetings with 8 major and 2 smaller employers plus one third party payroll provider servicing 21 employers. Collectively these employers and payroll providers are responsible for submitting the data for over 56,000 active members to the Fund.

4.3.3 The work and engagement that has taken place with these employers in collaboration with colleagues from the Funds finance, data and operation teams has contributed towards the increased availability of Annual Benefit Statements for members and ensures data positions are reviewed and cleansed for accuracy ahead of 2022 Actuarial Valuation preparations commencing later in the year.

4.4 Employer System Developments: Hub and Webtrays

- 4.4.1 Following the roll out of Employer Hub commenced on 13 December 2020, all employers have now successfully migrated to the new platform. Planned roll out was due to complete by October 2021, but ahead of schedule this was finalised on 7 July 2021.
- 4.4.2 A number of refresher demonstrations are being delivered over the course of this year to help employers with the transition and by way of additional training for newly onboarded employers.
- 4.4.3 Discussions around future developments for the Employer Hub and webtray functionality are underway. The Fund's Employer Peer Group has noted that the basic/intended functionality is working well and has compiled a wish list of value-add additional features they would like to see rolled out to potentially further increase self-service.

4.5 McCloud: Employer Support

- 4.5.1 Following the issuance of a Special Briefing Note on 9 April 2021 employers have now begun to submit queries to the Fund via the online survey and also by email. The data requirements have also been discussed in depth with those major employers we have met with as part of the regular performance engagement meetings detailed above.
- 4.5.2 The online supporting documents continue to be updated to reflect any new queries received and also any updated guidance which may be received from the Scheme Advisory Board.
- 4.5.3 A number of webinars were advertised to all employers and payroll providers for delivery during August to help navigate the complexities of the remedy and the resulting data requirements. With sign-up rates in excess of 150 (covering over 550 employers) an additional session was also held on 16th September.

4.6 Employer Annual Health Check

- 4.6.1 The 2021 Employer Health Check was issued to all employers during the period. The concept of the check is to verify key information with employers including a review of active member lists, web user accounts and organisational contacts.
- 4.6.2 Previous results from this annual check have shown significant improvements in the accuracy of information held by the Fund. Over a third of employers have provided responses so far and the Employer Services team is actively engaging with employers to increase this further. Further information and results will be provided during the next period.

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 for employees 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 Summer edition of the "Pensions Post" was issued to employees in July to raise awareness to topical issues in the wider pensions industry and to highlight key projects and achievement across the Fund.

6.0 Large Fund Events

- 6.1 The Fund's 2021 Virtual Mid-Year review meeting was held on the 7 July 2021 via Microsoft Teams. The event covered a variety of topics including, consultation on the revised Pensions Administration Strategy, Cyber Security, the Fund's Property Portfolio and items on the horizon for employers, the Fund and the wider pensions industry. Over **60** individual employers attended, along with representatives from Pensions Board and Pensions Committee. Attendees rated the event as **57%** Excellent and **43%** as good with full feedback in appendix B.
- 6.2 Preparations are underway to plan for the Funds Annual General Meeting (AGM). The event will cover a variety of important updates for employers.

7.0 Future engagement

- 7.1 Following positive feedback received from our members and wider recognition across the industry, to include the success of the Pensions Age award for "Pensions Marketing Campaign of the Year" award, we will now be expanding our retirement planning support to deferred members which will entail notifying all deferred members as they approach age 55. This incorporates a member toolkit they can use and also inviting them to a new Pre-Retirement Webinar for deferred members.
- 7.2 Pension Saving Statements are due to be sent to members by 5 October 2021 who have exceeded the annual allowance limit. The Member Services team will be following these up with offering high earners the chance to book on Pension Tax Webinars.
- 7.3 **81,746** Active Benefit Statements have been produced. To raise member awareness and encourage members to engage with their benefits, the Fund produced a bulk mailing notifying **57,000** active members whose email address we hold that their Annual Benefit Statement is now on the Pensions Portal.
- 7.4 The Fund has produced letters to members who we have been unable to produce an annual benefits statement to explain the reasons why.

- 7.5 The Fund will be designing its Active member “Be Pension Smart” newsletter which will contact a variety of important information for members. These newsletters are due to be sent to members in November 2021 and will be also placed on the Funds website.
- 7.6 As a result of Covid, the Member Services Team had postponed our face to face support over the last 18 months and designed a digital equivalent, however following revised government guidelines we proposed to trial face to face member events from the end of September 2021. The intention is that these events are hosted by employers at ‘covid-safe’ environments.
- 7.7 In line with the above, the Member Services Team intend to cover Pension Roadshows across the region’s seven metropolitan district councils in November and December 2021 with a drop-in’ style format, to explain members’ annual benefit statements and to encourage engagement with retirement saving and planning.

8.0 GMP reconciliation

- 8.1 Following on from the previous report provided to Committee on 24 March 2021, in April 2016 the Government introduced the new state pension, and as a result all pension Schemes have been working on an industry-wide exercise to reconcile data held for members of the scheme against data held by Her Majesty’s Revenue and Customs (HMRC). The Fund is required to check that members pension records have the correct Guaranteed Minimum Pension (GMP) figure included.
- 8.2 Following this reconciliation of the Fund’s data with HMRC records, we have identified that there are **2,995** overpayment GMP cases, with the members written to on 17 September 2021 advising of the reduction in their pension being effective from 1 March 2022.
- 8.3 **146** Pensioners will receive an increase in their pension following the reconciliation and the Fund will pay arrears of any pension due along with the increase to members March 2022. We aim to write to these members in October 2021.

9.0 Financial implications

- 9.1 The service provision and development associated with customer engagement covered in this report is included in the budget approved for 2021/22.
- 9.2 There are potential financial implications associated with write-offs to be made as a result of the GMP reconciliation exercise, as covered in section 8 in terms of engagement.

10.0 Legal implications

- 10.1 Following the introduction of the new state pension, Government required all Public Sector Pension Schemes to reconcile data held for members against data held by Her Majesty’s Revenue and Customs (HMRC), centred around ensuring the correct amount of Guaranteed Minimum Pension (GMP). Under the LGPS Regulations 2013, LGPS funds

must only pay the correct amount of pension and where the GMP reconciliation exercise identifies a difference, that differential needs to be addressed.

11.0 Equalities implications

11.1 The report contains no direct equalities implications.

12.0 Other implications

12.1 The report contains no other implications.

13.0 Schedule of background papers

13.1 [GMP Reconciliation update – Pensions Committee paper 24 March 2021](#)

14.0 Schedule of appendices

14.1 Appendix A: Summary of member events feedback

14.2 Appendix B: Mid-Year Review feedback

Member Services Team – Webinar Feedback 1st April – 30th June 2021

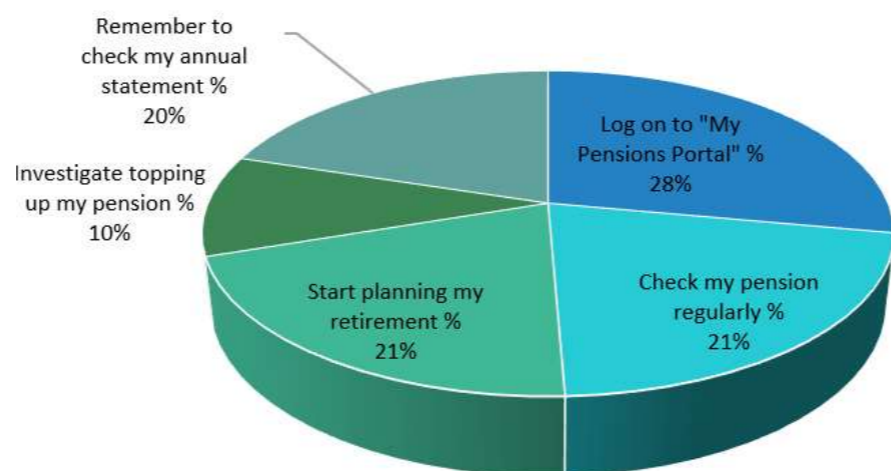
Members feedback on the following areas:

Members surveyed in April - June 2021

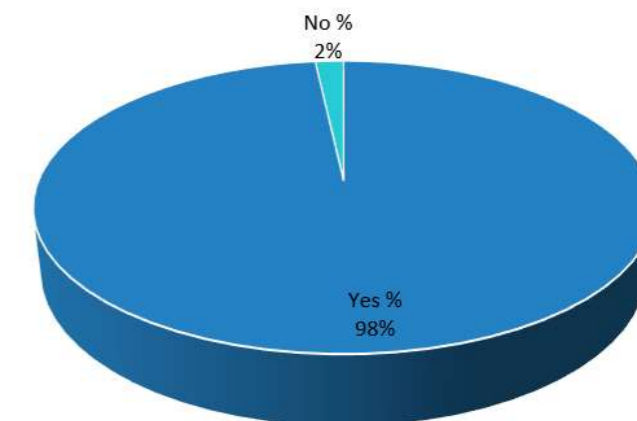
Overall, how would you rate the webinar?



What are you going to do following this webinar?

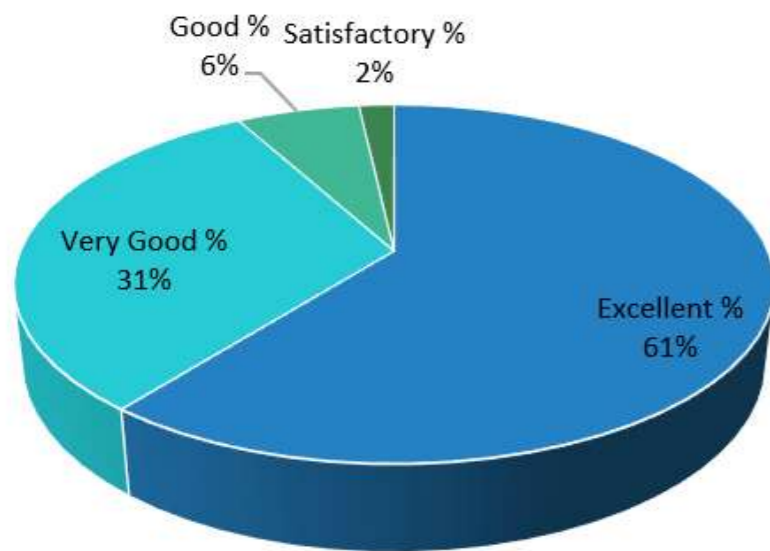


Would you recommend a colleague to attend this type of event?

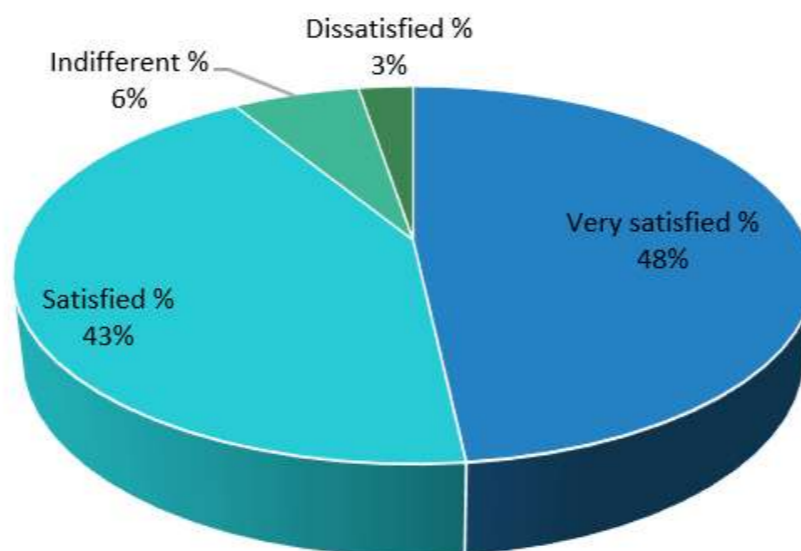


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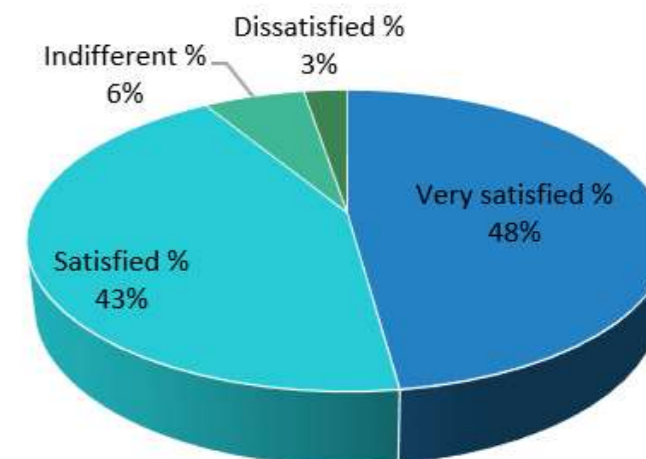
How would you rate the presenters general knowledge and presentation skills?



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

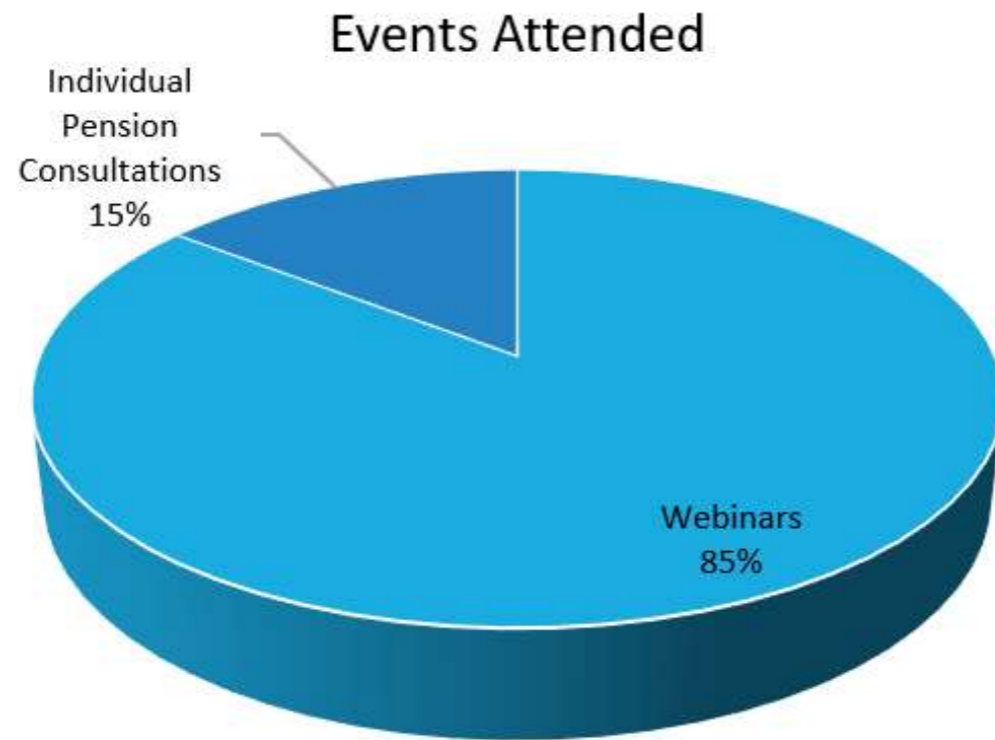


How satisfied are you with the overall service you have received from the West Midlands Pension Fund?



Member Services Team – Events Attended

1st April– 30th June 2021



Event Type	Attendance
Individual Pension Consultation	124
Webinars and Workshops	727
Total	851

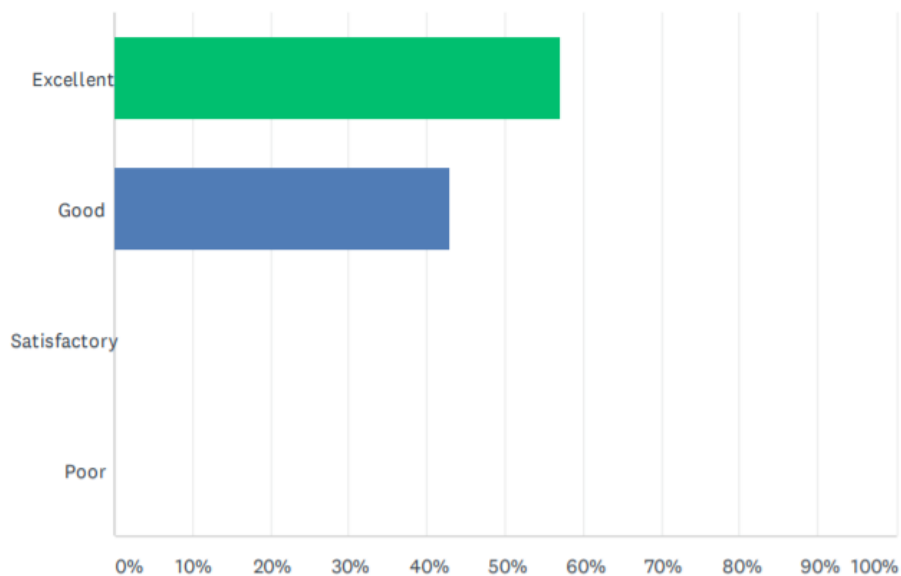
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West Midlands Pension Fund's 2021 Mid-Year Review (MYR)

Q1 How would you rate the employers' virtual MYR?

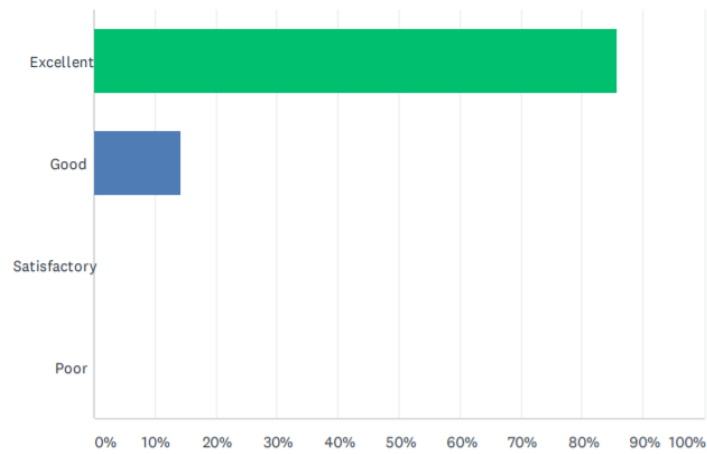
Answered: 7 Skipped: 0



ANSWER CHOICES	RESPONSES	
Excellent	57.14%	4
Good	42.86%	3
Satisfactory	0.00%	0
Poor	0.00%	0
TOTAL		7

Q2 Please rate the ease of registration of the event.

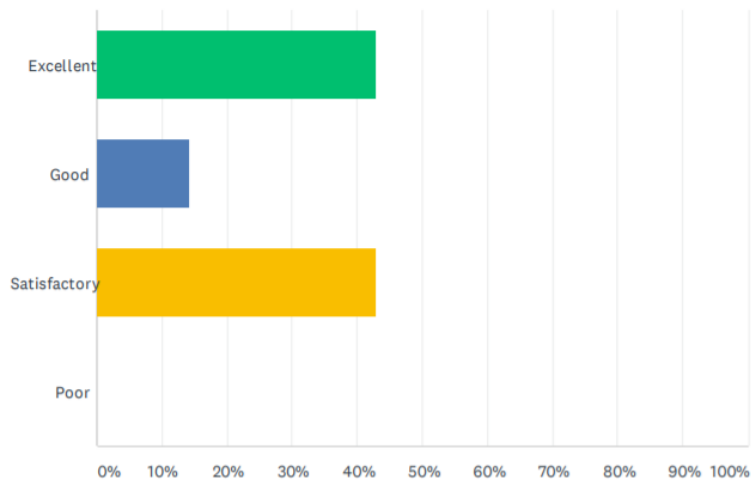
Answered: 7 Skipped: 0



ANSWER CHOICES	RESPONSES	
Excellent	85.71%	6
Good	14.29%	1
Satisfactory	0.00%	0
Poor	0.00%	0
TOTAL		7

Q3 Please rate the relevance of the event to your job role.

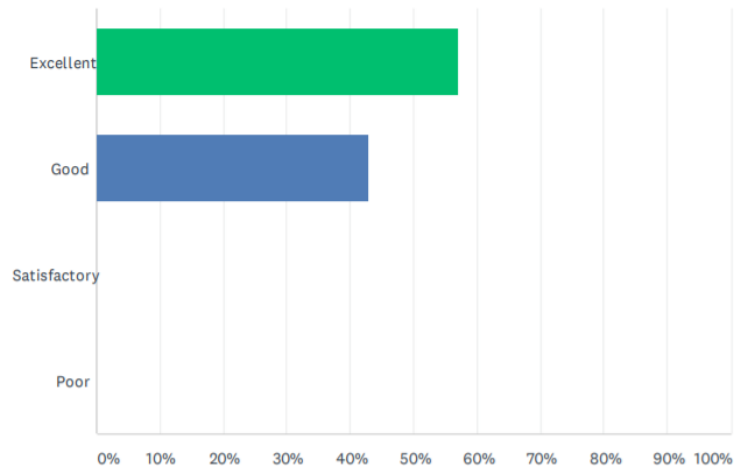
Answered: 7 Skipped: 0



ANSWER CHOICES	RESPONSES	
Excellent	42.86%	3
Good	14.29%	1
Satisfactory	42.86%	3
Poor	0.00%	0
TOTAL		7

Q4 Please rate the presenters and pace of the event.

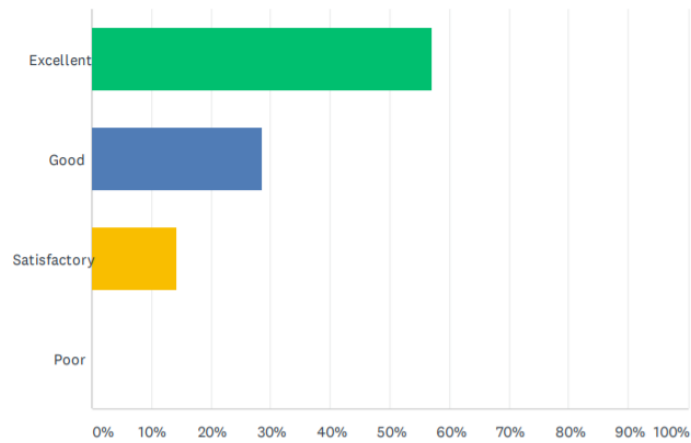
Answered: 7 Skipped: 0



ANSWER CHOICES	RESPONSES	
Excellent	57.14%	4
Good	42.86%	3
Satisfactory	0.00%	0
Poor	0.00%	0
TOTAL		7

Q5 Please rate the quality of information provided?

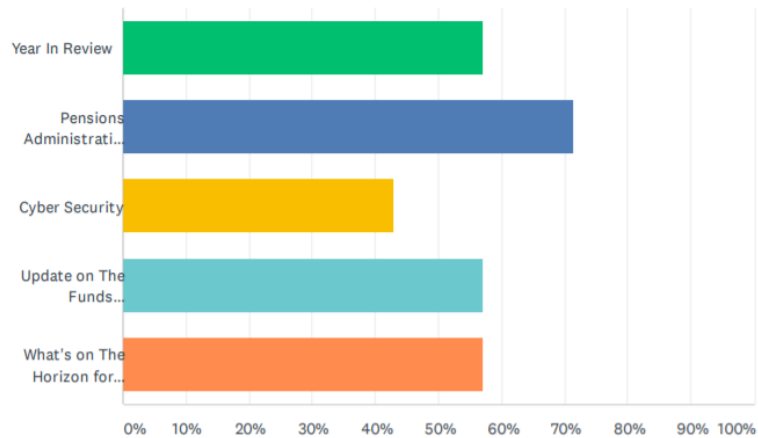
Answered: 7 Skipped: 0



ANSWER CHOICES	RESPONSES	
Excellent	57.14%	4
Good	28.57%	2
Satisfactory	14.29%	1
Poor	0.00%	0
TOTAL		7

Q6 Which agenda item(s) do you feel were most relevant to your organisation?

Answered: 7 Skipped: 0



ANSWER CHOICES	RESPONSES	
Year In Review	57.14%	4
Pensions Administration Strategy	71.43%	5
Cyber Security	42.86%	3
Update on The Funds Investment Property Portfolio	57.14%	4
What's on The Horizon for Employers, The Fund and The Wider Pensions Industry?	57.14%	4
Total Respondents: 7		

Any other feedback/comments

Excellent as always, a big thanks to all at the Fund who organised and presented and a thanks to the external speakers as well

A good well-paced and interesting set of sessions, given the limitation of Teams, and providing some interesting insights into the Fund's workings, eg property investments.

Although held over Teams, still felt personal. Length of time was right and good relevant topics discussed.

CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 29 September 2021
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Report title	Responsible Investment Activities	
Originating service	Pension Services	
Accountable employee	Rachael Lem Tel Email	Responsible Investment Officer 01902 554764 Rachael.Lem@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 551715 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 [Appendices A and B].
2. The issues discussed by LAPFF are set out in the Quarterly Engagement Report, which is available on the LAPFF website: [LAPFF_QER02_2021_final-final.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-Q1-2021-22.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 involvement in the establishment of the first Asset Owner Diversity Charter.

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 engaged 59 companies during the quarter¹, addressing human rights, climate change and governance issues. Most engagements were conducted through meetings with company Chairpersons, attendance at company AGMs and letter writing; four company engagements are currently categorised as change in process, whilst substantial and moderate improvements were documented in eleven engagements.
- 3.3 This quarter LGPS Central undertook 1,441² engagements with 532 companies on behalf of the Fund, the majority of which were carried out by EOS. An overview of engagement activity by region and theme is provided in Appendix A. 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 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.

¹ This is a consolidated figure representing the number of companies engaged, not the number of engagements.

² There can be more than one engagement issue per company, for example board diversity and climate change.

Climate Change

- 3.5 2021 may come to be viewed as a watershed year for climate change and investor Stewardship. With the Dutch court decision against Royal Dutch Shell and a majority support for a shareholder climate resolution at Chevron occurring in May, the more recent publications of the International Energy Agency's Net Zero by 2050 report³ and the Intergovernmental Panel on Climate Change Sixth Assessment report⁴ in advance of the United Nation's Climate Change Conference (COP26) taking place in November, EOS at Federated Hermes suggest that the tipping point for climate stewardship may have been reached.
- 3.6 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 pension funds and other institutional investors could make to help decarbonise the economy in a way that protects beneficiaries and secures just transition to net zero.
- 3.7 During the quarter LAPFF undertook 28 climate change engagements. One of the engagements are categorised as change in progress and substantial improvements have been recognised for two of the company engagements – one of which was National Grid. LAPFF, together with lead Climate Action 100+ (CA100+) investors (of which WMPF is a member) met with National Grid's Sustainability Manager and Director of Investor Relations to assess company progress against the CA100+ benchmark. National Grid has now set a new Scope 3 target to reduce carbon emission to 37.5% below its 1990 baseline by 2034, up from the previous target of 20% by 2030, and is aligned with the science-based targets initiative. Scope 3 emissions account for the largest proportion of the company's emissions and LAPFF welcome the amended mid-term target. LAPFF will continue to monitor National Grid's progress against its target.
- 3.8 This quarter LAPFF has increased momentum around the Say on Climate Initiative⁵, pressing companies to put their climate plans and strategies to vote at AGMs and allowing shareholders the opportunity to hold all companies more accountable for their carbon management activities – not just those with high carbon emissions. Whilst there have been mixed views on this initiative, there have been a number of positive outcomes from these votes. LAPFF was able to use Shell's say on climate resolution to express significant concerns about the company's climate plans and it is also putting pressure on companies that did not bring such resolutions to their AGMs this year to do so next year, for example Anglo American. The initiative is also driving much needed clarity for investors on how to assess company climate initiatives and evaluate company climate plans in a systematic and strategic manner.

³ International Energy Agency's Net Zero by 2050 report

⁴ <https://www.ipcc.ch/report/ar6/wg1/>

⁵ <https://www.sayonclimate.org/>

- 3.9 This quarter, LGPS Central's climate change engagement set comprised 247 companies with 310 engagements issues. There was engagement activity on 298 engagement issues and achievement of some or all specific engagement objectives on 109 occasions.
- 3.10 This quarter the Transition Pathway Initiative (TPI), of which LGPS Central is a member of the TPI's Steering Committee, published its annual State of Transition report. The TPI is a tool set up to assess how companies manage climate change risk and their future carbon performance. At present the average management quality level of the 400 companies across 16 sectors that have been assessed is 2.6 (ranking from 0-4, with 4 being the highest), inferring that companies are half way between building capacity on climate change and integrating climate change into operational decision making.

Sustainable Food Systems

- 3.11 Overfishing, plastic pollution, temperature rise, and chemical contaminants have impacted the health of our oceans, upon which billions of people depend for their sustenance and livelihoods. Oceans help to regulate the climate and the water cycle, as well as being a source of food and used for shipping routes. However, following centuries of treating the oceans as an inexhaustible resource at least a third of fish stocks are depleted, while microplastic pollution has become endemic, with potentially dangerous consequences for human health. This quarter EOS at Federated Hermes undertook a focus period of research to explore why these issues matter to investors and the five themes that most closely relate to ocean sustainability: climate change, pollution, sustainable fishing, biodiversity, and human rights.
- 3.12 Today, the global community is starting to see the importance of managing its impact on the oceans. Failing to protect marine ecosystems will have negative consequences for the global economy, posing a systemic risk to long-term investments. EOS profess that investors should be aware of these risks and how the companies in which they are invested impact the oceans. EOS is further encouraging companies to commit to having a net-positive impact on biodiversity throughout their operations and supply chains by 2030 at the latest.
- 3.13 Engagement undertaken by the Fund's pool company further addresses the need for a reduction in plastic production throughout supply chains. This quarter LGPS Central's single-use plastics engagement set comprised 30 companies with 51 engagement issues⁶. There was engagement activity on 39 engagements and achievement of some or all engagement objectives on 19 occasions.
- 3.14 LGPS Central has continued its engagement with six packaging companies through a Principles for Responsible Investment plastics working subgroup. The group established expectations of companies to: set targets for their use of sustainable materials; disclose progress against these targets; outline the initiatives they are using to reduce plastic pollution; ensure alignment between their materials strategy and carbon emissions reduction strategy; and include sustainability-related key performance indicators in executive remuneration. LGPS Central has witnessed high receptiveness to the

⁶ There can be more than one plastic-related engagement issue per company.

engagement from these companies, fuelled by a greater interest in sustainability from the company's customer base.

Human Rights

- 3.15 On behalf of the Fund, LAPFF has engaged 35 companies on human rights issues during the quarter. Change in progress was realised for two mining companies. LAPFF aimed to raise the link between unresolved human rights issues and financial performance at mining companies. Engagement has focused upon BHP, Vale, Rio Tinto, Anglo American and Glencore. LAPFF has asked Rio Tinto, BHP and Vale whether the companies would be willing to quantify the financial cost of its social failures. Noting the complexities in doing so, LAPFF deem that it would be helpful for investors to understand some of the financial consequences of mining companies' social failings in order to make clear that they are losing money when companies do not respect human rights and broader social issues in their operations. LAPFF will continue to drive home the link between social and environmental failures by mining companies and poor or reduced long-term financial returns for investors. LAPFF estimate that making this link for companies and investors alike will take some time, but that it will continue to keep on the agenda for engagement with these companies.
- 3.16 As previously reported to Pensions Committee, LAPFF continues to engage with companies operating in Occupied Palestine Territories (OTPs). In June 2021 LAPFF wrote to sixteen of the companies initially engaged requesting that they undertake human rights impact assessments (HRIAs) related to their operations in the Territories. The aim is that companies operating in the Territories will better understand the importance of undertaking these HRIAs, not only to highlight where the companies might be complicit in human rights infringements, but also to provide insight on potential investment risks for shareholders. LAPFF also met with representatives from the UN including the Office of the United Nations High Commissioner for Human Rights (OHCHR) to better understand the methodology used in producing the reports the OHCHR has issued on this issue in previous years. LAPFF has based its company engagement targets on the list published by OHCHR in February 2020. LAPFF will continue to press the companies with which it has engaged to undertake these HRIAs; Pensions Committee will be kept up to date on progress.
- 3.17 This quarter the Fund has continued participation in Rathbone's modern slavery engagement project, which is currently engaging 62 FTSE350 companies to request compliance with the Modern Slavery Act. The act requires companies with a turnover of more than £36 million per year to post a modern slavery statement on their website; this statement must be approved by the board, signed by a director, and reviewed annually. As at the end of June 2021, all companies had responded to Rathbone's request and 55 are now compliant.
- 3.18 During the quarter LGPS Central's technology and disruptive industries engagement set comprised 31 companies with 48 engagements issues. There was engagement activity on 40 engagement issues and achievement of some or all engagement objectives on 11 occasions. 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

- 3.19 This quarter, LGPS Central’s tax transparency engagement set comprised 7 companies with 7 engagement issues. There was engagement activity on 2 engagements and achievement of some or all engagement objectives on three occasions.
- 3.20 During the quarter, through a PRI tax working group, LGPS Central co-signed a letter to the European Parliament supporting a draft directive on public country-by-country reporting (CBCR) in the EU. LGPS Central views it as vital that multinational companies provide disaggregated information on taxes paid in all countries and across operations. The proposal would require public reporting of certain information such as revenues, number of employees, profit or loss before tax, tax accrued and paid, accumulated earnings, stated capital and tangible assets.
- 3.21 Many companies already provide revenue, profit and tax paid by territory which is submitted to tax authorities. This is best practice under existing OECD Base Erosion and Profit Shifting guidelines, which means that companies already collect the data and can provide it to stakeholders more broadly. CBCR is crystallising as best practice in tax transparency, for instance through a Global Reporting Initiative Tax Standard which was launched in early 2020. While only a minority of multinationals currently provide shareholders and other stakeholders with CBCR, those that do view it as an opportunity to “demystify” tax and have expressed to us that it has largely been well received by stakeholders.

Voting Globally

- 3.22 The Fund’s voting policies are currently executed by EOS via a contract held by LGPS Central Ltd, the Fund’s asset pool company. The Fund has contributed to and endorses LGPS Central’s Voting Principles. The Fund will renew its Voting Principles and submit to Committee for approval in December 2021, ahead of the 2022 AGM season.
- 3.23 The voting activity for the quarter across markets and issues can be found in Appendix B. During the period, the Fund voted at a total of 1,756 company meetings (24,798 resolutions) – 203 UK, 388 Europe, 501 North American, 485 Developed Asia, 22 Australasian and 157 in Emerging and Frontier Markets. At 1,208 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).
- 3.24 With the 2021 AGM season ending, LGPS Central have outlined that it is clear that there is increasing pressure on companies, in all sectors, to address climate change and other

ESG factors within their business models. The Voting section of LGPS Central's Q1 2021-22 Stewardship Update (page 9) provides greater detail.

Asset Owner Diversity Charter

- 3.25 The Fund has been involved in the development of the first Asset Owner Diversity Charter⁷, which aims to tackle diversity bias within the asset management industry. Working alongside five other institutional investors, the Charter working group established a set of actions that asset owners can commit to: include diversity & inclusion in manager selection; monitor selected managers for Diversity & Inclusion on an ongoing basis; and lead and collaborate in this area to encourage broader industry change.
- 3.26 As of the launch date (2nd August 2021), the Charter has already been backed by 17 signatories representing £1.08 trillion in assets under management/consultancy. LGPS Central Ltd have declared their commitment to joining this initiative and we will now seek to engage all WMPF investment managers on this initiative and monitor progress over time.

Correspondence

- 3.27 The Fund continues to receive correspondence from individual members of the public, and more established groups in connection with climate change and the course of action the Fund takes to support accelerated action by all parties in response to this risk. The Fund statement on Climate Change action and support for engagement over divestment was updated in September 2021, has been posted on the Fund website and referenced in response to individual queries. During the quarter the Fund also received queries and correspondence on responsible investment topics relating to investments held in companies operating in Palestine and the arms trade. As referenced in section 3.16, the Local Authority Pension Fund Forum is continuing a programme of engagement over 2021 on behalf of the Fund and is monitoring both UN activity and the developing political situation in the area. Pensions Committee will be kept updated of progress with this engagement.
- 3.28 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.

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.

⁷ [Asset Owner Diversity Charter | Diversity Project](#)

6.0 Equalities implications

6.1 This report contains no equal opportunities implications.

7.0 Environmental implications

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

8.0 Human resources implications

8.1 This report contains no direct human resources implications.

9.0 Corporate landlord implications

9.1 This report contains no direct corporate landlord implications.

10.0 Schedule of background papers

10.1 [LAPFF Quarterly Engagement Report April – June 2021](#)

10.2 [LGPS Central Quarterly Engagement Report Quarter 1 2021-22](#)

10.3 [EOS at Federated Hermes Public Engagement Report:](#)

11.0 Schedule of appendices

Appendix A – WMPF Engagement Activity

Appendix B – WMPF Voting Activity

West Midlands

EOS at Federated Hermes

Engagement by region

Over the last quarter we engaged with 532 companies held in the West Midlands portfolios on a range of 1,441 environmental, social and governance issues and objectives.

Global

We engaged with 532 companies over the last quarter.



Australia & New Zealand

We engaged with 12 companies over the last quarter.



Developed Asia

We engaged with 73 companies over the last quarter.



Emerging & Developing Markets

We engaged with 54 companies over the last quarter.



Europe

We engaged with 120 companies over the last quarter.



North America

We engaged with 217 companies over the last quarter.



United Kingdom

We engaged with 56 companies over the last quarter.

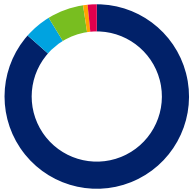


Engagement by theme

Over the last quarter we engaged with 532 companies held in the West Midlands portfolios on a range of 1,441 environmental, social and governance issues and objectives.

Environmental

Environmental topics featured in 26.2% of our engagements over the last quarter.



- Climate Change 86.5%
- Forestry and Land Use 4.8%
- Pollution and Waste Management 6.3%
- Supply Chain Management 0.8%
- Water 1.6%

Social and Ethical

Social and Ethical topics featured in 18.1% of our engagements over the last quarter.



- Bribery and Corruption 1.9%
- Conduct and Culture 11.5%
- Diversity 26.4%
- Human Capital Management 21.5%
- Human Rights 34.1%
- Labour Rights 4.6%

Governance

Governance topics featured in 44.0% of our engagements over the last quarter.



- Board Diversity, Skills and Experience 22.6%
- Board Independence 12.6%
- Executive Remuneration 49.2%
- Shareholder Protection and Rights 13.4%
- Succession Planning 2.2%

Strategy, Risk and Communication

Strategy, Risk and Communication topics featured in 11.7% of our engagements over the last quarter.



- Audit and Accounting 9.5%
- Business Strategy 36.3%
- Cyber Security 2.4%
- Integrated Reporting and Other Disclosure 25.0%
- Risk Management 26.8%

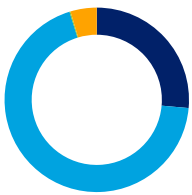
West Midlands

EOS at Federated Hermes

Over the last quarter we made voting recommendations at **1,756** meetings (**24,798** resolutions). At **1,208** meetings we recommended opposing one or more resolutions. We recommended voting with management by exception at **81** meetings and abstaining at **three** meetings. We supported management on all resolutions at the remaining **464** meetings.

Global

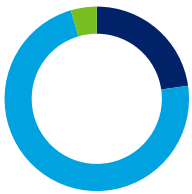
We made voting recommendations at **1,756** meetings (**24,798** resolutions) over the last quarter.



- Total meetings in favour **26.4%**
- Meetings against (or against AND abstain) **68.8%**
- Meetings abstained **0.2%**
- Meetings with management by exception **4.6%**

Australia and New Zealand

We made voting recommendations at **22** meetings (**124** resolutions) over the last quarter.



- Total meetings in favour **22.7%**
- Meetings against (or against AND abstain) **72.7%**
- Meetings with management by exception **4.5%**

Developed Asia

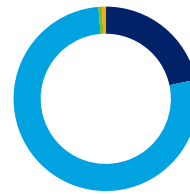
We made voting recommendations at **485** meetings (**5,679** resolutions) over the last quarter.



- Total meetings in favour **37.5%**
- Meetings against (or against AND abstain) **59.6%**
- Meetings with management by exception **2.9%**

Emerging and Frontier Markets

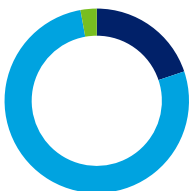
We made voting recommendations at **157** meetings (**1,996** resolutions) over the last quarter.



- Total meetings in favour **21.7%**
- Meetings against (or against AND abstain) **77.1%**
- Meetings with management by exception **0.6%**

Europe

We made voting recommendations at **388** meetings (**7,103** resolutions) over the last quarter.



- Total meetings in favour **19.8%**
- Meetings against (or against AND abstain) **77.3%**
- Meetings with management by exception **2.8%**

North America

We made voting recommendations at **501** meetings (**6,242** resolutions) over the last quarter.



- Total meetings in favour **11.0%**
- Meetings against (or against AND abstain) **80.2%**
- Meetings abstained **0.2%**
- Meetings with management by exception **8.6%**

United Kingdom

We made voting recommendations at **203** meetings (**3,654** resolutions) over the last quarter.

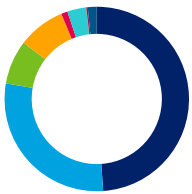


- Total meetings in favour **54.7%**
- Meetings against (or against AND abstain) **39.4%**
- Meetings abstained **0.5%**
- Meetings with management by exception **5.4%**

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

Global

We recommended voting against or abstaining on **3,522** resolutions over the last quarter.



- Board structure **48.9%**
- Remuneration **28.8%**
- Shareholder resolution **7.7%**
- Capital structure and dividends **8.3%**
- Amend articles **1.1%**
- Audit and accounts **3.3%**
- Investment/M&A **0.1%**
- Poison pill/Anti-takeover device **0.3%**
- Other **1.6%**

Australia and New Zealand

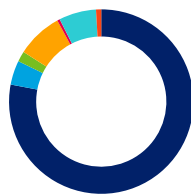
We recommended voting against or abstaining on **42** resolutions over the last quarter.



- Board structure **19.0%**
- Remuneration **61.9%**
- Shareholder resolution **7.1%**
- Capital structure and dividends **4.8%**
- Amend articles **4.8%**
- Audit and accounts **2.4%**

Developed Asia

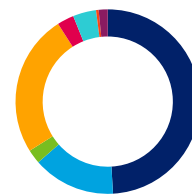
We recommended voting against or abstaining on **658** resolutions over the last quarter.



- Board structure **78.0%**
- Remuneration **4.3%**
- Shareholder resolution **1.8%**
- Capital structure and dividends **8.1%**
- Amend articles **0.5%**
- Audit and accounts **6.5%**
- Poison pill/Anti-takeover device **0.9%**

Emerging and Frontier Markets

We recommended voting against or abstaining on **442** resolutions over the last quarter.



- Board structure **49.1%**
- Remuneration **14.5%**
- Shareholder resolution **2.5%**
- Capital structure and dividends **24.9%**
- Amend articles **2.9%**
- Audit and accounts **4.1%**
- Investment/M&A **0.5%**
- Other **1.6%**

Europe

We recommended voting against or abstaining on **1,074** resolutions over the last quarter.



- Board structure **34.4%**
- Remuneration **41.0%**
- Shareholder resolution **2.9%**
- Capital structure and dividends **11.4%**
- Amend articles **1.3%**
- Audit and accounts **4.7%**
- Poison pill/Anti-takeover device **0.2%**
- Other **4.2%**

North America

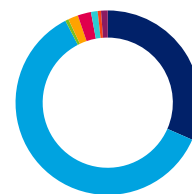
We recommended voting against or abstaining on **1,135** resolutions over the last quarter.



- Board structure **49.4%**
- Remuneration **31.1%**
- Shareholder resolution **18.9%**
- Capital structure and dividends **0.2%**
- Amend articles **0.3%**
- Audit and accounts **0.1%**
- Other **0.1%**

United Kingdom

We recommended voting against or abstaining on **171** resolutions over the last quarter.



- Board structure **31.6%**
- Remuneration **60.8%**
- Shareholder resolution **0.6%**
- Capital structure and dividends **1.8%**
- Amend articles **2.3%**
- Audit and accounts **1.2%**
- Poison pill/Anti-takeover device **0.6%**
- Other **1.2%**

CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 29 September 2021
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Report title	Quarterly Investment Report to 30 June 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.
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 previously referred to Fund positioning against 2019 ISS and SIAB policy targets. These were refreshed as part of the 2020 ISS review as approved by the Pensions Committee in March 2020. Implementation of the ISS changes continues to progress, and this report now adopts an interim benchmark comprising policy targets that reflect partial transition to the strategic targets outlined in the ISS, designed to better meet the future needs of the WMPF.

3.0 Executive Summary

- 3.1 As at 30 June 2021, the West Midlands Pension Fund's market value was £19.9 billion (incl. WMTL and PB ABSF). Investment markets generally rose in the quarter continuing the strong recovery from the sharp falls seen in March 2020.
- 3.2 The Main Fund increased by 4.7%% 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 June 2021. Income and stabilising assets performed less well. The Fund's returns are ahead of its benchmark for 1 year but have trailed over longer time periods.

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's 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 30 June 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:

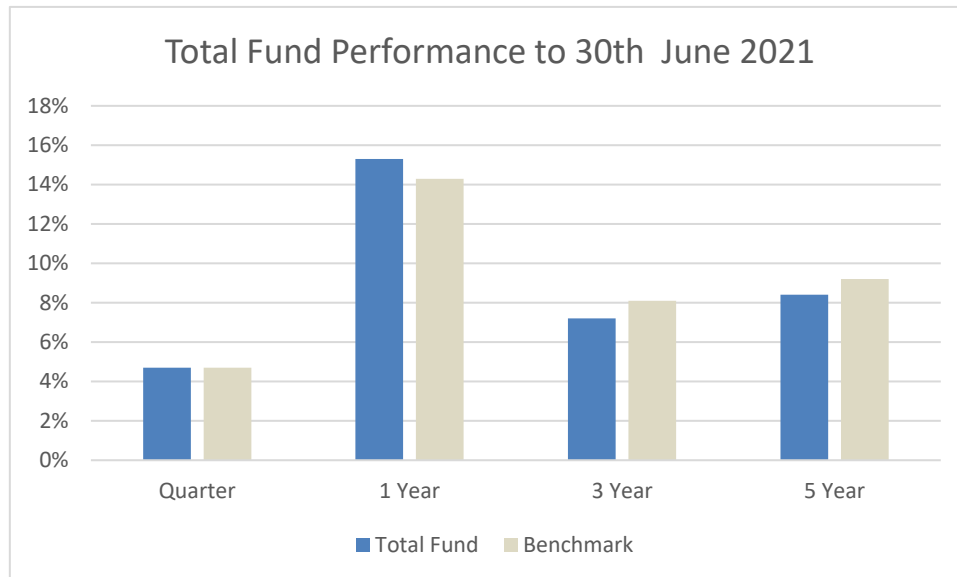
Asset Class Returns (£)	3 months (%)	12 months (%)
US Equity (S&P 500)	8.4%	25.9%
UK Equity (FTSE All Share)	5.6%	21.5%
Emerging Market Equity	4.9%	26.0%
UK Gilts (All Maturities)	1.7%	-6.5%
Corporate Bonds	1.7%	1.8%
Global High Yield Bonds	2.4%	3.4%

4.3 Equities advanced further in the quarter. Government Bond yields fell and Corporate Bonds generally 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 The Main Fund delivered a return of 4.7% over the quarter matching the benchmark return. The Fund's relative returns versus its benchmark over various time periods are shown below.



- 5.2 The Fund outperformed its benchmark over the 12 months to end June. Private Equity was a large contributor to positive relative performance as strong performance from the portfolio outperformed the listed equity index to which it is compared. A three-month lag has now been introduced to the benchmark for this asset class (effective April 2021 onwards) to make performance comparisons more meaningful.
- 5.3 Infrastructure continues to be a major negative contributor to relative performance. Strong performance from Active Equity and Direct Property portfolio are the main positives.
- 5.4 Over 3 years the main detractors remain Private Equity, Infrastructure and Insurance Linked Securities.
- 5.5 The asset allocation of the Main Fund as at the quarter end is set out overleaf. Interim benchmark weights have been introduced for this quarter to reflect partial transition to the strategic targets outlined in the Fund's ISS. Full adoption of the ISS targets will take some time, especially for illiquid assets such as Infrastructure and Private Debt.
- 5.6 The Fund remained overweight in growth assets versus previous policy targets, as a result of existing equity positions and the strong performance from these asset types.

This report is PUBLIC
NOT PROTECTIVELY MARKED

	Weight - 30/06/21		Final ISS target		Interim Benchmark Adopted
Developed Market Equity	41.6%		30.0%		40.0%
Emerging Market Equity	7.7%		12.0%		8.0%
Total Equity	54.6%		42.0%		48.0%
Private Equity	7.6%		6.0%		6.0%
Opportunistic	1.6%		2.0%		2.0%
TOTAL GROWTH	63.8%		50%		56.0%
Corporate Bonds	5.1%		4.0%		4.0%
Multi-Asset Credit/Specialist	3.7%		5.5%		5.5%
Emerging Market Debt	4.0%		4.5%		4.5%
Private Debt	0.5%		6.0%		1.0%
Infrastructure	4.2%		9.0%		7.0%
Property	7.0%		9.0%		9.0%
TOTAL INCOME	24.5%		38.0%		31.0%
Gilts	2.2%		2.0%		2.0%
ILG	6.2%		3.0%		5.0%
Low risk strategy (orphan liabilities)	1.6%		5.0%		4.0%
Cash	1.7%		2.0%		2.0%
TOTAL STABILISING (incl. low risk)	11.7%		12.0%		13.0%
TOTAL	100.0%		100.0%		100.0%

- 5.7 The Fund's focus remains on implementing the Strategic Asset Allocation (SAA) changes as agreed as part of the 2020 investment strategy review. Efforts have primarily focused on fixed income assets, with steps being taken to move towards new target weights in Multi-Asset Credit and Private Debt in particular, with Equity holdings will likely to be trimmed over the coming quarter quarters. Options to add to the Fund's Infrastructure investments are also being explored.

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 30 June 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.

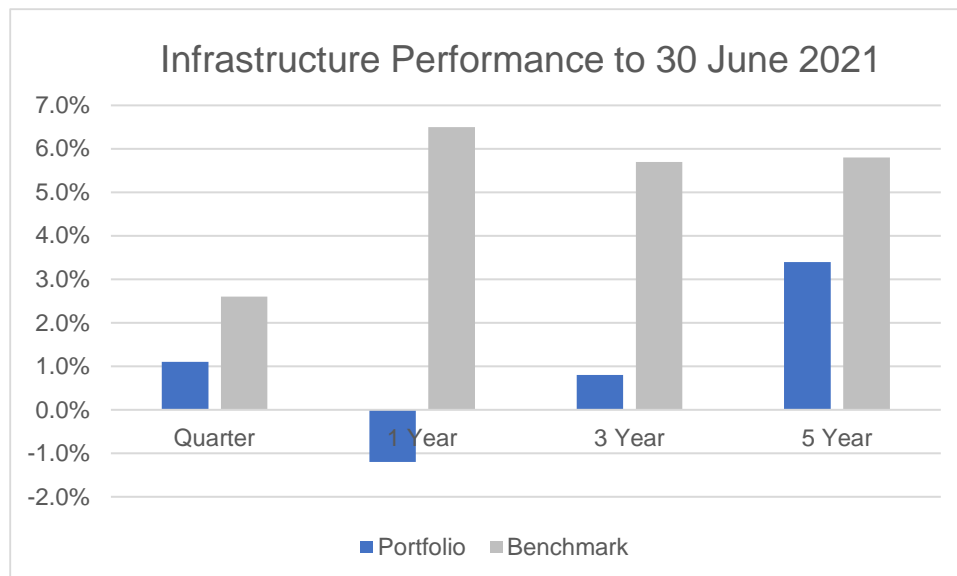
	Quarter	12 months
LGPSC UK (FTSE All Share)	5.4%	20.8%
LGPSC Global ex UK	6.3%	23.3%
LGPSC Dividend Growth (Blended)	6.2%	17.5%
LGPSC Climate Multi-Factor	7.5%	22.2%

- 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 6.9% underperforming by the benchmark by 0.6%. The fund is comfortably ahead of its benchmark over 1 year (returning 30.6%). The LGPSC Global Active Equity Fund is a blended multi-manager portfolio consisting of 3 underlying portfolios.
- 6.5 Emerging markets lagged developed markets over the quarter and the Fund's Emerging Market Equity portfolio also lagged its benchmark. Performance on a 1-year basis is better. 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 and significantly outperformed over 1 year. The benchmark used for this asset class comprises listed equities plus an outperformance target. As most Private Equity assets experience at least a 3 month 'lag' in being valued periods (such as 18 months) the relative performance (against benchmark) should be interpreted with caution. A 3-month lag to the benchmark return has been introduced from April 2021 onwards. Over longer time periods the portfolio has met expectations.

	Quarter	1 Year	3 year
Private Equity Portfolio	10.2%	36.8%	14.5%
FTSE All World +1% (with lag from April'21)	4.1%	22.1%	13.1%

Income Assets

- 6.7 The Income segment underperformed its respective benchmark over the quarter and over 12 months. The aggregate property portfolio performed in-line with the benchmark for the 3 month period and continues to outperform on a longer-term basis. The Direct portfolio has performed particularly well (significantly ahead of IPD/MSCI indices) due to resilient performance from sectors such as industrial, supermarket 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 to end June. 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 have generally performed well over the year. Both Emerging Market Debt holdings are ahead of benchmark (the LGPS Central fund making a strong start since launch in December 2020). 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 in-line 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	1.7%	0.0%	2.8%	1.1%	5.2%	1.2%	6.4%	0.6%
Multi Asset Credit	1.7%	0.1%	25.0%	2.2%				
Emerging Market Debt	3.9%	0.3%	0.7%	4.9%	5.2%	1.4%		

Stabilising Assets

- 6.10 Stabilising Fixed Income: The stabilising portfolio comprises the Fund's exposure to government bonds and index linked securities and cash. The stabilising component of the fixed interest portfolio delivered positive returns for the quarter as yields on sovereign debt fell (meaning prices rose). This performance should be expected when risky assets such as equities deliver such strong returns.
- 6.11 Over 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):

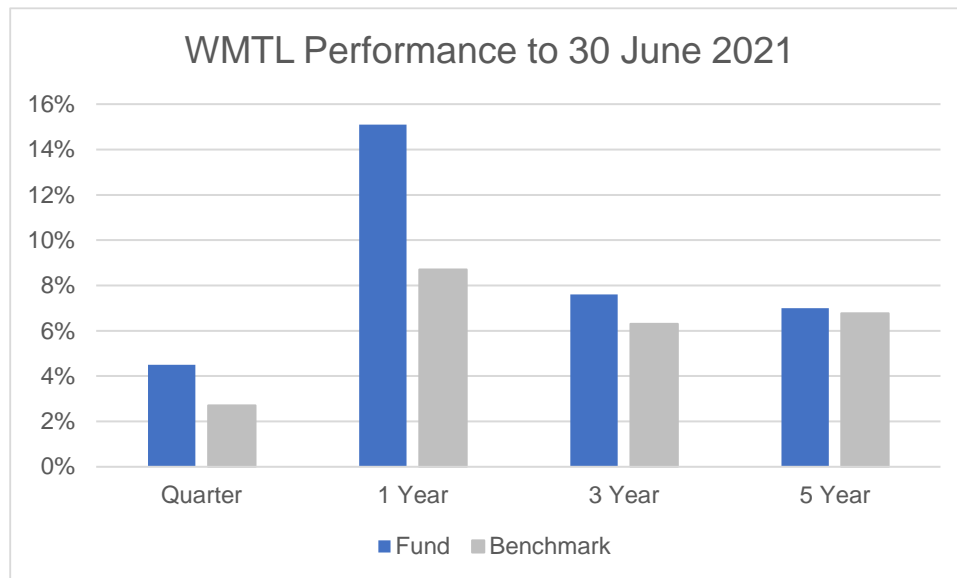
	Value (£000's)	Allocation (%)
Equities	91,533	31%
Diversified Growth Funds	110,893	38%
Total Growth	202,426	69%
Corporate Bonds	10,341	4%
Multi Asset Credit	52,087	18%
LDI/Index Linked Bonds	29,165	10%
Cash	123	0%
Total Defensive	91,716	31%
TOTAL	294,142	100%

PB asset allocation:

	Value (£000's)	Allocation (%)
Equities	3,419	17%
Total Growth	3,419	17%
Corporate Bonds	5,565	28%
Multi Asset Credit	5,701	28%
LDI/Index Linked Bonds	5,355	27%
Cash	59	0%
Total Defensive	16,680	83%
TOTAL	20,099	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

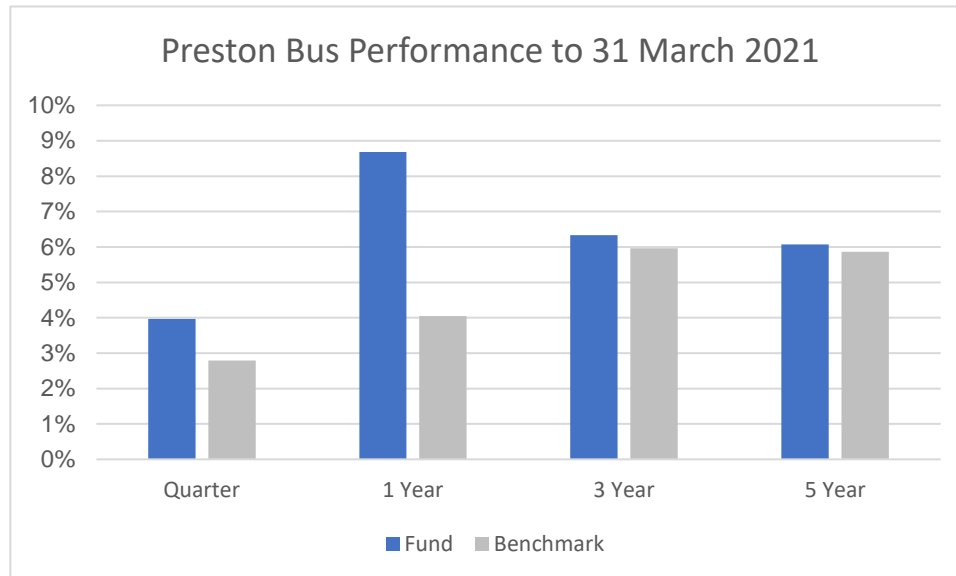
- 7.3 Alongside the Multi-Asset Credit holding in the bond portfolio, there are passive Index Linked Gilts and actively managed Corporate Bonds. The Corporate Bond mandate is performing well, ahead of benchmark over the 1-year period.
- 7.4 Multi-Asset Credit was introduced in Q3 2018. The fund continued its recovery in Q2 2021 and has performed strongly on a 12 month basis.

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.

PB Performance Summary

7.6 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 with initial commitments made during the quarter to June 2021.

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 Other implications

12.1 There are no other 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 2021/22

YOUR MARKET AND INVESTMENT UPDATE

Q2 2021

West Midlands Pension Fund

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Private and Confidential



WHAT HAPPENED DURING THE QUARTER



Market Summary

The second quarter of 2021 saw continued good performance from risk assets, with fiscal and monetary stimulus providing the conditions for positive asset returns. The reaction of both interest rate and inflation markets to recent US inflation statistics suggests that investors view these as transitory, related to re-opening supply constraints rather than the start of a reversal of the disinflation trend over the last few decades. While both central banks and governments have significant scope to tighten policy if inflation remains a problem, the problem of correcting a persistent period of low growth in the developed world should not be ignored.

Philip Rose
(CIO, Strategy
& Risk)

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Market Data







Equity Index	Level	Change since 31-Mar-21	Change since 30-Jun-20
FTSE 100 (Total Return)	6848	5.7%	18.0%
S&P 500 (Total Return)	8943	8.5%	40.8%
EuroStoxx 50 (Total Return)	1757	5.2%	29.0%
Nikkei 225 (Total Return)	47970	-1.2%	31.3%
MSCI World (Total Return)	6831	7.6%	36.9%
MSCI Emerging Markets (Total Return)	804	3.8%	36.1%
FX			
USD vs GBP	1.38	0.3%	11.5%
EUR vs GBP	1.17	-0.7%	5.6%
JPY vs GBP	0.7	-0.7%	-12.9%
Credit Spreads			
Sterling Non-Gilt Index	82	-8 bps	-67 bps
Sterling Non-Gilt 15Y+ Index	142	-2 bps	-60 bps
Global Investment Grade	87	-5 bps	-78 bps
US Investment Grade	97	-5 bps	-85 bps
Global High Yield	322	-30 bps	-262 bps
European High Yield	269	-21 bps	-198 bps

Market Data

UK Gilts	Level	Change since 31-Mar-21	Change since 30-Jun-20
10Y	0.82	-12 bps	63 bps
30Y	1.25	-16 bps	58 bps
UK Nominal Swaps			
10Y	0.97	-10 bps	61 bps
30Y	1.10	-15 bps	67 bps
Gilt Breakeven Inflation			
10Y	3.52	-10 bps	42 bps
30Y	3.35	-2 bps	37 bps
UK RPI Swap			
10Y	3.67	39 bps	177 bps
30Y	3.64	14 bps	77 bps
UK Gilt Real Rates			
10Y	-2.70	-2 bps	21 bps
30Y	-2.10	-14 bps	20 bps
US TIPS			
20Y	-0.27	-26 bps	-20 bps
30Y	-0.11	-31 bps	-3 bps

VIEWS FROM THE ASSET CLASS SPECIALISTS



		<p>Kate Mijakowska</p> <p>Government Bonds</p>	<p>Over the second quarter of 2021, nominal gilt yields fell across the curve, with the 20-year point down 15bps. Over the same period, breakeven inflation fell too, although this was more pronounced at the short end of the curve – with the 5-year breakeven rate falling 11bps, while the 20-year point was down only 6bps. Swap spreads remained stable. Throughout the quarter, as the economy continued to reopen, the market’s attention was on Consumer Price Index (“CPI”) figures. June’s (year-on-year) CPI print was at 2.5%, 0.5% above the Bank of England’s target.</p> <p>In May, the Debt Management Office announced its intention to issue the first green gilt in September 2021. On 30th June, the UK government issued its Green Financing Framework, offering more information about the expected use of proceeds, impact reporting, etc. More detail on this can be found in our recent e-mail communication. Please reach out to a Redington team member if you would like a copy.</p>
		<p>Oliver Wayne</p> <p>Liquid Markets (Equities)</p>	<p>Developed markets delivered positive returns during the second quarter of 2021, with several indices reaching new all-time highs. The strongest-performing markets were the US and the UK. Japan was the only major market to deliver negative returns over the quarter. Emerging markets also registered strong returns despite concerns about inflation and global monetary policy tightening. From a sector perspective, information technology, communication services and energy were amongst the strongest areas of the market. Utilities and industrials lagged.</p> <p>From a factor perspective, quality and growth factors broadly outperformed, whereas value factors underperformed, which presented a headwind to more valuation-focused managers. Momentum was a strong performer in emerging markets but underperformed in developed markets. From a size perspective, larger companies broadly outperformed smaller companies, in a reversal from the previous quarters.</p>
		<p>Tom Wake-Walker</p> <p>Liquid Markets (Multi-Asset)</p>	<p>Q2 saw most multi-asset and liquid alternative strategies generating positive performance as risk-on assets – equities and commodities – continued to rise on expectations of an economic recovery led by a successful global COVID vaccine roll-out. Further fiscal stimulus helped drive inflation expectations, lifting commodity pricing – particularly in energies. Bond performance was mixed from a regional perspective. Risk parity performed strongly and discretionary multi-asset strategies that were positioned more risk-on profited. Trend following was flat over the quarter, as short bond positioning offset returns from long commodity positions. Equity style premia strategies were generally positive; however, managers that were overweight to value signals underperformed as the factor suffered a reversal after an extremely strong recovery over the last 2 quarters. This principally came in June, as the reflation theme that benefited cheaper cyclically oriented names faltered.</p>

VIEWS FROM THE ASSET CLASS SPECIALISTS



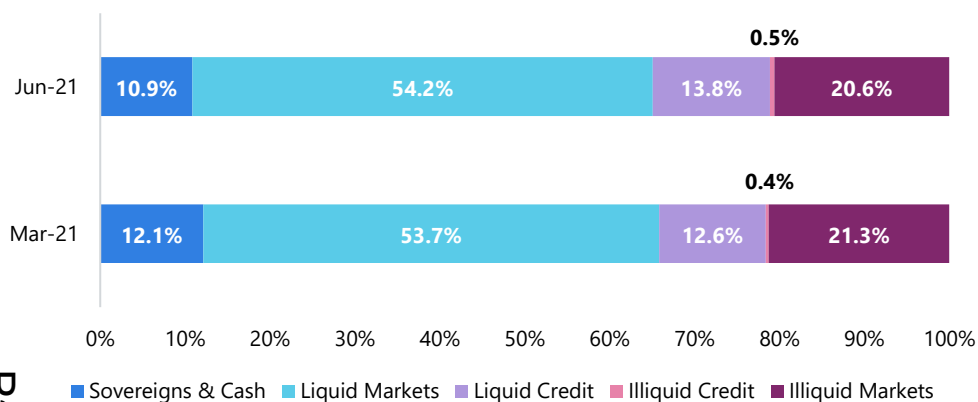
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		<p>Chris Bikos</p> <p>Liquid & Semi-Liquid Credit</p>	<p>Government yields saw divergent performance, with the US and UK 10-year yields dropping to 1.47% and 0.72% respectively. On the other hand, government yields in Europe rose by 9bps (as measured by the 10-year Bund). The first-quarter weakness on the back of rising inflation concerns was followed by positive performance across the credit spectrum. Investment-grade credit was helped by falling yields, while high yield benefited from the economic recovery and positive fundamentals, including low expected default rates. US and European high yield markets posted positive returns of 2.77% and 1.45% respectively. It was a similar picture in leveraged loan markets, with the US returning 1.44% and Europe 1.16%. Returns were positive in Sterling credit as spreads moved tighter. Emerging-market debt rallied back strongly during the second quarter, recouping much of the Q1 losses. Fundamentals and technicals remain supportive and rising commodity prices are a tailwind for the asset class.</p>
		<p>Sarah Miller</p> <p>Illiquid Credit</p>	<p>Private market activity continues to break records, with Refinitiv recording global M&A deals at \$1.6 trillion for the quarter, with a 29% increase in deal count compared to this time last year. 2021 now boasts the strongest H1 activity ever recorded. Investment managers continue to display strong pipelines across private credit. As predicted, we have started to witness a greater amount of refinancing from larger borrowers, who last year were forced to pay higher rates for their debt in the private markets when they were unable to access cheaper bank lending due to COVID-19. We expect this trend to continue as call protections on these loans run out. Direct lending led the way in private debt fundraising over Q2, accounting for c.55% of all private debt capital raised over the quarter, according to Preqin. Default rates in the private credit markets, as recorded by the Proskauer Private Credit Default Index, fell for the fourth consecutive quarter in Q1 and are expected to have fallen again when Q2 data is released.</p>
		<p>Jaspal Phull</p> <p>Illiquid Markets</p>	<p>Rental collections continue to pick up across all sectors as post-lockdown activity resumes. However, transaction volumes remain somewhat subdued, with all new property investment falling 80% over the quarter, driven largely by liquidity and market uncertainty. There is, however, a sense of optimism in the industrial sector, which saw a slight pick-up in investment transactions over the quarter. The industrial occupation market has thrived, recording a record quarter for the sector, with demand driven by online retailers. Occupier demand has fallen across all sectors, albeit most pronounced for retail and office assets, with rents and capital values expected to fall across both sectors in the coming year. The residential markets, however, have sustained momentum, benefiting from low interest rates, support from lenders and strong continued demand for housing.</p>

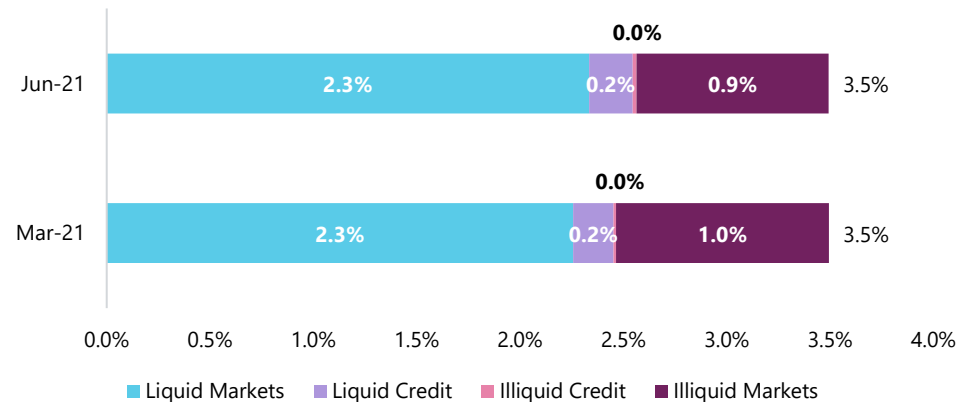
YOUR ASSET ALLOCATION AND EXPOSURE



Asset Allocation Change

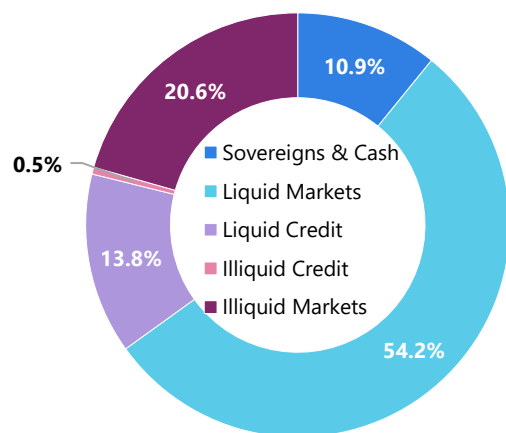


Expected Return Contribution Change (over gilts)



Note, asset class expected returns are in the appendix.

Detailed Asset Allocation



- 1.8% Cash
- 5.2% Index-Linked Gilts
- 1.7% Nominal Gilts
- 0.5% LGIM Overseas Bond Fund
- 1.6% US TIPS
- 5.9% ACS LGPS UK Equity Passive Fund
- 13.9% ACS LGPS Global Ex UK Passive Equity Fund
- 3.1% ACS LGPS Global Equity Dividend Growth Factor Fund
- 10.4% ACS LGPS All World Equity Climate Multi Factor Fund
- 5.9% LGPS Central Global Equity Multi Manager Fund
- 0.3% LGIM UK All Share
- 1.1% Global Active Futures
- 0.7% Equities held with Merrill Lynch
- 0.1% Smaller Equity Positions
- 2.3% Sustainable Equities - Impax
- 2.3% Sustainable Equities - RBC
- 0.6% Sustainable Equities - WHEB
- 2.8% Emerging Markets Equities - AGF
- 2.9% Emerging Markets Equities - BMO
- 2.0% Emerging Markets Equities - Mondrian
- 1.6% Aegon Short Dated Investment Grade Bond Fund
- 3.5% UK Corporate Bonds
- 1.1% LGPS Central Global Active IG Corporate Bond Fund
- 3.6% Multi-Class Credit
- 4.0% Emerging Market Debt Funds
- 0.5% Schroders FOCUS II
- 4.4% Infrastructure
- 7.0% Property
- 1.6% Opportunistic Funds
- 7.6% Private Equity

HELPING YOU UNDERSTAND YOUR RISK

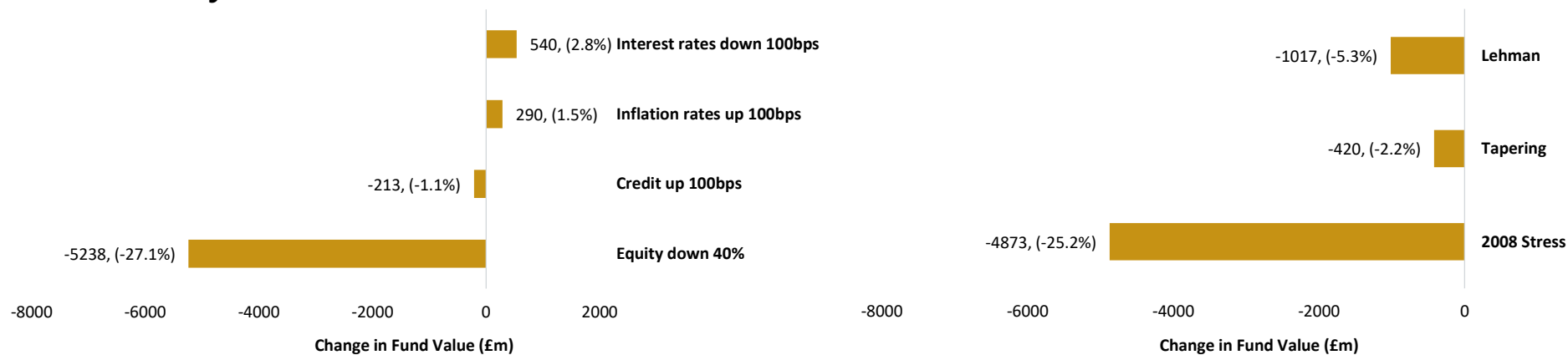


Current Value-at-Risk 95% (Asset Only)



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Scenario Analysis





APPENDICES

REDINGTON'S EXPECTED RETURNS – JUNE 2021



Asset Class	Expected Return (Gilts +)	Volatility	Expected Fees (p.a.)
Equity			
Developed Market Equities	4.0% -	17.4% ↓	0.0%-0.1%
Sustainable Equities	4.2% ↓	16.0% ↓	0.2%-0.4%
Emerging Markets Equities	4.6% -	20.5% ↓	0.1%-0.2%
China A Share Equities	5.9% -	30.2% ↓	0.3%-0.8%
Liquid Credit			
Corporate Debt GBP – Passive	0.8% -	5.4% -	0.1%-0.2%
Corporate Debt GBP – Active	1.0% ↓	5.5% -	0.2%-0.3%
Emerging Market Debt – Corporates	1.8% ↓	5.9% ↑	0.4%-0.6%
Emerging Market Debt – Local Currency Sovereign	2.5% ↓	13.3% -	0.5%-0.8%
Emerging Market Debt – Hard Currency Sovereign	1.6% ↓	8.1% ↑	0.5%-0.8%
Multi-Class Credit Global	2.1% ↓	6.6% ↓	0.4%-0.7%
Illiquid Credit			
Diversified Matching Illiquids (Uninvested)	2.4% -	6.6% -	0.3%-0.5%
Opportunistic Illiquid Credit	3.7% ↓	9.6% ↓	1.0%-1.5% (+ performance fee)
Securitised Opportunities	2.6% ↓	5.5% ↓	0.5%-0.7%
Special Situations	4.2% ↓	15.4% ↓	1.0%-1.5% (+ performance fee)
Illiquid Markets			
Private Equity	5.9% -	31.3% ↓	1.0%-1.5% (+ performance fee)
Insurance-Linked Securities	4.4% -	10.0% -	1.0%-1.5%
Renewable Infrastructure (Whole Projects)	3.8% ↑	13.5% ↓	0.5%-0.7% (+ performance fee)

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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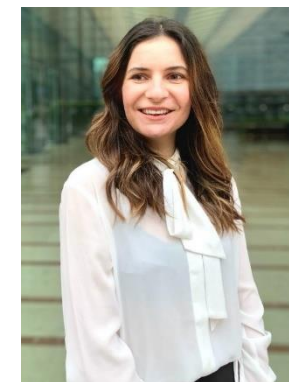
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