

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

Venue Council Chamber

Membership

Chair Cllr Milkinderpal Jaspar (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 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 five Councillors.

Information for the Public

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

Contact Fabrica Hastings

Tel/Email Tel:01902 552699 or Fabrica.Hastings2@wolverhampton.gov.uk

Address Democratic Services, Civic Centre, 1st floor, St Peter's Square,
Wolverhampton WV1 1RL

Copies of other agendas and reports are available from:

Website <http://wolverhamptonintranet.moderngov.co.uk>

Email democratic.services@wolverhampton.gov.uk

Tel 01902 550320

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

If you are reading these papers on an electronic device you have saved the Council £11.33 and helped reduce the Council's carbon footprint.

Agenda

Part 1 – items open to the press and public

- | <i>Item No.</i> | <i>Title</i> |
|-----------------|--|
| 1 | Apologies for absence (if any) |
| 2 | Declarations of interests (if any) |
| 3 | Minutes of the previous meeting (Pages 5 - 12)
[For approval] |
| 4 | Matters arising
[To consider any matters arising from the minutes of the previous meetings] |
| 5 | Governance and Assurance (Pages 13 - 26)
[To provide Committee with an update on the work of the Fund to deliver a well governed scheme.] |
| 6 | Responsible Investment Activities (Pages 27 - 60)
[To update the Pensions Committee on the work undertaken in relation to responsible investment activities since the last Pensions Committee meeting.] |
| 7 | Pensions Administration Report to 30 September 2021 (Pages 61 - 82)
[To inform Committee of the routine operational work undertaken by the pensions administration service areas during the period 1 July to 30 September 2021.] |
| 8 | Customer Engagement Update (Pages 83 - 100)
[To provide Committee with an update of the Fund's customer engagement activity from 1 July 2021 to 30 September 2021 and to cover future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy.] |
| 9 | Annual Report and Accounts 2020-2021 (Pages 101 - 104)
[To update the Committee on the finalisation of the Statement of Accounts and the Annual Report for the year ending 31 March 2021 and the latter's publication on the Fund's website.] |
| 10 | Budget Monitoring and Quarterly Accounts 30 September 2021 (Pages 105 - 112)
[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 September 2021.] |
| 11 | Quarterly Investment Report to 30 September 2021
[To follow] |

- 12 **Exclusion of press and public**
[To pass the following resolution:

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

PART 2 - EXEMPT ITEMS, CLOSED TO PRESS AND PUBLIC

- 13 **Investment Strategy and Activity Update**
[To follow]

- 14 **LGPS Central Pooling and Shareholder Update** (Pages 113 - 126)
[To provide an overview of LGPS Central Pooling progress reported to DLUHC (formally MHCLG) and updates the Committee on the work underway to inform the future development of the pool.]

- 15 **2022 Actuarial Valuation** (Pages 127 - 138)
[To provide the Committee with an overview of the 2022 actuarial valuation process, deliverables and context in preparation for the review of funding strategy and employer contribution rates.]

- 16 **Procurement Update** (Pages 139 - 144)
[To update Committee of the programme of work to procure key systems and professional services / advisors to the Fund.]

This page is intentionally left blank

Attendance

Members of the Pensions Committee

Cllr Milkinderpal Jaspal (Chair)
Cllr Keith Inston
Cllr Phil Page
Cllr Clare Simm - V
Cllr Paul Singh
Cllr Bally Singh (Coventry City Council)
Cllr Councillor Alan Taylor (Dudley MBC)
Cllr Craig Collingswood (Vice-Chair)
Cllr Andrew Randle
Cllr Tersaim Singh
Cllr Paul Sweet - V
Cllr Stephen Simkins
Cllr Vera Waters (Walsall MBC) - V

Trade Union observers

Malcom Cantello (Unison)
Martin Clift (Unite)

Employees

Rachel Brothwood	Director of Pensions - West Midlands Pension Fund
Rachel Howe	Head of Governance and Corporate Services - West Midlands Pension Fund
Claire Nye	Director of Finance - V
Amy Regler	Head of Operations
Lauren Pote	Governance Support Officer
Jennifer Pearce	Senior Auditor - V
Amanda MacDonald	Audit Business Partner
Rachael Lem	Responsible Investment Officer
Darshan Singh	Head of Finance
Tom Davies	Assistant Director – Investment Strategy
Hayley Reid	Regulatory Governance Manager
David M Rowley	Grant Thornton - V

Part 1 – items open to the press and public

Item No. *Title*

- 1 **Apologies for absence (if any)**
Apologies were received from Cllr Phil Davis, Cllr Angela Sandison , Cllr Peter Allen, Janice Wadrup (GMB), and Ian Smith (Unite),

It was noted that the meeting was inquorate; it was agreed that the meeting would continue on an informal basis and acknowledged that any decisions made must be ratified when the meeting was quorate.

2 **Notification of substitute members**

None.

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

None.

4 **Minutes of the Previous Meeting**

Malcom Cantello, Trade Union Representative, recommended that the resolution listed on page 12 of the minutes of the previous meeting be rewritten.

Resolved:

That the minutes of the previous meeting held on 23 June 2021 be approved as a correct record.

5 **Matters arising**

Cllr Alan Taylor noted that he had not received a response to a previous query raised at the June 2021 meeting in regard to the Fund's statement of accounts. Specifically, a figure in relation to the Fund's leasehold properties. Darshan Singh, Head of Finance informed the Committee that the statement of accounts had been amended to reflect the query and thanked Cllr Alan Taylor for his contribution.

Rachel Brothwood, Director of Pensions advised the Committee that an appointment to the Assistant Director, Investment Partnerships post had been made and that the successful candidate was expected to start before the end of this calendar year. The Director of Pensions thanked those on the Committee who contributed to the appointments panel.

The Director of Pensions also advised the Committee that the consultation for the Fund's Pensions Administration Strategy (PAS) had concluded and the reviewed document had been published on the Fund's website.

6 **Climate Change Framework and Strategy 2021-2026**

Rachel Brothwood, Director of Pensions presented the report on the Fund's revised and updated Climate Framework and Strategy 2021 for Committee discussion and approval.

The Director of Pensions confirmed that the updated Climate Change Framework and Strategy was grounded within the Fund's investment beliefs and consisted of a three-pillar approach to integration, stewardship, and disclosure, setting short-term action, medium targets and longer-term ambition.

The five-year programme would be updated no later than 2026 and progress would be reviewed and disclosed annually.

In response to a series of questions raised by those attending, Rachel Brothwood, Director of Pensions confirmed that the Fund's strategy set out a plan for the next five years, noting that the COP26 summit is expected to provide a catalyst for increased pace of government and corporate action. The Director of Pensions noted there was currently direct regulation applicable to LGPS Funds' response and reporting on Climate Change. They highlighted that the Fund was continuing to take a holistic approach across investment, funding, covenant and its own operations.

At the time of presenting the report, the meeting was not quorate due to delayed attendance in persons, which was resolved at 10:34 when the resolutions were formally adopted.

Resolved:

1. That the Pensions Committee approve the Fund's Climate Change Framework and Strategy for 2021-2026.

7 **Pensions Administration Report from 1 April to 30 June 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 April to 30 June 2021.

The Head of Operations outlined the impact on workload volumes over the quarter which had increased, resulting in some operational KPIs not being met.

In regard to the workflow statistics section of the report, Malcolm Cantello (Unison) asked how the Fund are tackling the backlog of operational work. The Head of Operations advised the Committee that the Fund takes a two prong approach in this area, one being ongoing improvements to systems and functionalities and the second ensuring the Fund holds sufficient resource. The Head of Operations further noted that the Fund's operational resources were recently reviewed, including approach to training and retention. It was expected to see improvements in this area during the next reporting period.

Resolved:

1. That the Pensions Committee approve the 11 applications for admission from employers into the Fund.
2. That the Pensions Committee approve the write-offs detailed in section 11 of this report.
3. That the Pensions Committee notes the performance and workloads of the key pension administration functions.
4. That the Pensions Committee notes the development of the Fund's membership and participating employers.
5. That the Pensions Committee notes the enhanced due diligence on transfer out requests, protecting members against pension scams.

8 **Governance and Assurance**

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

The Committee were advised on the successful delivery of the Annual Benefit Statements in line with the regulatory deadline.

The Head of Governance and Corporate Services, presenting the Strategic Risk Register, noted that it reported an increased rating on resources, taking into account the increased stretch on the Fund's resources in light of the wave of regulatory change across the industry.

The Head of Governance and Corporate Services updated the Committee on ongoing regulatory changes including the updated CIPFA Knowledge and Skills Framework, the expected implementation of the Scheme Advisory Board's Good Governance review and the Pension Regulator's Single Code of Practice, of which a

final version was not expected until summer 2022. It was noted that the Fund's Governance team continued to work across these areas to provide assurance.

Resolved:

1. That the Pensions Committee note the latest strategic risk-register and areas being closely monitored in the current environment.
2. That the Pensions Committee note the compliance monitoring activity undertaken during the quarter.
3. That the Pensions Committee note the Fund's Key Performance Indicators.
4. That the Pensions Committee note the updates on potential regulatory changes and statutory guidance emerging from the LGPS and wider pensions industry.
5. That the Pensions Committee note the Governing Body Training activities undertaken during the quarter.

9 **Corporate Plan Monitoring**

Rachel Howe, Head of Governance and Corporate Services presented the report on the work of the Fund in achieving its deliverables and targets set out in the Corporate Plan.

The Committee were advised that the Fund continued to focus on service delivery for members, employers, and wider stakeholders with some progress across all areas in the first 6 months of the year.

Resolved:

1. That the Pensions Committee note the work undertaken by the Fund to work towards the goals and ambitions outlined in the Corporate Plan 2021-2026.

10 **Budget Monitoring 2021- 2022 and Quarterly Accounts 30 June 2021**

Darshan Singh, Head of Finance, presented the report on the forecast out-turn for the year against operating budget for 2021-2022 and the quarterly accounts to 30 June 2021.

The Committee were advised that the current value of the Fund had increased to £19.9 Billion, a 5% increase since March 2021, noting the main reasons for the increase was due to market movements and investment performance.

Malcolm Cantello (Unison) acknowledged that this report highlighted the decrease in cash holdings, a positive reflection of the implementation of our Investment Strategy. Following this, Cllr Stephen Simkins enquired the need to hold the level of cash that it does. Tom Davies, Assistant Director, Investment Strategy advised that the figure in the report covered cash and cash equivalent which includes short-dated investments held to secure above cash returns. The Head of Finance also noted that the Fund is required to hold a certain level of cash to cover outgoing costs, such as pension and other benefit payments, typically in the region of £250m per quarter.

Malcolm Cantello (Unison), asked officers to explain the decrease in the value of the Fund's bulk annuity insurance buy in. The Head of Finance explained that the value of the bulk annuity insurance buy in is calculated once a year by the Fund's actuary and that this figure is an indicative and notional value.

Adding to this, the Director of Pensions noted that due to the fixed and reducing membership covered by the buy-in, the value of this will fall over time as payments run-off.

Resolved:

1. That the Pensions Committee note the Fund accounts for the quarter ending 30 June 2021.
2. That the Pensions Committee note that as at 30 June 2021, West Midlands Pension Fund forecasts an out-turn underspend for the year against operating budgets.

11 **Annual Report and Accounts 2020-2021**

Darshan Singh, Head of Finance, presented the report 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 confirming the steps to sign off in advance of the statutory deadline of 1 December.

David M Rowley, Grant Thornton, presented the Committee with an update on the Annual Report and Accounts 2020-2021. He advised that Grant Thornton had no concerns to report to the Committee regarding the Fund's management, investments and controls and that the Fund's ongoing position was identified as low risk.

In response to a query raised by Cllr Bally Singh, regarding the Fund's long-term agreement with Grant Thornton and the national procurement process. Claire Nye, Director of Finance, advised that Wolverhampton Council, as appointer of the external auditor, were undertaking a review of the process.

Resolved:

1. That the Pensions Committee acknowledge the Approval of the 2020-2021 Statement of Accounts, certified by the Administering Authority's Section 151 officer and published on 21 June 2021.
2. That the Pensions Committee note Grant Thornton's Audit Findings Report
3. That the Pensions Committee note 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. That the Pensions Committee note the previous 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.

12 **Customer Engagement Update**

Simon Taylor, Assistant Director, Pensions, presented the report on the Fund's customer engagement activity from 1 April 2021 to 30 June 2021 and the future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy.

The Committee were advised that the Fund was preparing for the Annual General Meeting With employers, a key date in the stakeholder engagement calendar.

The Committee were advised that following statutory requirements, the Fund had sent letters to 3,000 members following the GMP reconciliation exercise which identified overpayments. The letters noted that previous overpayments would not be recovered, but that members pension benefits would be reduced with effect from March 2022.

Following a query from Malcolm Cantello (Unison), the Assistant Director, Pensions, noted that the recently circulated newsletter was available to the Pensions Committee members upon request.

Resolved:

1. That the Pensions Committee note the engagement activity and informed service development across the quarter.

13 **Responsible Investment Activities**

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

The Director of Pensions drew attention to an increase in climate change related disclosure following a variety of engagements through external partners including LAPFF, Hermes EOS and LGPS Central.

The Director of Pensions was pleased to inform the Committee that the Fund had successfully achieved signatory status from the Financial Reporting Council's 2020 UK Stewardship Code and had been recognised for its approach and reported outcomes to stewardship and engagement activity.

Malcolm Cantello noted a previous query in regard to LAPFF engagement with National Express. The Director of Pensions advised that the Fund had reached out to LAPFF regarding this issue, who had confirmed that a resolution was reached between the US Company and member representatives and LAPFF had concluded its work on this engagement.

Cllr Bally Singh noted positive and timely responses from the Fund's Responsible Investment team, in regard to engagement with wider constituents and stakeholders encouraging an ongoing approach to this type of engagement.

Resolved:

1. That the Pensions Committee note the Fund's engagement and voting activity for three months ending 30 June 2021 [Appendices A and B].
2. That the Pensions Committee note the issues discussed by LAPFF as set out in the Quarterly Engagement Stewardship Report.
3. That the Pensions Committee note the voting and engagement activity of LGPS Central, as set out in the Quarterly Stewardship Report
4. That the Pensions Committee note the research and engagement activity undertaken by EOS at Federated Hermes as set out in the Quarterly Engagement Report,
5. That the Pensions Committee note the Fund's involvement in the establishment of the first Asset Owner Diversity Charter.

14 **Quarterly Investment Report to 30 June 2021**

Tom Davies, Assistant Director, Investment Strategy presented the report on the developments in investment markets, assets 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 current value of the Fund had increased to £19.9 Billion, a 5% increase since March 2021, noting the main reasons for the increase was due to market movements and investment performance.

In response to a query raised by Cllr Bally Singh, regarding what action the Fund was taking in regard to risks associated with investments from China, the Assistant Director, Investment Strategy, advised that the Fund takes a cautious approach when developing and implementing investment strategy.

Resolved:

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

15 **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.

16 **Investment Strategy and Activity Update**

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

Resolved:

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

17 **LGPS Central Investment Pool**

Rachel Brothwood, Director of Pensions, presented the report on the LGPSC Pool, including matters considered by Shareholders at the Annual General Meeting on 28 September, highlights from the Company's 2021/22 Annual Report and the forward-looking analysis and considerations to inform the future development of the pool.

Resolved:

1. That the Pensions Committee note the Director's update on Shareholder business relating to LGPS Central Limited.
2. That the Pensions Committee note the Annual Report of LGPS Central Limited for 2020/21.
3. That the Pensions Committee note the work underway to finalise the LGPS Central pool report to MHCLG and inform discussion on the Company's 2022/23 business plan and budget.
4. That the Pensions Committee note the research jointly commissioned and published by pool companies within the LGPS, considering potential learnings from pooling across investors, outside of the UK.

18 **Employer Covenant Monitoring**

Simon Taylor, Assistant Director, Pensions, presented the report on the findings of the in-house covenant monitoring framework and the individual cases arising from the ongoing monitoring process. He provided an overview of the Fund's financial strength and ability to meet its liabilities.

Resolved:

1. That the Pensions Committee note the revised employer watch list updated to take into account 2019/20 financial information published and received from Fund employers.
2. That the Pensions Committee note the summary outcomes of the Employer Financial Health Survey 2021.
3. That the Pensions Committee note the update on climate risk within the employer covenant framework
4. That the Pensions Committee note the employer/sectoral developments which may have implications for employer covenant.

19 **Procurement Programme**

Amy Regler, Head of Operations, presented the report on 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.

The Head of Operations noted the upcoming panel for the Actuary and Risk Advisor and thanked Cllr Bally Singh and Malcolm Cantello (Unison) for their participation.

Resolved:

1. That the Pensions Committee approve the nominations to a working group, alongside Fund Officers, to receive presentations from suppliers as part of the procurement process to review and appoint the Fund Actuary and Risk Advisor.
2. That the Pensions Committee note the status of the programme of procurement activities currently being undertaken by the Fund, which will see the review and appointment of a number of key providers and advisers to the Fund over the next 12 months.

CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 15 December 2021
--	---

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 Urgent Decision taken by the Chair and Vice Chair of Pensions Committee, in consultation with the membership, to reduce the quorum requirements.
2. The Fund's Key Performance Indicators.
3. The latest strategic risk-register and areas being closely monitored in the current environment.
4. The compliance monitoring activity undertaken during the quarter.
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 Committee Quorum

- 2.1 The West Midlands Pension Committee Membership consists of 10 Wolverhampton elected councillors (as the Administering Authority), together with invited members from across the Metropolitan District Authorities of the West Midlands region who all participate as voting members and four Trade Union representatives who sit on the Committee as observers. Quorum for the committee is determined by the committee and should be of a number that enables effective decision making across the represented membership.
- 2.2 During the pandemic rules on face-to-face meetings were relaxed at a national level to enable those attending virtually to be included in the quorum for attendance, enabling the effective decision of matters being presented at a time when management of the pandemic was a priority.
- 2.3 Following the relaxation of lockdown, Government did not extend the interim arrangements to allow S101 meetings of local authorities to meet virtually, instead reverting to the requirement for them to be held in person.
- 2.4 The quorum for the Pension Committee (requiring attendance in person), stood at nine. Quorum for regulatory committees across Wolverhampton Council stands at circa 20% of total membership. In consideration of those invited to join the Committee and both the regional and pension fund-specific nature of the Committee, Officers have considered both the role of the Committee and practice elsewhere. In consultation with committee members, the Chair and Vice Chair took an urgent decision on 6 December 2021 to reduce the quorum for pensions committee to 5, with a minimum requirement that at least one attendee by a Wolverhampton Council Elected Member and one being a Metropolitan District Member.
- 2.5 A copy of the approved Urgent Decision Record is attached at appendix A.

3.0 Key Performance Indicators

- 3.1 Attached at Appendix B are the Fund's Key Performance Indicators.
- 3.2 There has been marginal movement across the Fund's Operational KPIs, covered in more detail in the Pension Administration Report with improvements showing across the retirement notification processes as a result of flexing resource to support increases in work volumes.
- 3.3 Engagement with the Fund from our customer base continues to be high, noted in the high volume of calls received into the Fund's customer contact centre, which has

impacted performance on a percentage basis together with capacity constraints on the team. Linked to this, member complaints are slightly higher this reporting period, following the communication with members on GMP reconciliation and the impact, for some, on their pension benefits going forward. It is expected that this trend will also cross next quarter's reporting.

- 3.4 Web Portal registrations have fallen slightly low of target for the quarter. The Fund usually sees trend increases on registrations following face-to-face delivery of events which have been on hold recently due to pandemic controls being in place. This last month, the Fund's member services team have reinstated face-to-face events at employer locations on request. Further information relating to these events is contained within the Customer Engagement Report.

4.0 Risk Management – Strategic Risk Register

- 4.1 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.
- 4.2 This quarter there has been movement across a number of risks areas with increased ratings across Resourcing, Data, and Service Delivery.
- 4.3 The Fund continues to drive forward with data collection in response to the McCloud judgment, engaging with employers and developing efficient processes. Initial data files received from employers has highlighted the potential for increased processing by the Fund both in relation to the data collection and analysis and in support for employers in understanding the data requirements. Work continues to assess the ongoing impact and resource requirements to support this work.
- 4.4 In line with the above, resourcing continues to be a high risk for the Fund in relation to the need to support regulatory change (such as McCloud), together with a number of vacancies across key service areas following team and resource reviews (to support increased requirements on service delivery and regulatory reporting). With a number of technical and skilled roles being advertised, the challenge for the Fund in competing with open market roles is becoming apparent and competition for specialist skills sets is heightened across the pensions industry and LGPS. The Fund continues to engage with the Council, as employer, in the review and grading of technical and specialist knowledge with some reliance on interim support for the medium term as recruitment is ongoing.
- 4.5 Due to the growing complexity in scheme rules requiring adaptation to a number of system processes, there is a short term need to undertake some manual processing which is impacting work volumes and processing times. The associated risk of reliance on third party providers who support automation in processes also contributes to the increased risk on service delivery. Through the natural turnover of time on service provider contracts, a number are also under procurement review which have the potential to impact timely service delivery.

4.6 The Strategic Risk Register is attached at Appendix C.

5.0 Compliance Monitoring

5.1 Data Protection

This quarter the Fund is reporting five data breaches, representing a reduction from the seven reported last 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 make recommendations for improvement.

5.2 Freedom of Information (FOI) Requests

FOI requests are administered by CWC who are ultimately responsible for responding to requests, CWC set internal deadlines for response to ensure compliance with statutory timescales. The Governance Team continue to work across the Fund and in conjunction with Information Governance at CWC to ensure that FOI requests are dealt efficiently in accordance with prescribed guidelines and timescales.

This quarter the Fund responded to six FOI requests, five requests were dealt with in accordance with the deadlines set by the City of Wolverhampton Council (CWC), with, one request seeking, and being granted, an extension to internal deadlines to allow further validation checks on the information provided. All requests were responded to within statutory timescales.

5.3 Subject Access Requests (SARs)

This quarter the Fund has received eight Subject Access Request, an increase of five since the previous quarter. 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 in line with the Pension Regulator's Scam Pledge, for any flags which may indicate a need for further escalation with regulatory bodies.

6.0 Annual Regulator Activity

6.1 The Fund have completed and submitted the TPR's annual scheme return, in accordance with deadline set by the Regulator. The scheme return is completed annually and is used by the regulator to gather information about pension schemes, to identify potential risks.

7.0 Governing Body Training

- 7.1 Governing Body training events undertaken during the last six months included the following events with training hours being recorded and reported in the Fund's KPIs;
- Governing Body induction in June, which comprised of a variety of topics for both new and existing members and covered, pensions governance, administration and communications, investment strategy and responsible investment.
 - Virtual Mid-Year review which included information on the Pensions Administration Strategy and Cyber Security.
 - The Fund's autumn training day that included sessions on Our People, CIPFA Knowledge and Skills, Risk Management, Annual Report and Accounts, Pensions Dashboards, Funding and Responsible Investment.
- 7.2 The online learning library for Governing Body members has also been reviewed and updated and continues to provide a variety of training materials and relevant information for Governing Body members.
- 7.3 As previously reported, CIPFA have released an updated version of their Knowledge and Skills Framework, in accordance with the framework the Fund are in the process of undertaking a Governing Body Training needs assessment to identify future training requirements.

8.0 Financial implications

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

9.0 Legal implications

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

10.0 Equalities implications

- 10.1 There are no direct equalities implications.

11.0 Other Potential implications

- 11.1 There are no other potential implications.

12.0 Schedule of background papers

12.1 [CIPFA Knowledge and Skills Code of Practice and Framework](#)

13.0 Schedule of appendices

13.1 Appendix A: Approved Urgent Decision Record

13.2 Appendix B: KPI's Quarter Two

13.2 Appendix C: Strategic Risk Register

Urgent Decision Record

Date of Committee Meeting	15 December 2021
Title of Committee Report	Governance and Assurance

Relevant Section of the Admin Authority Constitution (Taken from Pension Committee Terms of Reference)	<p>Pensions Committee Terms of Reference - Urgent Decision of Pension Committee</p> <p>URGENT DECISIONS</p> <ul style="list-style-type: none"> • The Chair, Vice Chair or nominated person in consultation with the Director of Pensions shall be able to exercise the powers of the Committee in any matter of immediate urgency which cannot wait until the next meeting. Decision made under this provision will be reported to the next available meeting of the Committee.
---	---

Background to Decision	<p>The West Midlands Pension Committee Membership consists of 10 Wolverhampton elected councillors (as the Administering Authority), together with invited members from across the Metropolitan District Authorities of the West Midlands region who all participate as voting members and four Trade Union representatives who sit on the Committee as observers. Quorum for the committee is determined by the committee and should be of a number that enables effective decision making across the represented membership.</p> <p>During the pandemic rules on face to face meetings were relaxed at a national level to enable those attending virtually to be included in the quorum for attendance, enabling the effective decision of matters being presented at a time when management of the pandemic was a priority.</p> <p>Following the relaxation of lockdown, Government did not extend the interim arrangements to allow S101 meetings of local authorities to meet virtually, instead reverting to the requirement for them to be held in person.</p>
------------------------	--

Urgent Decision Record

	<p>The quorum for the pension committee (requiring attendance in person), currently stands at nine. Quorum for regulatory committees across Wolverhampton Council and other regional committees in the West Midlands stands at circa 20% of total membership. It is therefore proposed to reduce the quorum for pension committee to reflect arrangements across the Council's other committees and to support the effective decision making process.</p> <p>It is proposed that the quorum should be reduced to 5, to include at least 1 elected member from the City of Wolverhampton Council and one Metropolitan District Representative. Members of the Committee who do not attend the meeting in person will still have the option to join virtually and participate in the discussion.</p>
Reason the decision cannot be determined at Committee	<p>Due to the Covid-19 pandemic, increasing case numbers and concerns with regards to the spread of variants it is deemed necessary to seek urgent decision to reduce the Pensions Committee's Quorum in advance of the next meeting on 15 December 2021. This will allow the Committee to continue to hold quorate meetings and support effective decision making whilst also protecting committee members.</p> <p>A report will be presented to committee at it's next scheduled meeting to confirm the decision being taken.</p>
Committee Report	Governance and Assurance 15 December 2021

Action undertaken to determine decision (including advice taken, meetings held, etc.)	A review of quorum requirements for Wolverhampton Regulatory committees has been undertaken to determine minimum attendance requirements, together with benchmarking of peer LGPS Funds.
Urgent Decision Process Approval	Following discussion, the Chair and Vice Chair concluded that the decision was urgent and determined the recommendations agreed.

Urgent Decision Record

Recommendations outlined by Officers	To approve: a. The changes to the Committee's Quorum
Decision taken under urgent powers	To approve the recommendations

Date Completed	6 December 2021
Signed by Chair of Pensions Committee	<i>Milkinder Jaspel</i>
Signed by Vice Chair of Pensions Committee	<i>L. Coltriggwood</i>
Signed by Director of Pensions	<i>M. Lambert</i>
Signed by relevant Head of Service	<i>Rachel Howe</i>

This page is intentionally left blank

West Midlands Pension Fund - Key Performance Indicators (KPIs)



Customer Engagement and Communication		Operations - Benefit Operations Processes						
KPI Summary	KPI Description	Frequency	KPI Target	21/22 Q1 % Hit	21/22 Q2 % Hit	21/22 Q3 % Hit	Trend	
Refund Notification	Notify member of Refund within 10 days of receiving required information	Monthly	90%	94.77%	94.05%		↓	
Refund Payment	Refund payments processed within 5 days of receiving required information	Monthly	90%	98.88%	97.91%		↓	
Retirement Quote	Notification of Estimated Benefits within 15 days of retirement date	Monthly	90%	98.89%	99.25%		↑	
Retirement Notification	Notification of the actual benefits within 5 days of receiving member option form (Retirement Notification)	Monthly	90%	66.73%	85.71%		↑	
Retirement Payment	Payment of lump sum and creation of payroll record within 5 days of receiving election form (Retirement)	Monthly	90%	98.44%	98.35%		↓	
Deferred Retirement Quote	Issue quote letter within 10 days of the members eligible payment date or receipt of request from member	Monthly	90%	77.30%	64.58%		↓	
Deferred Retirement Notification	Notification of the actual benefits within 5 days of receiving member option form (Deferred Retirement Notification)	Monthly	90%	94.27%	96.49%		↓	
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%	94.80%		↑	
Transfer In Quote	Transfer in quotations processed within 10 days of receiving all the required information	Monthly	90%	98.10%	93.59%		↓	
Transfer In Payment	Transfer notification transferred in membership to be notified to the scheme member within 10 days of receiving payment	Monthly	90%	94.52%	94.25%		↓	
Transfer Out Quote	Transfer out quotations processed within 20 days of receiving required information	Monthly	90%	98.30%	100.00%		↑	
Transfer Out Payment	Transfer out payments processed within 20 days of receiving required information	Monthly	90%	92.73%	95.24%		↑	
Deaths Acknowledgement	Acknowledgement of a death within 5 days of receiving the notification	Monthly	90%	96.60%	97.95%		↑	
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%	92.68%		↓	
Deaths Payment	Payment of death lump sum will be made within 10 days of receipt of all the required information	Monthly	90%	100.00%	97.97%		↓	

Customer Engagement and Communication		Pension Services - Customer Satisfaction						
KPI Summary	KPI Description	Frequency	KPI Target	21/22 Q1 % Hit	21/22 Q2 % Hit	21/22 Q3 % Hit	Trend	
Customer Satisfaction	Customer satisfaction	Quarterly	90%	85.23%	81.00%		↓	
Pension Services - Complaints Monitoring		Frequency	KPI Target	21/22 Q1 % Hit	21/22 Q2 % Hit	21/22 Q3 % Hit	Trend	
Member Complaints	All member complaints to be responded to within 20 working days of receipt	Monthly	100%	98.15%	98.73%		↑	
Employer Complaints	All employer complaints to be responded to within 20 working days of receipt	Monthly	100%	100.00%	100.00%		↔	
Pension Services - Complaints Monitoring		Frequency	KPI Target	21/22 Q1 % Hit	21/22 Q2 % Hit	21/22 Q3 % Hit	Trend	
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%	✓	✓		✓	

Customer Engagement and Communication		Pension Services - Service Calls						
KPI Summary	KPI Description	Frequency	KPI Target	21/22 Q1 % Hit	21/22 Q2 % Hit	21/22 Q3 % Hit	Trend	
Customer Services Calls	Call answer rate of the customer helpline	Monthly	85%	82.93%	80.63%		↓	
Employer Services Calls	Call answer rate of the employer helpline	Monthly	85%	96.43%	94.33%		↓	
Pension Services - Web Portal Registrations		Frequency	KPI Target	21/22 Q1 % Hit	21/22 Q2 % Hit	21/22 Q3 % Hit	Trend	
Web Portal Registrations	Web Portal Registrations	Monthly	3000 increase per quarter	3375	2400		↓	
Operations - Web Portal Availability		Frequency	KPI Target	21/22 Q1 % Hit	21/22 Q2 % Hit	21/22 Q3 % Hit	Trend	
Web Portal Availability	Pensions Portal to be available 95% of the time (based on working hours as monitored)	Monthly	95%	98.53%	97.46%		↓	
Employer Portal Availability	Employer Portal to be available 95% of the time (based on working hours as monitored)	Monthly	95%	99.86%	100.00%		↑	

Governance and Risk		Governance - Effective Decision Making					
KPI Summary	KPI Description	Frequency	KPI Target	21/22	21/22		
Pensions Committee Training	Training hours of Pensions Committee	Biannually	22 hours pp	100.00%			
Pensions Board Training	Training hours of Pensions Board	Biannually	22 hours pp	100.00%			
Total PC/PB Training	Total training hours of Pensions Committee and Board	Biannually	22 hours pp	100.00%			
Governance - Effective Decision Making		Frequency	KPI Target	21/22	21/22		
Pensions Board Attendance	Attendance rate of Pensions Board	Biannually	4 per year	79.17%			
Pensions Committee Attendance	Attendance rate of Pensions Committee	Biannually	4 per year	79.49%			
Total PC/PB Attendance	Total attendance rate of Pensions Committee and Board	Biannually	4 per year	79.37%			
Governance - Statutory Response Timeliness		Frequency	KPI Target	21/22 Q1 % Hit	21/22 Q2 % Hit	21/22 Q3 % Hit	Trend
Combined Statutory Timeliness	All Fund responses to be submitted in line with service standard set to CWC	Monthly	100%	100.00%	94.44%		↓

Data Management and Reporting		Governance - Data Quality						
KPI Summary	KPI Description	Frequency	KPI Target	21/22 Q1 % Hit	21/22 Q2 % Hit	21/22 Q3 % Hit	Trend	
Common Data	Common Data	Monthly	99%	97.57%	97.60%		↑	
Operations - Data Improvement		Frequency	KPI Target	21/22	21/22	21/22	Trend	
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%			↓	

This page is intentionally left blank

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

	Risk Issue	Area of Concern	Current Driver	Rating	Risk ID (from operational risk map)	Responsible officer (driver)
1	Data and Information Reporting	Data Quality and the ability of the Fund to meet statutory and reporting requirements	McCloud data cleansing is an ongoing project with initial data responses highlighting additional work for rectification of records.	High	G1, F7, OP1, INV2, INV7	Head of Operations
			Increased oversight on investment governance (and Pools) and the performance of LGPS Assets.			Head of Governance
			Ongoing challenge to manage and process high volumes of business data.			Head of Governance
2	Effective Governance	The Fund is not able to update and effect its processes to ensure ongoing compliance	Forthcoming regulatory change and statutory guidance redefining reporting requirements for the Fund	Medium	G1, G2, F2, F3, OP2, F4, F8, OP8, PS1, PS2, PS4, INV1, INV2	Head of Governance
			Ongoing reliance on third party suppliers/stakeholders and the collective agreement of partners on common deliverables			Head of Operations
			Ongoing resource constraints in key areas with a reliance on interim support			Head of Governance
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	Medium	G3, G4, F11, OP5	Head of Operations
4	Resourcing	Systems and current processes ability to cope with workload demands and the impact of manual processes pending automation enhancements. People as a resource risk, with some high turnover of employees in the last quarter. Recruitment is impacted by the ability of the Fund to offer competitive salaries and opportunities for career growth in the recruitment to vacant roles with required skills	Competition in the market for skilled and specialist roles. Increasing employee mobility offering reducing potential for job seekers.	High	G5, F1, OP4, OP7, PS7, PS8, INV6	Head of Governance
			Growing complexity in the scheme and changing demands on service delivery and the Fund's ability to keep pace with knowledge change			Director of Pensions
			Ongoing reliance on interim and individual roles to support service delivery may be needed for medium to long term			Head of Governance
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	Growing complexity in scheme regulations and the increasing reporting requirements, placing increased demands on the Fund's monitoring processes.	Medium	F2, F4, F6, F10, F12, F13, PS6, OP6, PS1, INV1, INV2, INV3	Head of Operations
			Manual processes for monitoring compliance create challenges to effect appropriate controls and assurance			Head of Operations
			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			Head of Operations
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.	A number of processes remain manual pending system updates and/or automation	High	F9, PS3, PS5, INV3	Head of Operations
			Key vacancies in key service areas following resource reviews which are pending recruitment against a competitive market.			Head of Governance
			Potential to impact the Fund's budget for 2022/23 noting the increased demands on LGPS Funds and the change in service delivery approach to meet it.			Head of Finance
			Growing complexity in scheme rules creating confusion for Fund stakeholders resulting in increased demands for front line services.			Assistant Director, Pensions
			Multitude of regulatory change in the operational and reporting requirements of Funds			Head of Governance
7	Service Delivery - Third Parties	The Fund is unable to deliver its services due to the reliance on third parties	Number of key service deliverables are reliant on third parties with a number of service provider contracts under general and wider review	High	OP3, F5, PS4	Head of Operations
			Employers own resource risk limits ability to deliver requirements for the Fund			Assistant Director, Pensions
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	Changing market conditions impact on investment returns and pace of change in asset allocation with the potential for increased costs for products	Medium	INV4,	Assistant Director, Investment Strategy
			Increased level of employer interest in exit from the LGPS combined with broader affordability considerations			Assistant Director pensions

This page is intentionally left blank

CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 15 December 2021
-------------------------------------	---

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

Recommendation for decision:

The Pensions Committee is asked to note and approve:

1. Publication of the Fund's 2021 Taskforce for Climate-related Financial Disclosure (TCFD) Report [Appendix A].

Recommendations for noting:

The Pensions Committee is asked to note:

1. The Fund's engagement and voting activity for the three months ending 30 September 2021 [Appendices B and C].
2. The issues discussed by LAPFF are set out in the Quarterly Engagement Report, which is available on the LAPFF website: https://lapfforum.org/wp-content/uploads/2021/10/LAPFF_QER03_2021_03.pdf
3. The voting and engagement activity of LGPS Central, as set out in the Quarterly Stewardship Report, available on the LGPS Central website: <https://www.lgpscentral.co.uk/wp-content/uploads/2021/11/LGPSC-Stewardship-Update-Q2-2021-22-2.pdf>
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: <https://www.hermes-investment.com/uki/eos-insight/eos/public-engagement-report-q3-2020/>

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+), the Transition Pathway Initiative (TPI), and the Principles for Responsible Investment (PRI).
- 3.2 Through LAPFF, the Fund engaged 82 companies during the quarter¹, addressing human rights, climate change and governance issues. Most engagements were conducted through letter writing; five company engagements are currently categorised as change in process, whilst substantial and moderate improvements were documented in four engagements.
- 3.3 This quarter LGPS Central undertook 607² engagements with 199 companies on behalf of the Fund, the majority of which were carried out by EOS. 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 This is a critical year for both corporate and policy makers in accelerating action towards the goals of the Paris Agreement - to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels. The focus is now on the UK and the contribution that local authority pension funds and other institutional investors can make to help decarbonise the economy in a way that protects beneficiaries and secures just transition to net zero.
- 3.6 During the quarter LAPFF undertook 68 climate change engagements. Five of the engagements are categorised as change in progress and substantial improvements have been recognised for three of the company engagements.
- 3.7 On behalf of the Fund, LAPFF has been engaging with Persimmon over a number of years following serious concerns about excessive executive pay, customer care and build quality. The Forum has also identified housebuilders as an important sector for climate change engagements, given the level of emissions from residential property. LAPFF therefore met with the Chair of Permission to discuss improvements in customer care and executive pay alongside how it was seeking to move to a net zero business model. Persimmon has made a commitment that all new homes will be net-zero by 2030 and for the company, including its operations, to be net zero by 2040. Under UK government policy, there will be no gas boilers installed in new homes from 2025 and the discussion focused on how Persimmon was seeking to prepare for this change. LAPFF deem that Persimmon has made improvements to customer care but there is scope for further improvements. While emission targets have been set it will be important to monitor their progress towards net zero.
- 3.8 The Institutional Investor Group on Climate Change (IIGCC), of which the Fund is a member, has published a guide on Investor Expectations of Companies on Physical Climate Risks and Opportunities. LAPFF has co-signed letters to 50 companies in sectors highly exposed to physical climate risk asking them to adopt the expectations set out in the guide. These expectations are to establish a climate governance framework, to undertake physical climate risk and opportunity assessment, to develop and implement a strategy for building climate resilience, and to identify and report against metrics to demonstrate progress over time.
- 3.9 This quarter, LGPS Central's climate change engagement set comprised 269 companies with 326 engagements issues. There was engagement activity on 295 engagement issues and achievement of some or all specific engagement objectives on 136 occasions.
- 3.10 During the quarter, under the scope of Climate Action 100+, LGPS Central met with the senior management of SSE Limited to provide views on the company's draft climate transition plan - to deliver a Paris-aligned emissions reduction pathway over the short, medium and long term. SEE were very receptive to the investor groups views and LGPS Central were pleased to see a clear net-zero by 2050 commitment accompanied by short- and medium-term targets in the transition plan. LGPS Central did have some concerns regarding the short-term emissions reduction targets to 2025, but the company

commits to regularly update interim emissions reduction targets based on latest scientific developments.

- 3.11 Through Climate Action 100+, LGPS Central have continued engagement with a diversified mining company on their efforts to reduce scope 3³ greenhouse gas emissions and to develop a scope 3 emissions reduction programme. For this company, scope 3 emissions represent 96% of its total emissions and are a critical element to address. The company has presented initial actions to support the reduction of their scope 3 emissions. However, CA100+ would like to see this translate into measurable goals and will continue working with the company to develop quantitative targets. The company has signalled that it will not set numeric targets on Scope 3 emissions unless it is underpinned by a reasonable basis. The company is currently prepared to do this for 30% of its Scope 3 emissions as there is currently no reasonable basis to do this for emissions generated by steelmaking. Along with CA100+, LGPS Central will continue to monitor this issue and engage with the company in question.

Sustainable Food Systems

- 3.12 Together with more than 100 investors and coordinated by ShareAction, LGPS Central co-signed letters to 68 banks setting out expectations for Paris-alignment and protection and restoration of biodiversity. Banks play a critical role in provision of finance to support transition to a low-carbon economy. Whilst banks have been previously asked to set targets in line with Paris, this letter specifically addresses biodiversity, alongside climate, as an area that banks are expected to assess in their risk management and in their dialogue with clients. Encouragingly, 45 banks have responded to the letter and dialogue is ongoing with a selection of these banks. The investor group's first ask was for banks to publish climate targets covering all relevant financial services that are aligned with global efforts to hold temperature rise below 1.5 degrees Celsius. Nineteen confirmed that they will publish new climate targets by the end of 2021, and/or their 2022 AGM. This includes BBVA, BNP Paribas, Citigroup, and Standard Chartered. A critical next step for the investor group is to assess whether these targets put banks on a clear path to net zero.
- 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 37 companies with 39 engagement issues⁴. There was engagement activity on 24 engagements and achievement of some or all engagement objectives on 19 occasions. LGPS Central has continued its engagement during the quarter with six packaging companies through a Principles for Responsible Investment plastics working subgroup. Good progress has been made in dialogue with a UK retailer that has committed to introducing products with microplastic filters within the next 18 months.
- 3.14 During the quarter LAPFF attended Sainsbury's 'Plan for Better' event and posed questions, both at this event and at the AGM, on the company's packaging practices, electric vehicles, supply chains, climate change and 'say on climate'. In 2020, Sainsbury

³ Scope 3 emissions are a consequence of the activities of the company but occur from sources not owned or controlled by the company. Some examples of scope 3 activities are extraction and production of purchased materials; transportation of purchased fuels; and use of products and services.

⁴ There can be more than one plastic-related engagement issue per company.

announced its climate target to be net zero by 2040 and has this year announced Scope 3 emissions targets, which followed with a key theme of this year's ESG event being that the company was engraining ESG at the core of its business strategy. It is taking several steps in stores to tackle plastic packaging, opting for loose veg as opposed to prepacked. These steps have led Sainsbury to be recognised by Greenpeace as the retailer with the second highest proportion of loose fruit and vegetables in the market. LAPFF will be meeting with Sainsbury for a more in-depth conversation on the company's approach to a zero-carbon transition and will be querying the company further on a 'say on climate' vote.

Human Rights

- 3.15 On behalf of the Fund, LAPFF has engaged four companies on eleven human rights issues during the quarter. Improvements following dialogue with two of the companies has been document by LAPFF.
- 3.16 As previously reported to Pensions Committee, LAPFF continues to engage with target companies operating in Occupied Palestine Territories (OPT). There are short-term and long-term objectives with this engagement. The short-term objective is to have the LAPFF target companies operating in this area engage meaningfully with LAPFF on their human rights practices in the OPT. The long-term objective is to have these companies produce credible, robust, independent human rights impact assessments of their practices in the OPT so that LAPFF members can assess whether the companies' human rights practices meet international human rights and humanitarian law standards. During the quarter LAPFF engaged with two companies, gaining insights into their human rights due diligence processes and one company has publicly announced that it is in the process of drafting its Human Rights Statement. LAPFF will continue to approach companies for engagement and to request meaningful responses to information requests. Pensions Committee will be kept up to date on LAPFF's progress.
- 3.17 During the quarter LGPS Central, as part of an investor coalition led by the Council on Ethics to the Swedish National Pension Funds, discussed human rights risk management with Amazon. The investor group shared a set of Investor Expectations with this and several other technology companies in December last year and were pleased to see that Amazon is taking promising steps to build out its Human Rights programme and carry out human rights' due diligence across its operations.
- 3.18 As part of a collaborative initiative co-ordinated by the New Zealand Superannuation Fund, over the past 30 months WMPF has taken part in an engagement project targeting the world's three largest social media companies (Facebook, Alphabet and Twitter). The project, which has now drawn to a close having seen significant progress made by each of the social media companies to stop the spread of objectionable material, but a continued focus on the evolution of preventative safeguards is needed. The engagement project received Stewardship Initiative of the Year award at the UN PRI 2021 Awards for its success in engaging these multinational giants by building a large collaboration of investors, escalating the engagement, and influencing progress.

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 both occasions.
- 3.20 LGPS Central has initiated dialogue with an Anglo-Irish consumer credit reporting company on tax transparency and responsible tax behaviour. LGPS Central would like to see the company share tax relevant Country-by-Country Reporting (CBCR) with shareholders so that we can make a meaningful assessment of their tax behaviour. Over the next quarter the group is scheduled to reach out to six other companies that have been in scope of this engagement since 2020, to push for better tax disclosure and to tease out companies' preparedness for a global minimum tax rate that has now been agreed by the G7 Group.
- 3.21 Executive remuneration was a popular topic for the 2021 annual shareholder meeting season in India. In their quarterly engagement report, EOS have documented that it appears that many Indian companies are seeking to follow US models of pay, which can lead to excessive quantum and short-termism, rather than long-term sustainable value generation. EOS challenged cases of excessive quantum versus the median pay for employees, as well as the lack of metrics and performance hurdles in other cases. EOS recommended voting against items related to executive pay at HCL Technologies for these reasons but were pleased that the company was responsive to EOS' engagement call and EOS hope to see improvements next year.

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 March 2022, ahead of the 2022 AGM season.
- 3.23 The voting activity for the quarter across markets and issues can be found in Appendix C. During the period, the Fund voted at a total of 271 company meetings (3,199 resolutions) – 105 UK, 47 Europe, 27 North American, 46 Developed Asia, 13 Australasian and 33 in Emerging and Frontier Markets. At 114 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).

Asset Owner Diversity Working Group

- 3.24 This quarter the Fund has continued its involvement in the Asset Owner Diversity Working Group, which earlier this year saw the development of the first Asset Owner Diversity Charter⁵, which aims to tackle diversity bias within the asset management industry. The Charter has now been backed by 19 signatories representing £1.88 trillion

⁵ [Asset Owner Diversity Charter | Diversity Project](#)

in assets under management/consultancy. In late November, the Fund's Responsible Investment Officer was involved in the development of a webinar delivered to Asset Managers explaining the rationale of the Charter and the expected aims of Asset Managers in Q1 2022 when the working group's initial manager questionnaire will be launched. To coincide with the webinar event, a pulse survey was sent to a handful of WMPF managers to assess their knowledge and commitment to diversity and the responses are being monitored.

Correspondence

- 3.25 The Fund continues to receive correspondence from individual members of the public, and more established divestment groups in connection with climate change and calls for divestment. During the quarter the Fund received queries and correspondence on responsible investment topics relating to investment in Palestine and the arms trade. 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 abreast of progress.
- 3.26 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.

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: https://lapfforum.org/wp-content/uploads/2021/10/LAPFF_QER03_2021_03.pdf

10.2 LGPS Central Quarterly Engagement Report: <https://www.lgpscentral.co.uk/wp-content/uploads/2021/11/LGPSC-Stewardship-Update-Q2-2021-22-2.pdf>

10.3 EOS at Federated Hermes Public Engagement Report: <https://www.hermes-investment.com/uki/eos-insight/eos/public-engagement-report-q3-2020/>

11.0 Schedule of appendices

11.1 Appendix A – Taskforce for Climate-related Financial Disclosure (TCFD) Report 2021

11.2 Appendix B – WMPF Engagement Activity

11.3 Appendix C - WMPF Voting Activity



West Midlands Pension Fund

CLIMATE RELATED DISCLOSURE

Page 35
2021

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

Report prepared in collaboration with LGPS Central Limited

DECEMBER 2021

Cover photo by Nik Shuliahin on Unsplash



INVESTORS
IN PEOPLE

Gold



INTRODUCTION AND OVERVIEW

The West Midlands Pension Fund (“the Fund/WMPF”) is one of the largest funds within the Local Government Pension Scheme in the UK. An open defined benefit pension scheme with more than 750 employers, the Fund has assets under management in excess of £20 billion and invests for the long-term across a wide range of asset classes to deliver returns to pay pensions to over 340,000 Fund members within the West Midlands.

This stand-alone report marks the fifth year in which the Fund has prepared and disclosed its action and approach to assessing and managing the risks associated with climate change. The Fund’s response to climate change is embedded within the Fund’s Investment Strategy Statement and is supported by our Climate Change Framework and Strategy (2021-2026) and wider Responsible Investment (RI) Framework.

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

INVESTMENT STRATEGY
STATEMENT 2021



CLIMATE CHANGE
FRAMEWORK AND
STRATEGY 2021



RESPONSIBLE INVESTMENT
FRAMEWORK 2021



£20bn+ assets under management
334,030 members
791 employers

As at 30th September 2021



Introduction

Governance
Strategy
Risk Management
Metrics & Targets

OUR APPROACH TO CLIMATE-RELATED DISCLOSURE

Climate change, and the risks and opportunities it presents to us as long-term investors, form part of our critical thinking not just in the way we approach investment, but in the Fund's wider objectives and delivery themes which aim for global influence alongside delivering for local people. We recognise the need for action to address climate change on a global scale and that we have a role to play in ensuring the shift to a lower carbon economy, ensuring a "just transition" for workers and communities, with the potential for substantial economic and social benefits. In collaboration with others, WMPF is taking action and will continue to contribute to change by engaging governments, companies, investors and individuals to ensure the long-term sustainability of our planet.

Openness and transparency are important ways in which we demonstrate the actions we are taking to address climate change. An initial assessment of the Fund's exposure to climate-related risks under a range of forward-looking climate scenarios was initially carried out by an external provider in 2017 and used to inform our Strategic Asset Allocation. Alongside an increased pace of global engagement and policy change, we established our first Climate

Change Framework and Strategy in 2019 and revised our Strategic Asset Allocation in our Investment Strategy Statement in 2020. Based around short-term targets over four years, our objective was to ensure that our climate policy actions were set in context of progressive ambition.

In 2020 and 2021 we undertook further climate risk analysis in partnership with our Pool company LGPS Central Ltd. Through a combination of bottom-up and top-down analysis, the 2020 report provided WMPF with a view of the climate risk across the major parts of the investment portfolio. The 2021 report analysed progress against the measurable baseline of data and recommendations established in 2020 and reviewed progress against the actions established. Analysis to date has focused on our listed equity and fixed income portfolios; we will expand the coverage of analysis to include more asset classes over the next five years to 2026.

Our **Climate Change Framework and Strategy for 2021** was approved by the Fund's Pension Committee in September 2021. In line with Fund's approach to policy development and review,

progress against the 2021 Climate Change Framework and Strategy objectives will be reviewed annually, in keeping with best practice and evolving regulations, with full review and the next phase of the Framework due to be developed, no later than 2026/27.

As a supporter of the TCFD recommendations, since they were first published in 2017, we published our climate-related financial disclosure against the TCFD recommendations in our Annual Report & Accounts between 2017 and 2019. For the first time in 2020 we published a separate stand-alone TCFD Report to further enhance transparency and disclosure around our approach to climate risk management. We will continue to consider further TCFD developments, and guidance applicable to the Fund, amongst wider regulatory changes pertaining to the physical and transition risks of climate change and developing reporting standards, in future reviews of our climate strategy and reporting.

ANNUAL REPORT
AND ACCOUNTS



Introduction

Governance

Strategy

Risk Management

Metrics & Targets

In order to assess progress towards a lower carbon economy it is essential for WMPF to measure its climate risk exposure at regular intervals and to seek appropriate coverage. In line with our Climate Change Framework and Strategy key climate-related risk metrics are reported against annually; wider risk and forward-looking scenario analysis is undertaken every three years, with the next analysis due to be carried out in 2022/23, alongside our triennial actuarial and investment strategy reviews and engagement with our employers. We expect that our Climate Change

Framework, in tandem with our climate-related financial disclosure, will both inevitably, and desirably, evolve as climate related financial tools and data availability continues to advance, and the understanding of the complex issues, evident in practical and academic research, improves.

Action on climate change requires commitment by all parties on a worldwide scale. As a global investor the Fund believes that it has a crucial role to play in leading that change through a proactive and collaborative approach. The Fund recognises

that climate-related risks are financially material, and that the due consideration of climate risk falls within the scope of the Fund's fiduciary duty and aligns with the Fund's wider beliefs as set out in the Fund's **Investment Strategy Statement**. Given the Fund's long-dated liabilities and the timeframe in which climate risks could materialise, a holistic approach to risk management covering all sectors and all relevant asset classes is warranted. We aim to increase coverage as further decision useful information becomes available.

Page 38



Strong Governance

Providing assurance on the services we deliver with effective decision making.



Global Influence

Shaping the industry in which we operate, leading by example on key issues, including regulatory change, investment cost management, and responsible investment.



Customer Focused

Enabling, educating and supporting our customers on complex issues and flexing our services to our customer's evolving needs.



Delivering for local people

Enhancing our reach through developing our engagement model and supporting our communities through opportunity.

Figure 1: West Midland Pension Fund's Four Commitments

Introduction

- Governance
- Strategy
- Risk Management
- Metrics & Targets

This TCFD report describes the way in which climate-related risks are managed by the Fund. In the interest of being transparent with the Fund's beneficiaries and broader stakeholder base, this report discloses the results of Carbon Risk Metrics Analysis and Climate Scenario Analysis undertaken in 2020 and 2021 in order to assess the resilience of the Fund's invested assets.

The TCFD recommendations are based on the financial materiality of climate change and are structured according to the TCFD's four thematic areas of governance, strategy, risk management and metrics and targets [Figure 2].

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



Governance

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

Strategy

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

Risk Management

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

Metrics & Targets

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

Figure 2: Core Elements of Recommended Climate-Related Financial Disclosures

Introduction

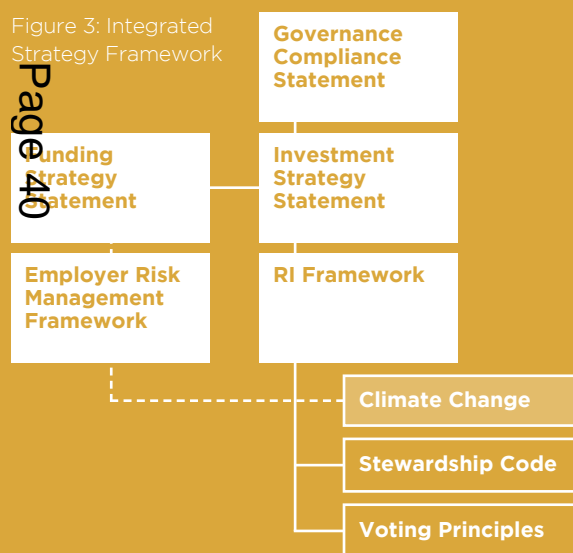
- Governance
- Strategy
- Risk Management
- Metrics & Targets

GOVERNANCE

TCFD Recommended Disclosure

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

Figure 3: Integrated Strategy Framework



The City of Wolverhampton Council is the LGPS Administering Authority for the West Midlands Pension Fund. Within its constitution, the Council has delegated responsibility for the Pensions Fund to the Pensions Committee.

WMPF is governed by the Pensions Committee which sits as the decision making body, setting strategy and policy as to how WMPF is managed. The Pensions Committee delegates the day-to-day running of the Pension Fund to the Director of Pensions who in turn delegates to the Senior Management Team and officers.

The Local Pensions Board, made up of equal member and employer representatives, sits in an advisory role to the pension fund, supporting the good governance of the scheme. The Local Pensions Board oversees investment governance including developments and changes to WMPF's Responsible Investment Framework and Climate Change Framework and Strategy and ongoing stewardship activity. WMPF communicates responsible investment activity and action on climate through online, event and written communications.

WMPF's Investment Committee is responsible for the day-to-day management and oversight of assets including implementation of the Investment Strategy Statement (ISS), asset allocation, and

Responsible Investment. Following the creation of LGPS Central in 2018, the pool and pool company provide investment products, analysis and advice to support implementation of the ISS and RI Framework. The Fund utilises a range of collaborative partnerships and initiatives to develop and enhance its engagement and stewardship programme.

WMPF is committed to continue to evaluate and build knowledge and skills appropriate for both our Fund Officers and Governing Bodies in an evolving regulatory landscape and have dedicated Employee and Governing Body Training Policies. More information on the governance of WMPF can be found in our Governance Compliance Statement and in our Investment Strategy Statement.

[INVESTMENT STRATEGY STATEMENT 2021](#)



[GOVERNANCE COMPLIANCE STATEMENT](#)



Governance

Strategy
Risk Management
Metrics & Targets

TCFD Recommended Disclosure

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

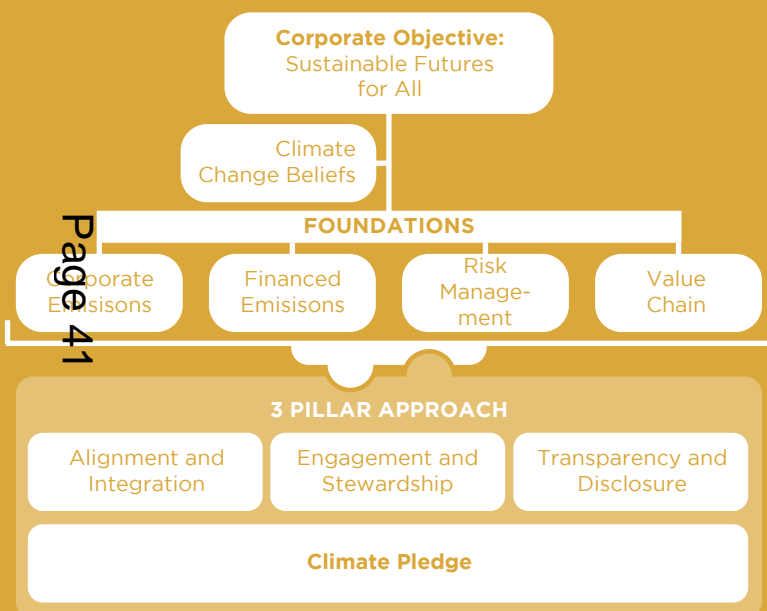


Figure 4: Corporate Climate Objectives

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

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

Fund Officers have engaged with market actors including proxy advisers, investment consultants, and data service providers, to collate data and analysis to test and inform climate-related risks, both from a "top-down" and "bottom-up" perspective. This

aids the identification, quantitative and qualitative assessment of risk and informs actions aligned to the context of the Climate Change Framework and Strategy.

This supports the governance of the Fund's response to climate change by defining corporate sustainability objectives across four foundations, grounded in investment beliefs, and corporate values. The approach is defined across three broad pillars and tangible commitments for action set out within our Climate Pledge (figure 4).

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

Governance

Strategy
Risk Management
Metrics & Targets

STRATEGY

The Fund as a large asset owner with long-term liabilities considers climate-related risks and opportunities across multiple timeframes and across a diversified asset-base and employer-base, as well as the broader potential impacts across the Fund.

We identify short-term risk as stock market movements, medium-term risk as changes in consumer behaviour, driven by policy and technological change, and long-term risk as physical damages to real assets and resource availability.

The Fund identifies climate-related issues through research and collaboration (notably with the PRI, IIGCC, LAPFF, TPI and Climate Action 100+). The Fund has made use of the Transition Pathway Initiative (TPI) Toolkit to observe climate risk management in large listed equity stocks. A subset of risk and opportunity factors considered is outlined in table 1 below:

Table 1: Risk and Opportunity Factors

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

FD Recommended Disclosure

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

TCFD Recommended Disclosure

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

Page 43

As a pension fund and asset owner we seek to understand the risks and opportunities associated with climate change; ensure fund resilience as we decarbonise; and champion effective collaboration, we have increased transparency in our approach, as we continue to forge our pathway to net zero and contribute to building sustainable futures for all.

We adopt an evidence-based approach to climate change and believe there is overwhelming evidence to support that climate change poses both risks and opportunities to the economy and society and the Fund's investments and risk management activity.

We are considering climate change across a broad platform – our own emissions, financed emissions, funding risk and value chain – identifying actions required to protect and enhance our organisational response in all that we do.

A period of co-ordinated and collaborative action is required by multiple stakeholders (governments, regulators, companies, investors and consumers) to manage the financial risks and realise the opportunities associated with the transition to a lower carbon economy.

Climate change is a fiduciary issue. As a Fund within the Local Government Pension Scheme, WMPF has multidecadal time horizons, with both long-term investment

beliefs and evolving liability profiles to take into consideration. Significant uncertainty remains, and no single tool can provide an accurate and complete observation on a pension fund's climate risk. For responsible investors looking to proactively manage climate risk, we believe a combination of metrics and methodologies represents the best possible information set currently available.

We seek to identify and assess top-down and bottom-up climate-related risks at the total Fund, asset class and individual asset levels. As far as possible climate risks are assessed in units of investment return, in order to compare with other investment risk factors. This assessment is used to review and inform our response and policy development – influencing engagement and stewardship activity and informing asset allocation and investment appraisal.

We expect our appointed investment managers to identify, assess and report emerging and evolving climate-related risks. Existing fund managers are monitored on a regular basis through the Fund's stewardship programme. Engagement activity is conducted with investee companies through selected stewardship partners including, but not limited to: LGPS Central Ltd; EOS at Federated Hermes; the Local Authority Pension Fund Forum (LAPFF); and Climate Action 100+.

TCFD Recommended Disclosure

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

CLIMATE CHANGE
FRAMEWORK AND
STRATEGY 2021



Page 44

¹ <https://www.ipcc.ch/sr15/chapter/spm/>

² https://ec.europa.eu/clima/policies/international/negotiations/paris_en

³ Extract above from Mercer Limited's (Mercer) report "Climate Change Scenario Analysis" dated 26 June 2020 prepared for and issued to LGPS Central Limited for the sole purpose of undertaking climate change scenario analysis for West Midlands Pension Fund.

⁴ <https://www.iigcc.org/download/net-zero-investment-framework-implementation-guide/?wpdmdl=4425&refersh=613e33e07cf191631466464>

Climate scientists currently anticipate that the world will be between 2°C and 4°C warmer by 2100¹. This is substantially higher than the ambition set by the Paris Climate Change Agreement² – to keep global surface temperature rise to well below 2°C above preindustrial levels and to pursue efforts to limit the temperature increase to 1.5°C.

As reported in the Fund's 2020 TCFD report, an initial assessment of the Fund's exposure to climate-related risks under a range of forward looking climate scenarios was carried out by an external provider in 2017 and 2020 and used to inform the 2019 and 2020 Strategic Asset Allocation reviews respectively. All asset classes were reviewed within 2°C, 3°C, and 4°C scenarios as per the table 2 below.

Table 2: Annualised Climate Change impact on portfolio returns – to 2030 and 2050³

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

As outlined in our Climate Change Framework and Strategy 2021, we will continue to scenario test our long-term funding and investment strategies against forward-looking temperature increase scenarios to understand and inform action required to develop resilience.

In line with the Net Zero Investment Framework⁴, we will take action to reduce greenhouse gas emissions across the value chain, consistent with the Paris Agreement's goal of limiting global average temperature increase to below two degrees Celsius above pre-industrial levels, aiming for 1.5 degrees.

RISK MANAGEMENT

Climate change, and the risks and opportunities it presents to us as a long-term investor and a pensions provider form part of our critical thinking, not just in the way we approach investment, but in the Fund's wider commitments which strive for global influence alongside delivering for local people.

WMPF considers the impact of climate change on its asset allocation, investment and funding strategy when making decisions. We recognise that climate-related risks are financially material, and that the due consideration of climate risk falls within the scope of our fiduciary duty.

Through engagement with our invested assets, underlying companies, investment managers, advisers, and employers, we seek to identify risks, understand, and test the measures in place to manage and monitor change.

The Fund seeks to identify and assesses top-down and bottom-up climate-related risks at the total Fund level, asset class and at the individual asset level. As far as possible climate risks are assessed in units of investment return, in order to compare with other investment risk factors. Currently,

tools for assessing climate metrics have some limitations but it is pleasing to see that this is a rapidly developing area, and we look forward to working with enhanced reporting tools. Our preferred metrics to date have been evidenced based impact returns, informed by forward-looking climate scenarios, and a thematic review of asset classes with the greatest exposures to this risk factor.

Our 2021 Climate Change Framework and Strategy outlines our approach for identifying and assessing climate-related risks, how we will measure our progress and continue to adapt to the changing policy and regulatory environment. At this point in time we find it hard to quantify exactly what this will mean, but it will be a further material reduction in exposure to the inherent physical and transition risks associated with the shift to a net zero economy and further investment in climate solutions. Over the next five years we will expand the scope and quality of measurement and data collection, to continue to inform decision making, ensure meaningful change and alignment across our investments and our own operations.

T.1 FD Recommended Disclosure

Describe the organisation's process for identifying and assessing climate-related risks

Page 45

The Fund manages climate related-risks in different ways according to the nature, duration, magnitude and time-horizon of the risk itself. Either directly or through Fund management arrangements, WMPF puts its responsible investment and climate change beliefs into practice through actions taken both before the investment decision (which we refer to as the selection of investments) and after the investment decision (the stewardship of investments).

Table 3: A Summary of WMPF's Responsible Investment and Climate Change Beliefs

Responsible Investment (RI)	Climate Change
<ul style="list-style-type: none"> • RI ensures the long-term value of assets are protected and where possible, enhanced • RI should be integrated throughout the entire investment process • Investing responsibly reduces risk over time • There is investment opportunity to be realised in environmental and social challenges • Robust governance structures protect investee companies • Strong RI practises advocate engagement over exclusion • Collaborative engagement delivers improvements to the way in which companies are managed • Working in tandem with other investors can positively influence wider policy 	<ul style="list-style-type: none"> • Science-based evidence demonstrates that climate change poses both risk and opportunities for investors • If climate change is not managed it will have long-term consequences for funding levels and financial returns • National policy changes must align with the Paris Agreement target of limiting warming to 1.5°C above pre-industrial levels • Climate risk exposure should be measured at regular intervals • A “just transition” to a low carbon economy with careful society considerations is essential • Collaborative investor engagement is essential in informing government and policy change

FD Recommended Disclosure

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

TCFD Recommended Disclosure

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

Page 47

LGPS Central
Voting Principles



WMPF Voting
Principles



External fund managers are monitored in order to ensure the ongoing application and efficacy of their approaches to responsible investment and stewardship. WMPF expects asset managers to be aligned with our climate performance targets and we will seek to ensure that our manager's increase alignment with Net Zero. We meet with our managers regularly and continue to work with them to develop meaningful analysis and reporting on climate related risks.

Our pooling company, LGPS Central Ltd, develops and monitors all pooled investment funds to meet a set standard of "Responsible Investment Integrated Status" (RIIS), from concept - through the lifespan of WMPF investments; consideration of climate change is a crucial component of the decision making process.

RIIS criteria to be met will typically include:

- Responsible investment and climate change beliefs relevant to the asset class or mandate in question.
- Relevant RI and climate change risk/opportunity related documentation that supports the decision to invest, e.g. policies and procedures of external managers or co-investors.
- Fund managers factor RI, ESG and climate change into their selection of portfolio assets.
- Fund managers are transparent in their reporting to clients and the wider public.
- RI reviews are carried out by WMPF

managers at regular intervals (usually quarterly).

- Stewardship responsibilities are carried out thoroughly (engaging with companies, shareholder voting, manager monitoring, industry participation).

Engagement and shareholder voting are integral aspects of the Fund's approach to managing climate-related risk. The Fund engages on a global scale on a range of financially material ESG investment factors. Engagement activity is conducted with investee companies through key partnerships including, but not limited to: LGPS Central Ltd; EOS at Federated Hermes; the Local Authority Pension Fund Forum; the UN Principle for Responsible Investment; The Institutional Investors Group on Climate Change, Climate Action 100+; and the Transition Pathway Initiative.

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

THE FUND'S COLLABORATIVE AND ENGAGEMENT PARTNERSHIPS



LGPS Central Ltd is the Fund's investment pooling partner to deliver the benefits of investment pooling, which includes benefits of scale in responsible investment & engagement and analysis of climate change risks. Climate change is one of LGPS Central's stewardship themes, with quarterly progress reporting available on the website. The Responsible Investment Team at LGPS Central engages companies on WMPF's behalf.



WMPF is a member of the IIGCC which is a leading global investor membership body and the largest one focusing specifically on climate change. IIGCC help define the investment practices, policies and corporate behaviours required to address climate change. During 2021, WMPF made a public commitment to be a Net Zero Asset Owner.



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



WMPF is member of Climate Action 100+ an investor initiative launched in 2017 to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. More than 615 investors with over \$60 trillion in assets collectively under management are engaging companies to: curb emissions; improve governance; and strengthen climate-related financial disclosures.



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



The Transition Pathway Initiative (TPI) is a global, asset-owner led initiative which assesses companies' preparedness for the transition to a low carbon economy. Rapidly becoming the go-to corporate climate action benchmark. WMPF supports the TPI, created for the global investor community and which collectively has \$39trn AUM.



WMPF is a signatory of the UN PRI which seeks to set out investment principle and actions that investors can take across a range of responsible investment activities including climate change. WMPF has been a member of the PRI since 2011. In the 2020 assessment WMPF achieved A+/A across all metrics.

TCFD Recommended Disclosure

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

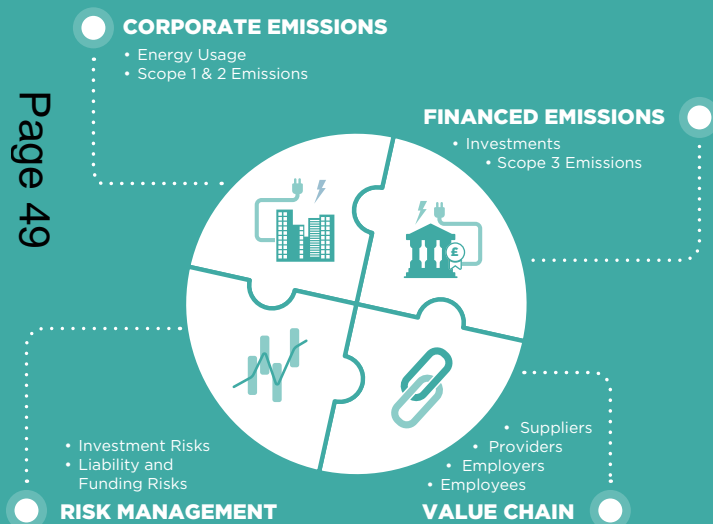


Figure 5: The Foundations of WMPF's Climate Pledge

Climate change has the potential to impact the funding level of the pension fund through impacts on employer covenant, asset pricing, longer-term inflation, interest rates and life expectancy. Climate change is recognised within the Fund's Investment Strategy Statement, Responsible Investment Framework and expanded upon in the Climate Change Framework & Strategy. These documents are reviewed at least annually and formally approved by the Pensions Committee.

The Fund's Responsible Investment Framework has identified four key themes for engagement for 2019 -2023. Climate change has been a key engagement theme for the Fund for a number of years and is included in the most recent framework for engagement. Annual training includes focused sessions on climate change to ensure those charged with governance are provided with the knowledge and skills with which to assess climate risks and to ensure they are integrated into the Fund's overall risk management.

Our 2021 Climate Change Framework and Strategy is holistic in that it incorporates climate change and risk considerations across Fund operations and the investment and funding strategies. We consider

potential financial risks by changing economic and demographic risks as well as changing employer covenant. The Foundations of our Climate Pledge (pg. 10) are categorised into four key groups: risk management; corporate emissions; financed emissions; and value chain (pg. 18).

We continue to access the latest information on the risks and opportunities presented by a changing climate, as relevant for our Fund. This includes consideration of how our investment returns and/or contribution requirements may be impacted by transition risks and opportunities, and physical risks and opportunities.

We continue to scenario test our long term funding and investment strategies against forward-looking temperature increase scenarios to understand and inform action required to develop resilience. The Fund's investment and funding strategy risk will be further assessed through the continued development of an integrated selection and monitoring framework for Fund assets. Targeted engagement is undertaken to enhance understanding of risks and mitigating actions and employer covenant indicators are considered through climate-related risk factors.

METRICS AND TARGETS

Climate risk analysis was undertaken through our Pool company LGPS Central Ltd in 2020 and 2021.

The scope of the analysis comprises the listed equities and corporate fixed income portfolios as at 31st December 2020. The results are compared to a data collected as at 31st December 2019 and as at 31st December 2018. The analysis is based on a data set provided by MSCI ESG Research LLC (MSCI) and seeks to identify and assess how the portfolio carbon risk metrics have changed within this timeframe.

As detailed in our Climate Change Framework and Strategy 2021, we will expand the coverage of analysis to include more asset classes over the next five years to 2026. Carbon risk metrics aid LGPS Central and WMPF in observing and assessing the potential climate-related risks to which investment mandates are exposed and identifying areas for further risk management, including company engagement and fund manager monitoring.

The carbon risk metrics analysis included:

- **Portfolio carbon footprint (weighted average carbon intensity).**
- **Exposure to fossil fuel reserves.**
- **Exposure to clean technology.**
- **Carbon risk management via the Transition Pathway Initiative.**

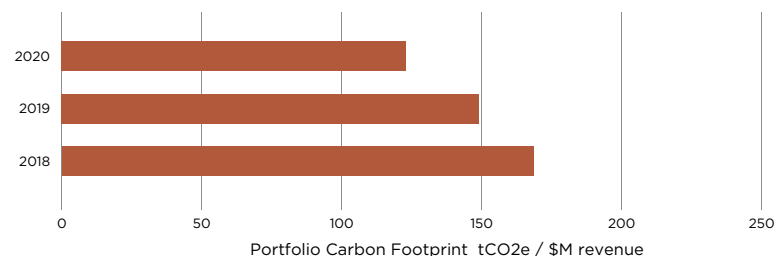
TCFD Recommended Disclosure

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

Page 50

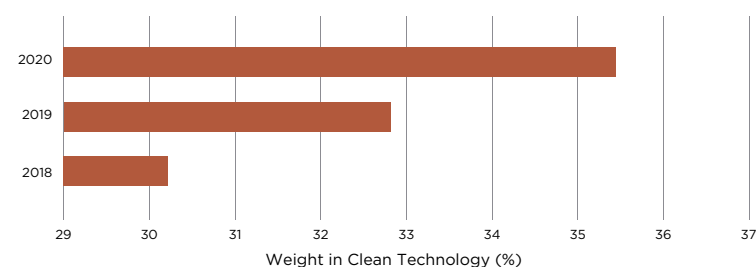
In line with TCFD guidance, we provide the results of three carbon risk metrics using analysis undertaken as at 31st December 2018, 2019 and 2020. Findings are presented here at the 'Total Portfolio' level, which comprises analysis undertaken on WMPF's listed equity and corporate fixed income portfolios. Analysis is limited to these portfolios as unlisted asset classes do not have sufficiently complete and comparable data to facilitate carbon risk metrics analysis at this time.

Figure 6: Portfolio⁵ Carbon Footprint (tCO₂e / \$M revenue) reduction between December 2018 and December 2020



Management of carbon risk by the Fund continues to be ahead of relevant benchmarks, with reducing exposure over time. The carbon footprint of the Total Portfolio decreased between 2018 and 2020 and as of 31st December 2020, was 28.9% lower than as at 31st December 2018.

Figure 7: Increase in Portfolio⁵ weight investment in Clean Technology companies (%) between December 2018 and December 2020.



The Total portfolio weight in clean technology increased between December 2018 and 2020. As at 31st December 2020, the weight in clean technology was 17% higher than as at 31st December 2018.

TCFD Recommended Disclosure

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

Page 51

⁵ Total Portfolio comprises both the listed equity and corporate fixed income portfolios

TPI FRAMEWORK

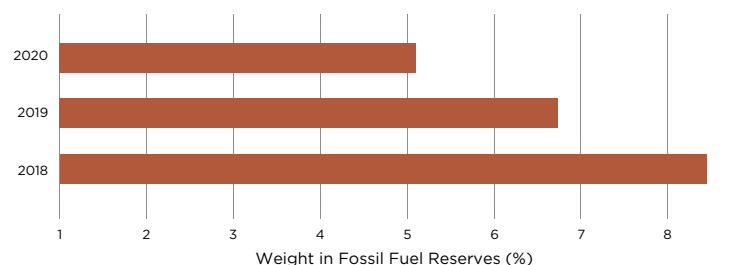
The Transition Pathway Initiative (TPI) framework evaluates companies based on their climate risk management quality and their carbon performance. The former includes an assessment of policies, strategy, risk management and targets. There are six management quality levels a company can be assigned to:

Page 52

- **Level 0** – Unaware of (or not Acknowledging) Climate Change as a Business Issue
- **Level 1** – Acknowledging Climate Change as a Business Issue
- **Level 2** – Building Capacity
- **Level 3** – Integrated into Operational Decision-making
- **Level 4** – Strategic Assessment
- **Level 4*** – Satisfies all management quality criteria

⁶ Total Portfolio comprises both the listed equity and corporate fixed income portfolios

Figure 8: Portfolio⁶ exposure to Fossil Fuel Reserves (%) reduction between December 2018 and December 2020



The Total Portfolio exposure to fossil fuel reserves fell between December 2018 and 2020 and as of 31st December 2020, was 39.2% lower than as 31st December 2018.

The Fund has made progress in enhancing its responsible investment and climate change practice in the past year. The Fund has achieved its 2019 – 2023 Climate Change Framework and Strategy targets. As at 31st December 2020 15.5% (target 15%) of the Total Portfolio⁶ was invested in low carbon and sustainable investments and only 0.016% (target <1%) of the Total Portfolio was invested in pure-play thermal coal producers.

As of 31st December 2020, 75% of the companies in the Total Equities portfolio were ranked by the TPI as 'best in class' in terms of climate risk management. This indicates that the Fund's appointed portfolio managers are, on average, investing in above average to 'best in class' companies in terms of climate risk management.

The number of companies aligned with the Paris Agreement, however, is significantly lower than the proportion with good management quality. The Fund will target Paris-alignment through company engagement (to be executed via the Fund's portfolio managers and service providers) to further improve the management of carbon risk within the Fund. As per LGPS Central Ltd's Voting Principles 2020, LGPS Central will consider voting against the company Chair on behalf of the Fund, and other relevant directors or resolutions if a company is assessed by the TPI's management quality framework to be at a Level 2 or lower.

TCFD Recommended Disclosure

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

As documented in the Fund's Climate Change Framework and Strategy, approved September 2021 the Fund reviewed the targets and metrics used by our organisation to manage climate-related risks and opportunities and performance against targets.

Building on the progress to date and consistent with the principles set out in the Fund's Climate Pledge (**pg. 10**), we have set a number of interim targets:

- A 50% reduction in investment portfolio carbon emissions by 2030 (vs 2019 levels).
- 60% asset coverage by 2026 – we will develop and utilise the measurement tools and methods of analysis across a wider range of asset classes.
- Increase the awareness and measurement of our emissions in our day-to-day activities, aligning to net zero with a 50% reduction targeted by 2030.

Our approach and targets are expected to evolve as the landscape and industry develop. The targets outlined here are subject to change and are reliant on the developing global governmental commitments and policies. Progress against the new targets will be incorporated into the 2022 TCFD Report.

Metrics and targets set for WMPF investments will be reported against annually; wider risk and forward-looking forward looking scenarios will be undertaken, with the next analysis due to be carried out in 2022/23, alongside our triennial actuarial and investment strategy reviews and reported over 2023/24.

CLIMATE CHANGE
FRAMEWORK AND
STRATEGY 2021



GLOSSARY

**Carbon Footprint/
Portfolio Carbon
Footprint** A proxy for a portfolio's exposure to potential climate-related risks (especially the cost of carbon), often compared to a performance benchmark. It is calculated by working out the carbon intensity (Scope 1+2 Emissions / \$M sales) for each portfolio company and calculating the weighted average by portfolio weight.

**Clean Technology/
Weight in Clean
Technology** The weight of a portfolio invested in companies whose products and services include clean technology. Products and services eligible for inclusion include Alternative Energy, Energy Efficiency, Green Building, Pollution Prevention, Sustainable Water.

Climate Solutions We note here that there is currently no standard definition for investments which classify as Climate Solutions but this is an area the Fund is advocating development.

Engagement Dialogue with a company concerning particular aspects of its strategy, governance, policies, practices, and so on. Engagement includes escalation activity where concerns are not addressed within a reasonable time frame.

ESG Factors Determinants of an investment's likely risk or return that relate to issues associated with the environment, society or corporate governance.

**Fossil Fuel Reserves
/ Weight in Fossil
Fuel Reserves** The weight of a portfolio invested in companies that own fossil fuel reserves.

Just Transition A Framework developed to encompass a range of social interventions needed to secure workers' rights and livelihoods when economies are shifting to sustainable production, primarily combating climate change and protecting biodiversity.

**Net Zero
Emissions** A state in which the greenhouse gas emissions created by an organisation are counterbalanced by the greenhouse gases sequestered by an organisation over a given timeframe.

Paris Agreement The Paris Agreement is a legally binding international treaty on climate change. Its goal is to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels.

**Physical Risk/
Climate
Physical Risk** The financial risks and opportunities associated with the anticipated increase in frequency and severity of extreme weather events and other phenomena, including storms, flooding, sea level rise and changing seasonal extremities.

**Responsible
Investment** The integration of financially material environmental, social and corporate governance ("ESG") factors into investment processes both before and after the investment decision.

**Scope 1 Greenhouse
Gas Emissions** Direct emissions from owner or sources controlled by the owner, including: on-campus combustion of fossil fuels; and mobile combustion of fossil fuels by institution-controlled vehicles.

Scope 2 Greenhouse Gas Emissions Indirect emissions from the generation of purchased energy.

Scope 3 Greenhouse Gas Emissions Indirect emissions that are not controlled by the institution but occur as a result of that institutions activities. Examples include commuting, waste disposal and embodied emissions from extraction.

Stewardship The promotion of the long-term success of companies in such a way that the ultimate providers of capital also prosper, using techniques including engagement and voting.

Thermal Coal Reserves/Weight in Thermal Coal Reserves The weight of a portfolio invested in companies that own thermal coal reserves.

Transition Risk The financial risks and opportunities associated with the anticipated transition to a lower carbon economy. This can include technological progress, shifts in subsidies and taxes, and changes to consumer preferences or market sentiment.

Voting The act of casting the votes bestowed upon an investor, usually in virtue of the investor's ownership of ordinary shares in publicly listed companies.



West Midlands

EOS at Federated Hermes

Engagement by region

Over the last quarter we engaged with **199** companies held in the West Midlands portfolios on a range of **607** environmental, social and governance issues and objectives.

Global

We engaged with **199** companies over the last quarter.



- Environmental **33.4%**
- Social and Ethical **22.4%**
- Governance **28.2%**
- Strategy, Risk and Communication **16.0%**

Australia & New Zealand

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



- Environmental **41.7%**
- Governance **33.3%**
- Strategy, Risk and Communication **25.0%**

Developed Asia

We engaged with **26** companies over the last quarter.



- Environmental **34.8%**
- Social and Ethical **28.8%**
- Governance **25.8%**
- Strategy, Risk and Communication **10.6%**

Emerging & Developing Markets

We engaged with **24** companies over the last quarter.



- Environmental **31.6%**
- Social and Ethical **10.5%**
- Governance **42.1%**
- Strategy, Risk and Communication **15.8%**

Europe

We engaged with **43** companies over the last quarter.



- Environmental **32.3%**
- Social and Ethical **20.3%**
- Governance **27.8%**
- Strategy, Risk and Communication **19.5%**

North America

We engaged with **71** companies over the last quarter.



- Environmental **33.2%**
- Social and Ethical **25.8%**
- Governance **23.8%**
- Strategy, Risk and Communication **17.2%**

United Kingdom

We engaged with **31** companies over the last quarter.



- Environmental **34.9%**
- Social and Ethical **21.7%**
- Governance **33.7%**
- Strategy, Risk and Communication **9.6%**

Engagement by theme

Over the last quarter we engaged with **199** companies held in the West Midlands portfolios on a range of **607** environmental, social and governance issues and objectives.

Environmental

Environmental topics featured in **33.4%** of our engagements over the last quarter.



- Climate Change **78.8%**
- Forestry and Land Use **6.4%**
- Pollution and Waste Management **9.4%**
- Supply Chain Management **2.0%**
- Water **3.4%**

Social and Ethical

Social and Ethical topics featured in **22.4%** of our engagements over the last quarter.



- Bribery and Corruption **0.7%**
- Conduct and Culture **8.8%**
- Diversity **25.7%**
- Human Capital Management **17.6%**
- Human Rights **42.6%**
- Labour Rights **4.4%**

Governance

Governance topics featured in **28.2%** of our engagements over the last quarter.



- Board Diversity, Skills and Experience **21.1%**
- Board Independence **12.9%**
- Executive Remuneration **50.3%**
- Shareholder Protection and Rights **12.3%**
- Succession Planning **3.5%**

Strategy, Risk and Communication

Strategy, Risk and Communication topics featured in **16.0%** of our engagements over the last quarter.



- Audit and Accounting **7.2%**
- Business Strategy **37.1%**
- Cyber Security **7.2%**
- Integrated Reporting and Other Disclosure **25.8%**
- Risk Management **22.7%**

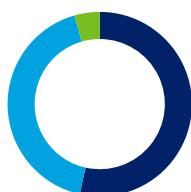
West Midlands

EOS at Federated Hermes

Over the last quarter we made voting recommendations at **271 meetings (3,199 resolutions)**. At **114 meetings** we recommended opposing one or more resolutions. We recommended voting with management by exception at **12 meetings**. We supported management on all resolutions at the remaining **145 meetings**.

Global

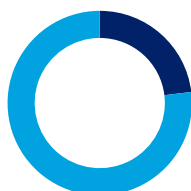
We made voting recommendations at **271 meetings (3,199 resolutions)** over the last quarter.



- Total meetings in favour **53.5%**
- Meetings against (or against AND abstain) **42.1%**
- Meetings with management by exception **4.4%**

Australia and New Zealand

We made voting recommendations at **13 meetings (76 resolutions)** over the last quarter.



- Total meetings in favour **23.1%**
- Meetings against (or against AND abstain) **76.9%**
- Meetings with management by exception **0%**

Developed Asia

We made voting recommendations at **46 meetings (345 resolutions)** over the last quarter.



- Total meetings in favour **67.4%**
- Meetings against (or against AND abstain) **30.4%**
- Meetings with management by exception **2.2%**

Emerging and Frontier Markets

We made voting recommendations at **33 meetings (282 resolutions)** over the last quarter.



- Total meetings in favour **51.5%**
- Meetings against (or against AND abstain) **48.5%**
- Meetings with management by exception **0%**

Europe

We made voting recommendations at **47 meetings (592 resolutions)** over the last quarter.



- Total meetings in favour **42.6%**
- Meetings against (or against AND abstain) **55.3%**
- Meetings with management by exception **2.1%**

North America

We made voting recommendations at **27 meetings (278 resolutions)** over the last quarter.



- Total meetings in favour **29.6%**
- Meetings against (or against AND abstain) **66.7%**
- Meetings with management by exception **3.7%**

United Kingdom

We made voting recommendations at **105 meetings (1,626 resolutions)** over the last quarter.

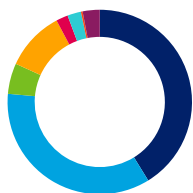


- Total meetings in favour **62.9%**
- Meetings against (or against AND abstain) **28.6%**
- Meetings with management by exception **8.6%**

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

Global

We recommended voting against or abstaining on **335** resolutions over the last quarter.



- Board structure **41.2%**
- Remuneration **35.2%**
- Shareholder resolution **5.4%**
- Capital structure and dividends **10.4%**
- Amend articles **2.1%**
- Audit and accounts **2.4%**
- Poison pill/Anti-takeover device **0.3%**
- Other **3.0%**

Australia and New Zealand

We recommended voting against or abstaining on **22** resolutions over the last quarter.



- Board structure **40.9%**
- Remuneration **50%**
- Shareholder resolution **4.5%**
- Capital structure and dividends **4.5%**

Developed Asia

We recommended voting against or abstaining on **38** resolutions over the last quarter.



- Board structure **47.4%**
- Remuneration **2.6%**
- Shareholder resolution **23.7%**
- Capital structure and dividends **18.4%**
- Amend articles **5.3%**
- Other **2.6%**

Emerging and Frontier Markets

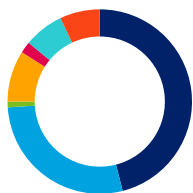
We recommended voting against or abstaining on **53** resolutions over the last quarter.



- Board structure **41.5%**
- Remuneration **20.8%**
- Capital structure and dividends **32.1%**
- Amend articles **1.9%**
- Audit and accounts **1.9%**
- Other **1.9%**

Europe

We recommended voting against or abstaining on **100** resolutions over the last quarter.



- Board structure **46%**
- Remuneration **28%**
- Shareholder resolution **1%**
- Capital structure and dividends **9%**
- Amend articles **2%**
- Audit and accounts **7%**
- Other **7%**

North America

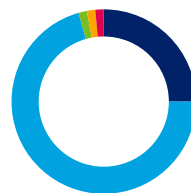
We recommended voting against or abstaining on **54** resolutions over the last quarter.



- Board structure **48.1%**
- Remuneration **35.2%**
- Shareholder resolution **13.0%**
- Amend articles **3.7%**

United Kingdom

We recommended voting against or abstaining on **68** resolutions over the last quarter.



- Board structure **25%**
- Remuneration **70.6%**
- Capital structure and dividends **1.5%**
- Poison pill/Anti-takeover device **1.5%**
- Other **1.5%**

CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 15 December 2021
--	---

Report Title	Pensions Administration Report from 1 July to 30 September 2021	
Originating service	Pension Services	
Accountable employee	Amy Regler Tel Email	Head of Operations 01902 55 5976 Amy.Regler@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 55 1715 Rachel.Brothwood@wolverhampton.gov.uk

Recommendations for action or decision:

The Pensions Committee is recommended to approve:

1. The 10 applications for admission from employers into the Fund.
2. The write-offs detailed in section 11 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 July to 30 September 2021.

2.0 Background

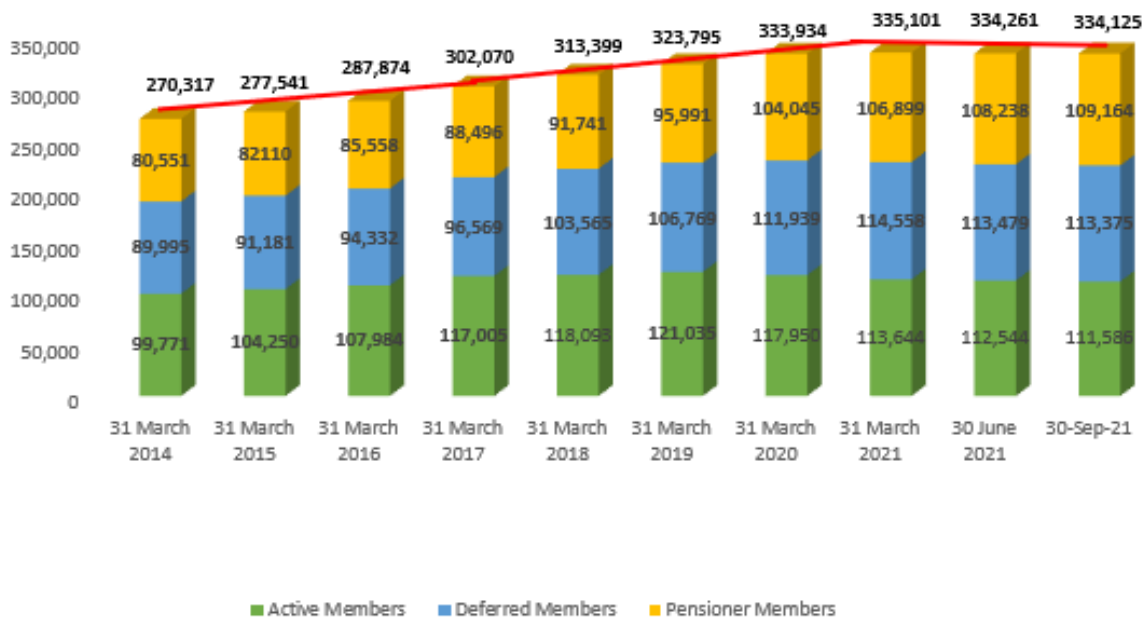
2.1 The Fund provides a pension administration service covering employer, customer and member services, data processing, benefit operations, payroll and systems/technical support. A report is provided to Committee on a quarterly basis to assist monitoring of the activity and performance of these functions 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 September 2021 stands at 334,125, with an overall slight decrease since June 2021. The long-term trend over a 12 year period in membership continues to illustrate a move towards a more mature profile whereby, in general, pensioners and deferred memberships continue to rise. Overall and for the second consecutive quarter, the total membership has slightly fallen, following a further reduction in active membership records.

	Membership as at 30 June 2021	Net Movements during the period	Membership as at 30 September 2021
Active Members	112,544	-958	111,586
Deferred Members	113,479	-104	113,375
Pensioner Members	108,238	926	109,164
Total Members	334,261	-136	334,125



3.2 Workflow Statistics

- 3.2.1 The process analysis statistics (Appendix A) show details of overall workflow within the Pensions Administration Service during the period 1 July to 30 September 2021. During the period covered by this report, 44,830 administrative processes were commenced, and 48,684 processes were completed, an overall decrease in outstanding items of casework.
- 3.2.2 As we continue to see an increase in member movements, the workload volumes will also naturally remain high. On 30 September 2021 there were 43,381 items of work outstanding. This represents a decrease of 3,435 items outstanding compared to 30 June 2021 (47,286). Of the 43,381 items of work outstanding, 5,877 items were pending as a result of information awaited from a third-party e.g. scheme members, employers or transferring authorities and 37,974 processes are now either proceeding to the next stage of the process or through to final completion.
- 3.2.3 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.
- 3.2.4 Appendix B provides 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. This shows the trend of lower joiners and higher leavers and retirements year to date is consistent with the tail off in growth of membership.

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, Fund performance fell slightly short of the cumulative KPI target in the following two areas:
- Retirements, notification of estimated benefits
 - Due to a higher volume of casework (c43% increase) in a previous reporting period, the KPI did not achieve the target in July, however it was achieved in the subsequent months.
 - Deferred Retirements, issue quote
 - Due to a higher volume of casework (c17% increase) in a previous reporting period the KPI was not met during the quarter. This area has received additional focus to help clear outstanding casework, and the KPI has been achieved in the early part of the next reporting period.

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. We have recruited to 3 vacancies and these staff members are currently completing a detailed induction plan to ensure that training is as efficient as possible. In addition, we are continuing to support and develop the new starters from the last quarter.
- 5.4 Calls and written responses remained stable in July and August, however a peak in volumes occurred during September, following the issuance of Annual Benefit Statements, Pension Saving Statements, and GMP reconciliation letters to Fund members. 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. To support with the impact of these bulk mailings, communications have been staggered on issue to members, with annual benefit statement notifications being sent within this period. Staggering mailings smooths the impact on the contact centre and reduces call queues/written response times, allowing us to better serve our customers and reduce the number chaser requests received.

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 73 complaints received for the last quarter (less than 1%). Of those complaints, 70% were upheld and lessons learned incorporated in training and process development.

- 6.3 July and August complaint numbers remained lower than average, however, an increase was received in September in response to GMP reconciliation affecting some pensions in payment. The GMP reconciliation process involves comparison of HMRC data with the Fund's data, as well as resolving any associated discrepancies within the deadline set by HMRC. The reconciliation of GMPs is a statutory exercise and, in accordance with the LGPS Regulations, the Fund has a legal obligation to pay the correct level of benefits, which was discussed at the Committee meeting in March 2021.

Recognising the unexpected nature of this change, we have endeavoured to provide all members with an extended period of notice ahead of amending pension payments (pensions won't be adjusted until February 2022) and the Fund has agreed not to seek to recover any overpayments made up until that date.

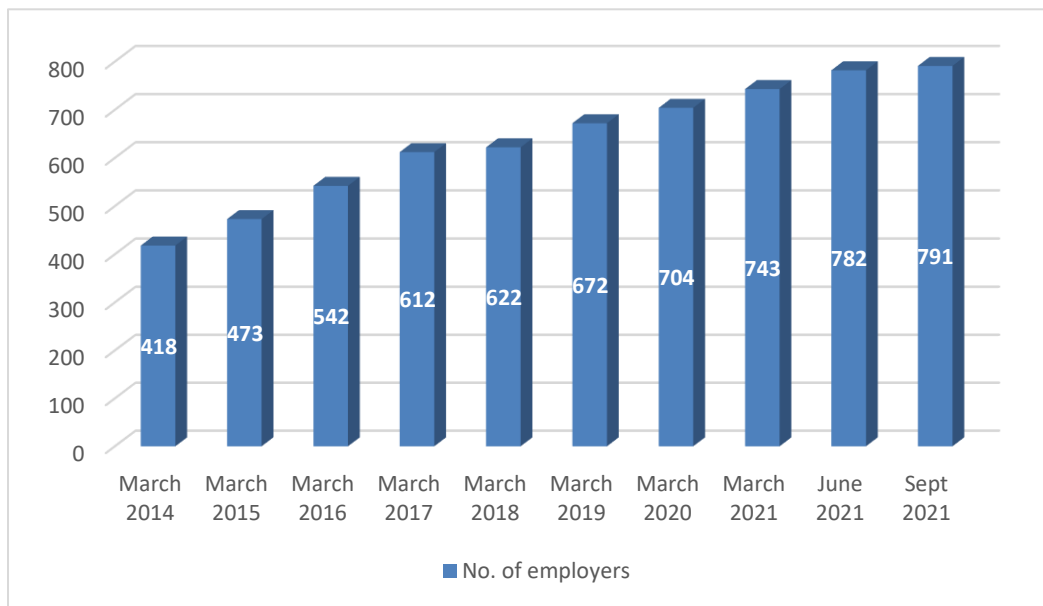
We have also adhered to guidance produced by the Pension Administration Standards Association and as such, in conjunction with the letters and accompanying 'frequently asked questions', have taken steps to try and explain and mitigate the effect of the changes being applied.

7.0 IDRPs Casework

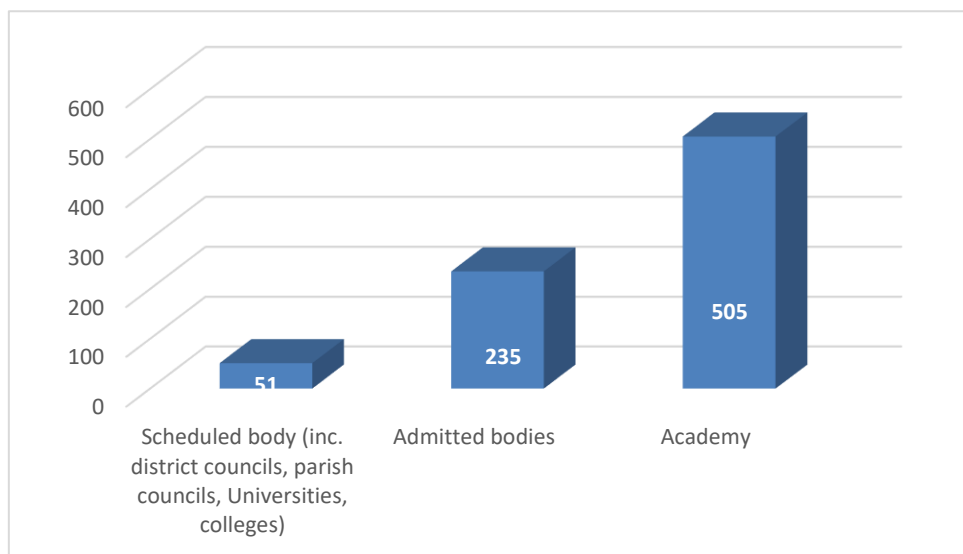
- 7.1 For 2020/21, nine cases were completed (one partially upheld 8 not upheld) and five progressed to Stage 2 (all 5 cases were not upheld).
- 7.2 Year to date for 2021/22, seven cases have been referred to Stage one of the procedure on appeal against the Fund, three cases were not upheld and four cases are currently under investigation. Three cases have progressed to Stage two of the procedure, two against the Fund which were not upheld and one against the employer which was partially upheld.

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 791 at 30 September 2021. This is an increase of 1% from the previous period and a 89% 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: -

- 68 admission agreements
- 17 academies
- 43 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 10 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 Sept 2021 was £549.7m, £17.1m of which (£7.4m for pensions increase and £9.6m 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 (£)
July 2021	84,989	40,620,286
August 2021	89,126	40,550,291
September 2021	99,667	41,658,286

The September 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	0	0.00	9	339
£100 - £500	26	4,360	3	634
Over £500	11	14,599	0	0.00
TOTAL	37	18,959	12	973

Of the cases where the overpayment has been written off:

- 19 cases are where the Fund has not received a response or are unable to trace the Next of Kin.
- 1 case due to a returned payment from the bank
- 1 case unable to obtain the death certificate to identify who is dealing with the estate
- 15 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:

- 10 cases the Fund has received no response from Next of Kin
- 1 cases no details of Next of Kin
- 1 case unable to obtain the death certificate to identify who is dealing with the estate

12.0 Regulation changes for Transfer Outs

- 12.1 On 8 November 2021, the Government published its [response to 'Pension scams: empowering trustees and protecting members' consultation](#). It also laid [The Occupational and Personal Pension Schemes \(Conditions for Transfers\) Regulations 2021](#) [SI 2021/1237]. The regulations take effect from 30 November 2021 and apply to the LGPS in England, Wales and Scotland. From 30 November 2021, pension schemes must 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 been contacted unsolicited 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.
- 12.3 The Fund currently undertakes due diligence on all transfer payments and 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.
- 12.4 Compliance of existing Fund processes has been reviewed ahead of the new regulation coming into force and the Fund has made initial amendments as we await the issue of guidance and member communication templates for the LGPS, expected to be issued by LGA, to enable a consistent approach across LGPS Funds.

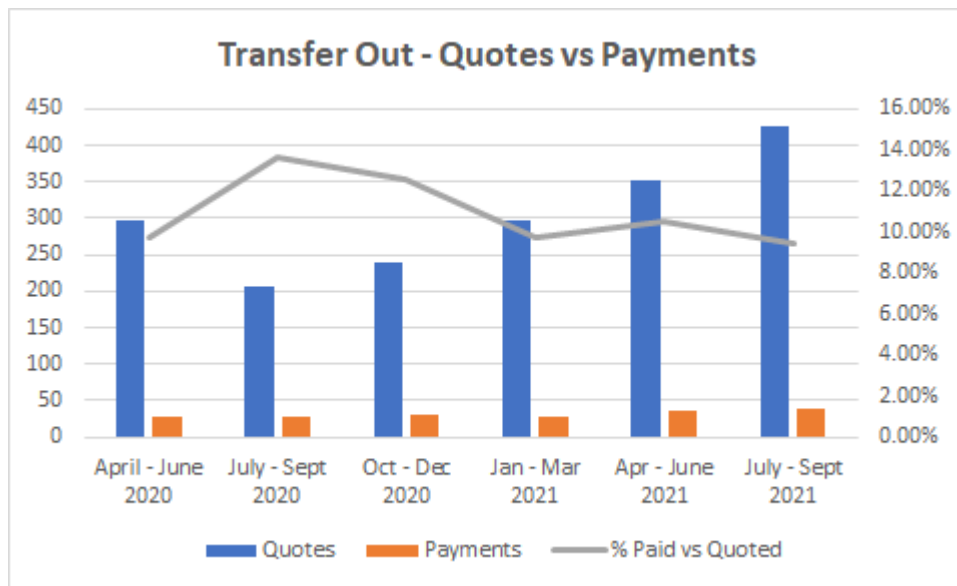
13.0 Transfer Out Cases

- 13.1 During the period 1 July to 30 September 2021, 426 transfer values were issued to members considering transferring their benefits out of the scheme. As previously reported, the Fund continues to see high volumes of this casework, and this is a 21% increase compared to the previous reporting period and 52% increase for the previous year July – September 2020.

13.2 In total 42 transfer payments made during the period 1 July to 30 September 2021 resulting in a total amount transferred of £3,978,188 (previous 1 July to 30 September 2020 a total of 28 transfer payments were made totalling £2,210,566 was transferred out). This amount is broken down as follows:

Value of Transfer Payments	Number of Transfer Payments
0 to £30,000	29
£30,001 to £100,000	5
£100,001 to £200,000	2
£200,001 to £300,000	4
£300,001 to £400,000	0
£400,001 to £500,000	1
Above £500,001	1
Total	42

13.3 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 (c9% of the quotations requested for the period). This is shown in the graph below.



13.4 Analysis has been undertaken of the Transfer out payments to non-public sector or occupational schemes over the period of July through to September 2021 to review the volume and trends. During the period, of the 30 completed, a total of 29 non-public sector or occupational scheme transfer out payments have been processed, to a total of 11 different receiving schemes, with one case not proceeding. The average age of members transferring out was 50 years, with the main reason for members transferring out was to consolidate their benefits.

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

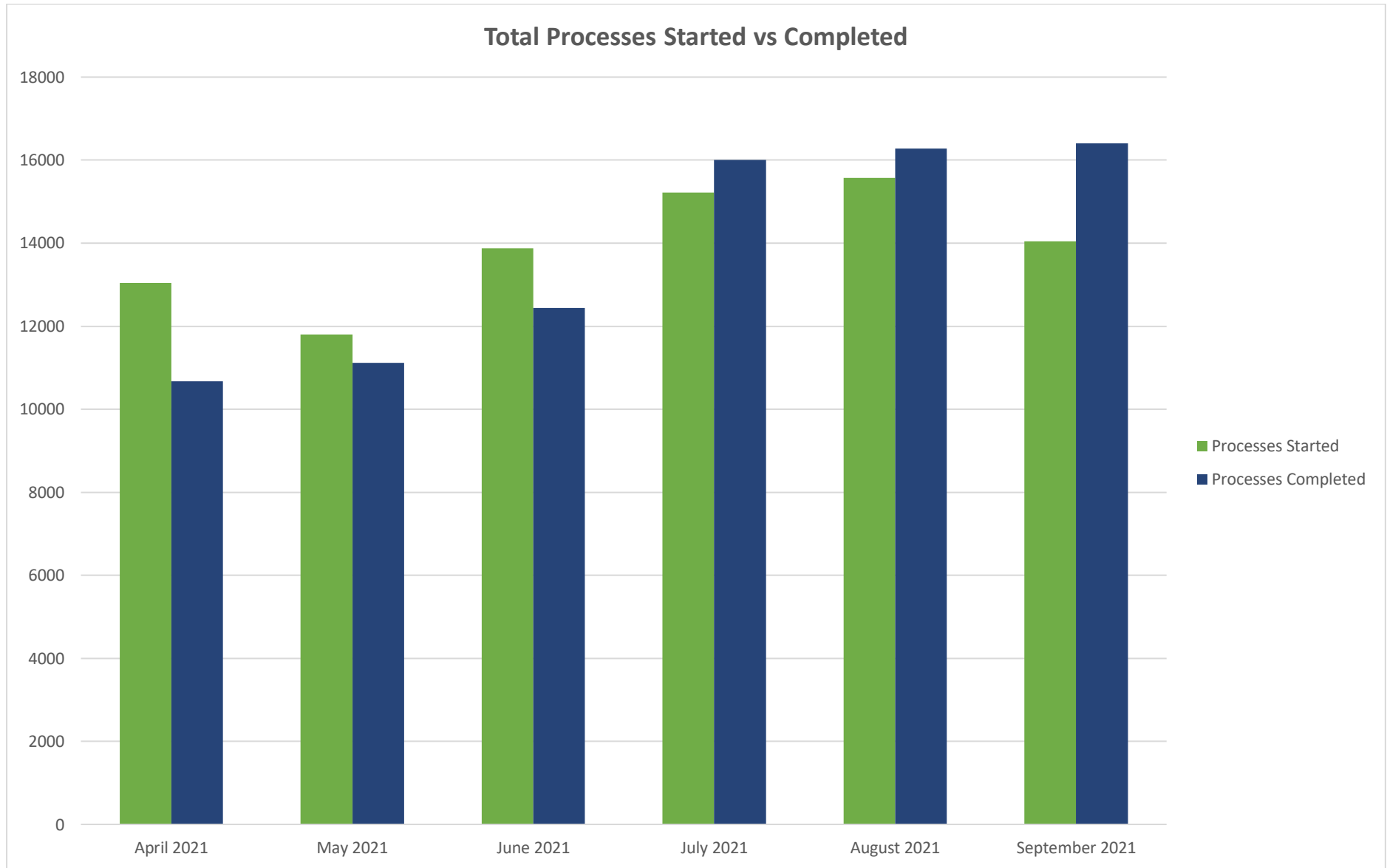
- 17.1 This report has implications for the Council's human resources policies since it deals with the pension rights of employees. The report contains no other direct implications.

18.0 Schedule of background papers

- 18.1 None.

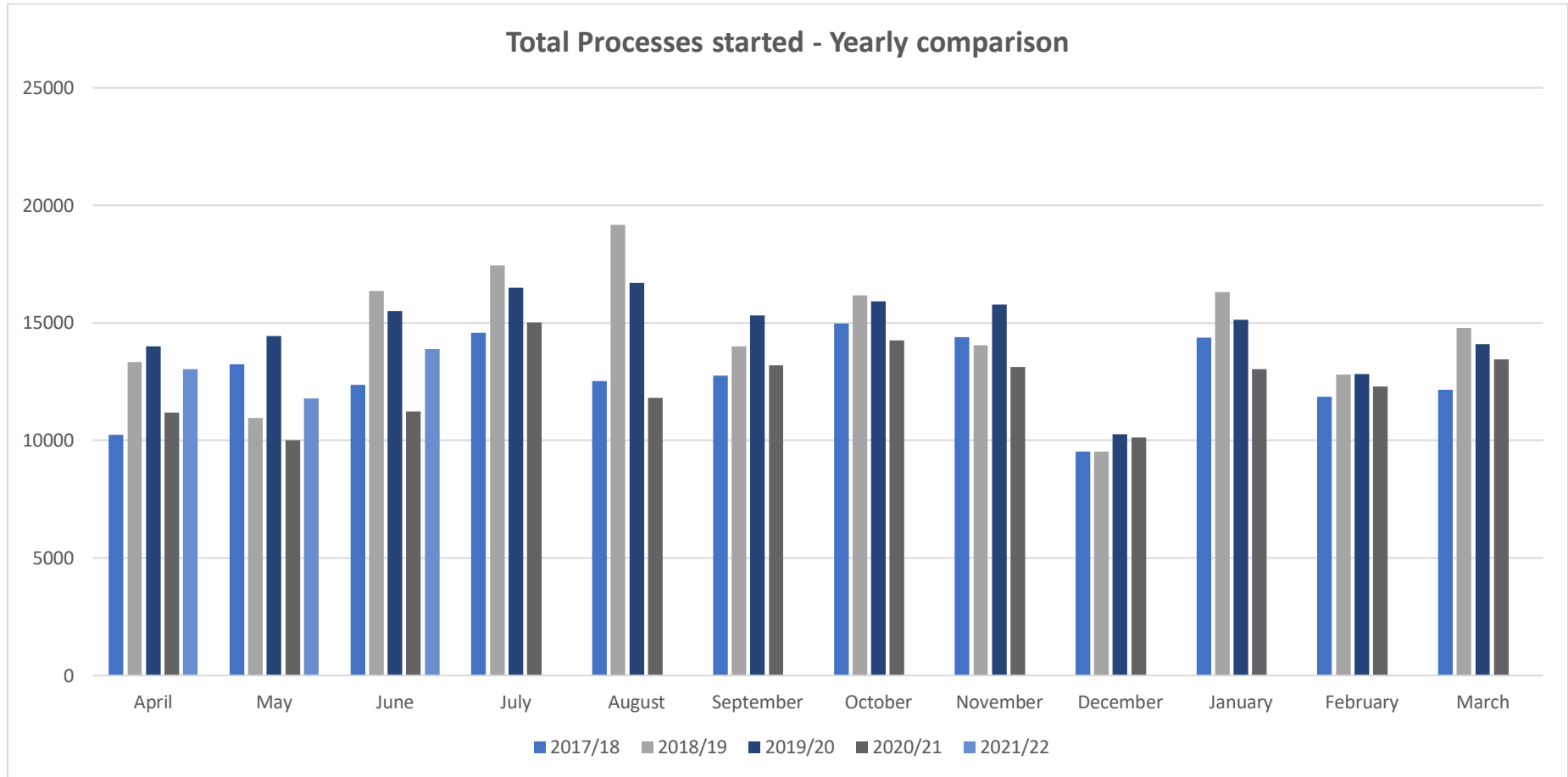
19.0 Schedule of appendices

- 19.1 Appendix A: Workflow 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

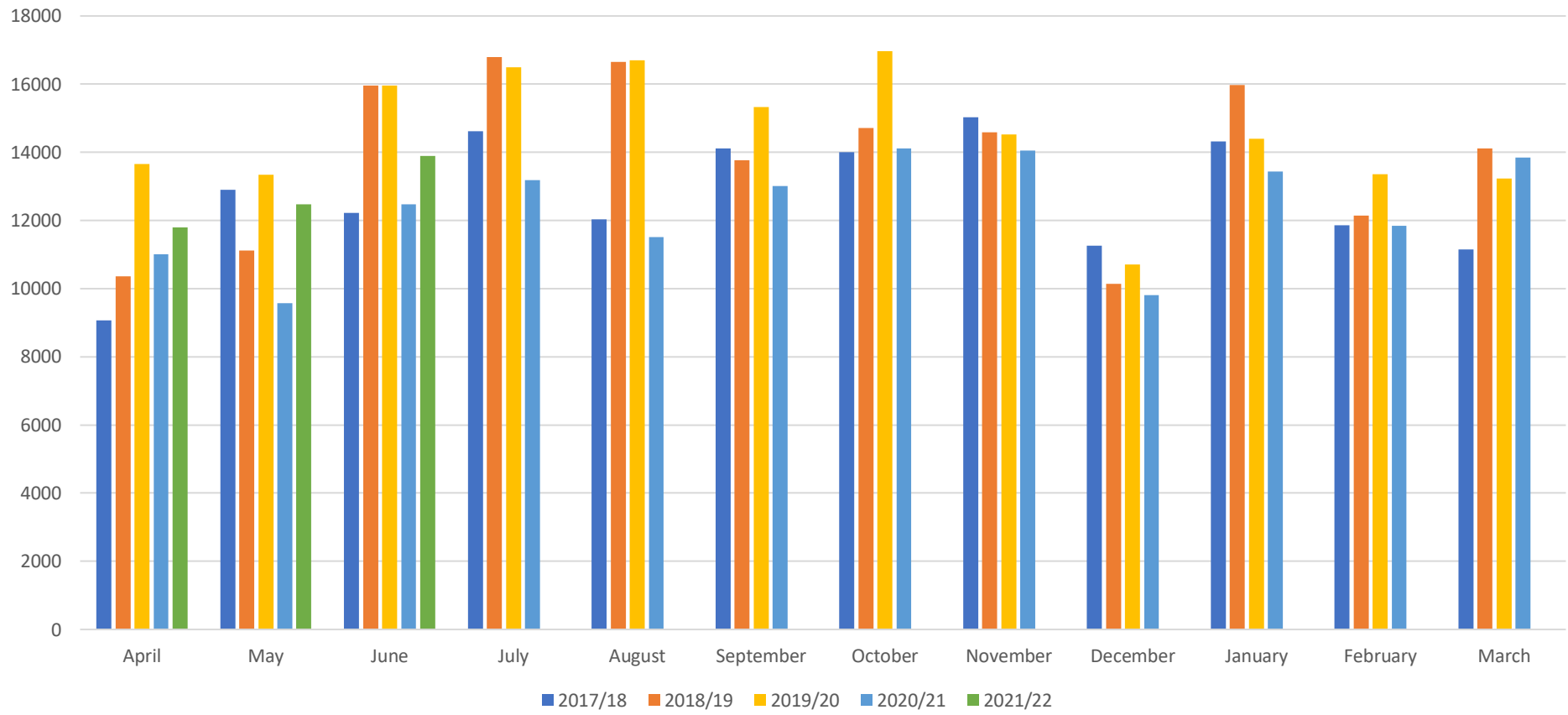


This page is intentionally left blank

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	July	August	September	YTD
---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	-------	-------	-----	------	------	--------	-----------	-----

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	1146	879	1438	5615
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	366	553	467	2532
Deferments	5,939	7,818	5,741	6,728	5,664	8,340	8,178	8629	15934	11994	9444	536	630	1039	1148	989	934	5276
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	262	254	230	1017
Deferred Retirements	3,332	2,970	2,971	2,726	2,301	3,421	3,552	4429	4814	5071	4844	321	429	722	416	448	430	2766
Deaths of members	295	262	287	285	230	379	399	470	429	441	570	38	41	40	34	30	33	216
Refund										6877	4499	325	328	391	401	507	547	2499
Opt Outs										3585	1228	97	93	92	126	240	95	743
Amalgamations										11628	8841	545	403	359	556	464	828	3155

Pensioner members

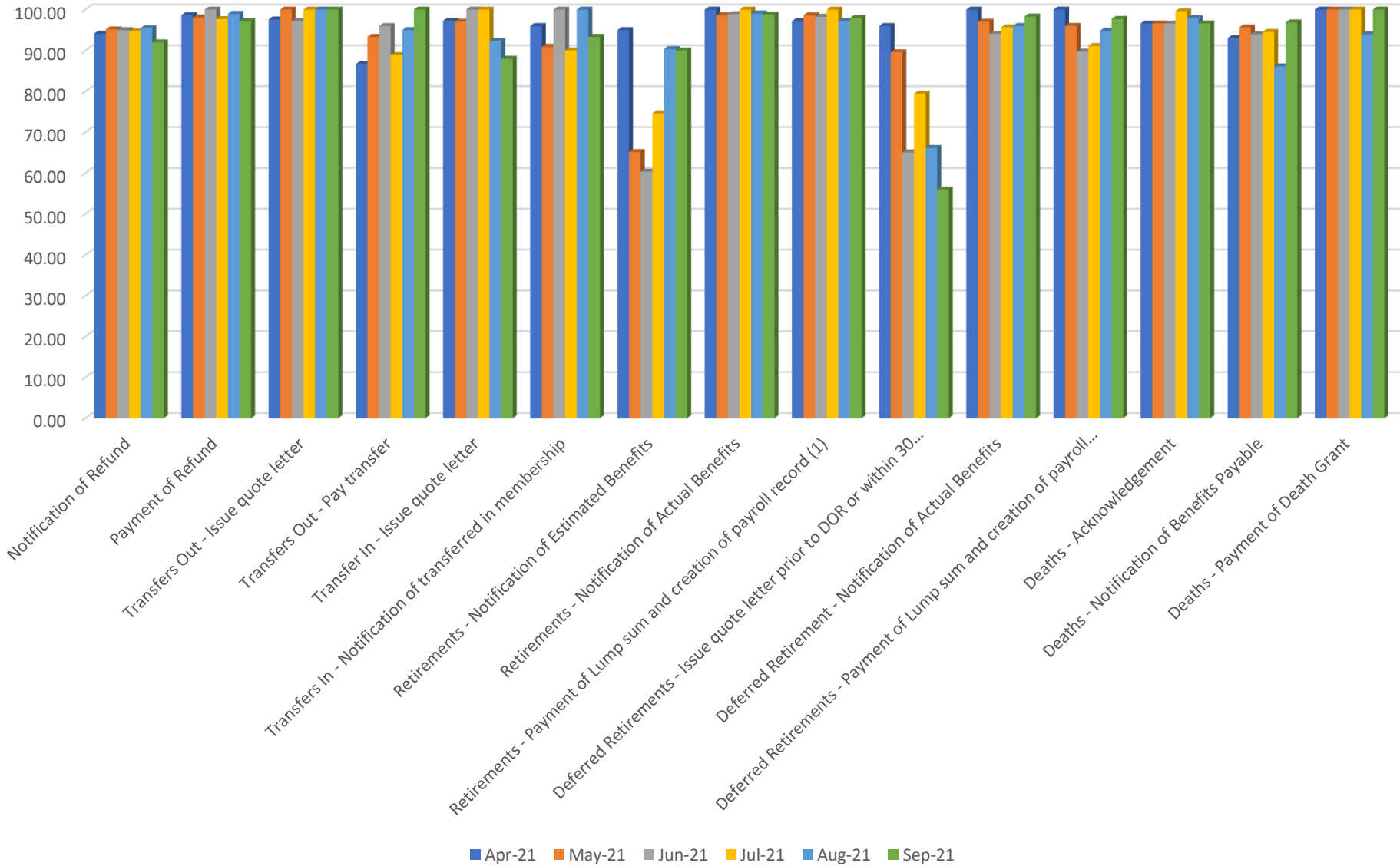
Process type																		
Changes in circumstances:-																		
Data eg Passwords, NI Numbers	1,310	1,804	1,865	2,017	2,604	4,548	2,427	3105	2694	1953	1761	232	177	138	193	147	195	1082
Changes of Address	2,420	2,681	2,131	1,732	1,733	2,237	2,589	3004	2628	2423	2448	384	415	209	243	221	236	1708
Changes of Bank	2,927	2,531	2,783	3,420	3,281	1,573	2,272	2214	1957	1874	1539	208	201	183	178	179	183	1132
Deaths of pensioners	2,085	2,145	2,101	2,546	2,454	1,702	2,813	2919	2793	2650	3886	254	225	271	244	244	261	1499

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	84,989	89,126	99,667	

This page is intentionally left blank

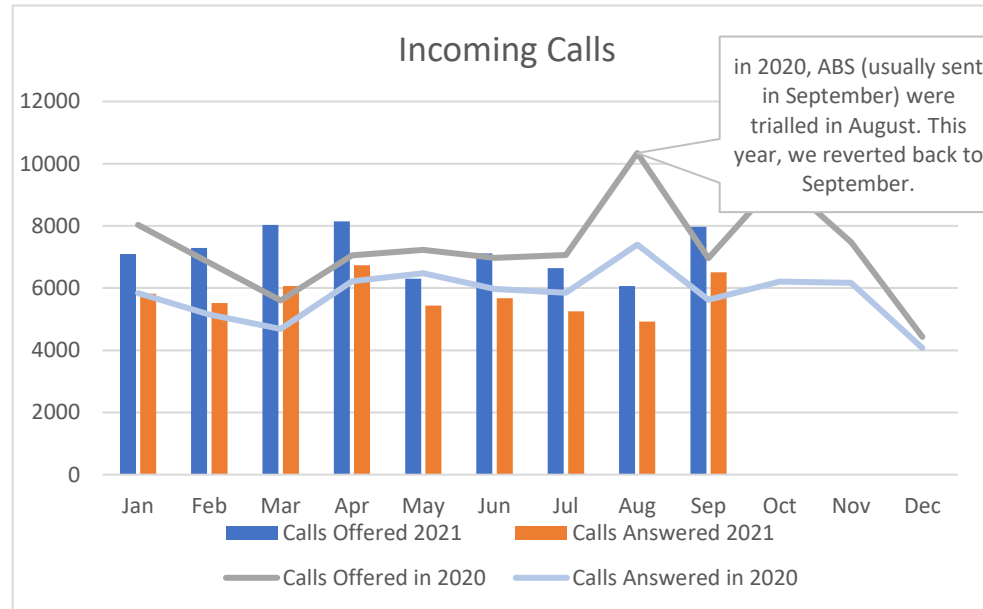
APPENDIX C

KPI's - Benefit Operations



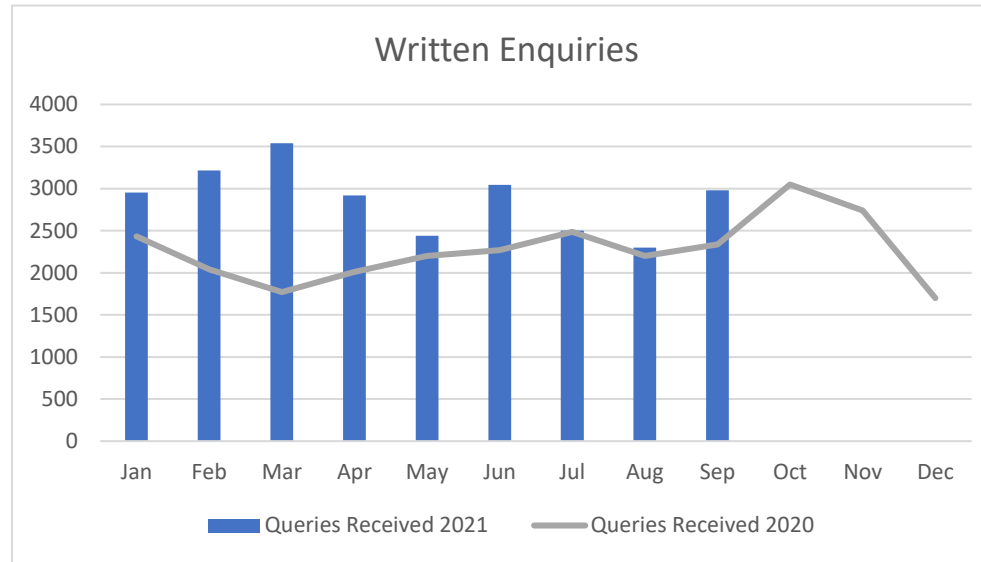
This page is intentionally left blank

Appendix D: Customer Services Statistics July to September 2021



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Calls Offered 2021	7094	7293	8027	8142	6299	7114	6643	6063	7968			
Calls Answered 2021	5822	5523	6065	6733	5437	5675	5247	4919	6505			
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%	78.99%	81.13%	81.64%			
Percentage increase	-11.67%	7.06%	43.26%	15.41%	-12.80%	2.10%	-6.01%	-41.37%	14.55%			

Appendix D: Customer Services Statistics



Queries Received 2021
 Queries Received 2020
 Percentage increase

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Queries Received 2021	2953	3217	3541	2921	2441	3043	2502	2299	2980			
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%	0.68%	4.41%	27.46%			

Appendix E

Application for admission body status

Employer name	Guarantee Status (Agreement)	No. of employees (Scheme members) Agreement type	Status (Approved/pending approval)
Aspens Services Ltd (Academies Enterprise Trust)	Academies Enterprise Trust	35 (35) Closed	Pending approval
Aspens Services Ltd (St John Bosco MAT)	St John Bosco MAT	TBC (TBC) Closed	Pending approval
Aspens Services Ltd (Aldermans Green)	Coventry CC	TBC (TBC) Closed	Pending approval
Aspens Services Ltd (Whitecrest Primary)	Sandwell MBC	3 (3) Closed	Pending approval
Aspens Services Ltd (Broadway Academy)	Broadway Academy	TBC (TBC) Closed	Pending approval
Alliance in Partnership Ltd (Saint John Wall Catholic School)	Birmingham CC	6 (6) Closed	Pending approval
Alliance in Partnership Ltd (St Patrick's Primary Academy)	St Patrick's Primary Academy	TBC (TBC) Closed	Pending approval
Solo Service Group Ltd - Queen Mary Grammar School	Mercian Trust	10 (10) Closed	Pending approval
Dolce Ltd (Hill Farm Primary)	Castle Phoenix Trust	5 (5) Closed	Pending approval
Aspens Services Ltd (North Birmingham Academy)	E-ACT	6 (6) Closed	Pending approval

This page is intentionally left blank

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

Recommendations for noting:

The Pensions 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 July 2021 to 30 September 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 as arises.

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 which are followed up with individual telephone consultations as required. The webinars mirror our normal suite of member presentations and during this reporting period **1,305** members attended our webinars and workshops. These were followed by **113** 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 **5** satellite support events to **33** 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 **2,405** bringing the total pension portal registrations to **113,413** at the end of September 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 **6,070** 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 updated to re-design the support we provide to members to register for the pensions portal and also to explain to members the steps they need to take to make plans for their retirement.

- 3.6 **84,829** 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 **57,336** Active members whose email address we hold that their Annual Benefits Statement is now on the Pensions Portal.
- 3.7 The Fund has provided letters to members for whom we have been unable to produce an Annual Benefits Statement to explain the reasons why. We have put **13,295** letters on members portal records and sent out **125** paper letters.
- 3.8 The Fund is in the final stages of finishing our new E-learning platform for scheme members. This software will be used to design learning modules for scheme members so they can engage and enhance education around their pension benefits. Our first module “LGPS & You” was trialled at our employer peer group on the 15 September and will be live on our Fund’s website by the 30 November 2021, launching to members in January 2022.
- 3.9 Member information leaflets and videos have been updated and are now being uploaded to the Fund’s website. There have been **362,000** 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 have 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 81%.

4.0 Employer engagement

4.1 Employer Peer Group

- 4.1.1 The second session of the Fund’s virtual Employer Peer Group cycle for 2021/2022 took place in September. Fifteen employer representatives were present, with a diversity of employer type. The content for the meeting included:
- Retirement procedures and process: What good practice looks like
 - McCloud: WMPF update and feedback on resources and support
 - Keeping Informed: Annual Benefit Statement (ABS) 2021 production
 - Employer Hub Web Tray: update
 - E-Learning Module: demonstration

4.1.2 The Employer Peer Group were asked for their thoughts on the continuation of the meetings being held virtually as opposed to being in person. The majority of the group (70%) expressed the preference to continue meeting virtually for the cycle. Holding the meeting virtually has seen an increase in the number of attendees and improved diversity of employer, due to the saving of travelling time and also helped the Fund with accommodating a larger Employer Peer Group.

4.2 Employer Webinars

4.2.1 The Employer Services team has continued to deliver a programme of employer education over the quarter with a further 8 virtual sessions delivered to over 44 attendees from 36 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 current employers and their employees 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, which employers are able to easily sign up for via the Fund's website.

- Employer Hub refresher demonstrations x 2
- Employer discretions x 2
- Ill health retirement processing for employers
- Accounting disclosures
- Early retirement estimates and associated strain costs
- Monthly data collection

4.2.3 Additional Employer webinars were also held for:

- 'Climate Risk' which was held on the 15 July 2021 and was attended by thirteen different employer/union representatives. The webinar looked at:
 - 'A decade of action'
 - 'The risk posed by climate change'
 - 'Responding to climate change'
- McCloud background and upload of data – 5 webinars were held, with 199 attendees across the webinars, representing 333 employers.

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 7 feedback and performance meetings with 5 major and 2 smaller employers with one employer providing payroll services to 95 different employers. Collectively these employers and payroll service providers are responsible for submitting the data for over 36,000 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 Fund's 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.

4.4 Employer System Developments: Hub and Webtrays

4.4.1 The roll out of and migration to the Employer Hub for c.800 Employers was completed in July 2021.

4.4.2 A number of refresher demonstrations have continued to be delivered over the period 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 continue across various forums including the Employer Peer group. Refund queries were added as an Employer Webtray functionality in November 2021.

4.4.4 McCloud: Employer Support

4.4.5 Requirements for the McCloud data continued to be discussed with our employers or their payroll providers as part of the regular performance engagement meetings detailed above or in other day to day engagement.

4.4.6 A large amount of comprehensive online McCloud support tools including an FAQ's document, sample files, checklists, a file checker, reports, and other resources have been produced by the Fund to help Employers with the McCloud requirements and upload, which continue to be updated and refreshed.

4.4.7 Five webinars were held during August and September 2021 (additionally with two more held in October / November 2021), as detailed in point 4.2.2 above, to help Employers understand the McCloud remedy, the requirements for the data, completion of the file(s) and the upload process for the files. The sessions also included demonstrations of the McCloud file checker to help with validations of data.

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, the Fund continues to signpost employees to news and wellbeing support via our monthly employee catch up.

5.2 The Fund also ensures employees have the opportunity to engage and support with topical national events to raise awareness on a variety of subjects. During this reporting period staff have received updates on Talk to the Samaritans, Staff update from the ABS project group, World Water Week, Pension Awareness week, MacMillan coffee morning and World Alzheimer's Week.

6.0 Manager's toolkit

6.1 In September, the Fund launched its Manager's Toolkit which is displayed on the Fund's intranet platform "Pension People". The toolkit brings all key guidance and documents together in one simple to access site, providing easy access to support services, technical pensions materials and communications.

7.0 Large Fund Events

7.1 Preparations are underway to plan for the Fund's Annual General Meeting (AGM) which has been scheduled for the **27 January 2022**.

8.0 Post 30 September engagement

8.1 A total of **264** Pension Saving Statements were sent to members who had exceeded the annual allowance limit, ahead of the statutory deadline of 5 October 2021. The Member Services team followed these statements up with offering members opportunity to book on one of **2** Pension Tax Webinars for which of the Fund had **161** members registered, an increase from prior years.

8.2 The Fund produced its annual "Be Pension Smart newsletter" for our active members (**appendix B**) This newsletter was emailed out during November to **68,649** our active 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 be part of a new active member engagement forum.

8.3 Noting the importance of cleansing data, the Fund will be writing out to **4,081** members on the 3 December 2021, who we believe may have changed their email address. We will be asking them to review and update their details on the Pensions Portal. The Fund has previously written to **c7,000** members on this issue and is pleased to note that **c2,900** members have positively engaged with the Fund and updated their email address following contact by the Fund.

8.4 During the COVID-19 pandemic, the Member Services Team postponed face-to-face support and over the last 18 months has designed and delivered a digital equivalent. However, we are pleased to report that the Member Services Team is now delivering a hybrid support package to members with a mix of face to face and virtual events. Over the last few months, we have seen a high demand for return to face-to-face events, with the team now booked up until the end of January 2022.

- 8.5 From the 17 January 2022 to 1 February 2022 the Member Services Team plan to deliver virtual Pension Roadshows across district councils to explain members annual benefit statements and to encourage them to engage with their benefits and pensions saving.
- 8.6 The Fund aims to provide bespoke member support to all its employers; during the period we were approached by one council to request support with helping members understand the impacts that mandatory leave could have on benefits and also to show members how they buy back any lost periods. The Fund created a bespoke support package which included Webinars, face to face drop-in session, a video, and an electronic leaflet.
- 8.7 Following successful roll out and recognition for support to active members, we will now be expanding our retirement planning support to deferred members, which will reach out to all deferred members as they approach age 55, highlighting our member toolkit and an invite to a Pre-Retirement Webinar, tailored to deferred members. This is on track to go live in January 2022.

9.0 Financial implications

- 9.1 There are no direct financial implications associated with this report.

10.0 Legal implications

- 10.1 There are no direct legal implications associated with this report.

11.0 Equalities implications

- 11.1 There are no direct equalities implications associated with this report.

12.0 Other implications

- 12.1 There are no other implications associated with this report.

13.0 Schedule of background papers

- 13.1 None.

14.0 Schedule of appendices

- 14.1 Appendix A: Review of member events.
- 14.2 Appendix B: Active Member Pension Smart Newsletter.

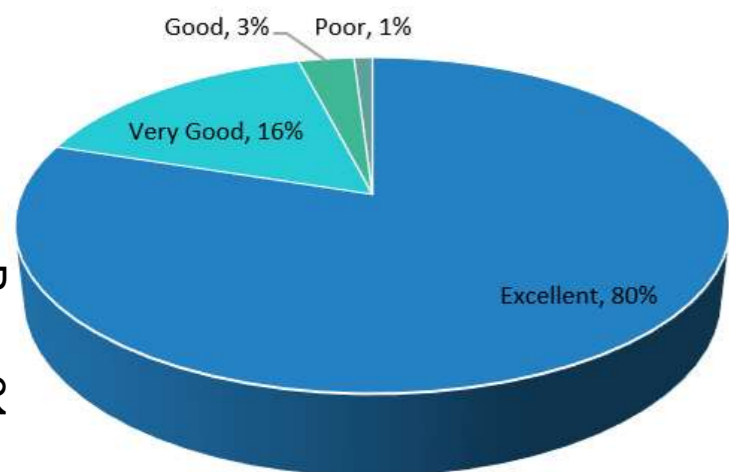
This page is intentionally left blank

Member Services Team – Webinar Feedback 1st July – 30th September 2021

Members feedback on the following areas:

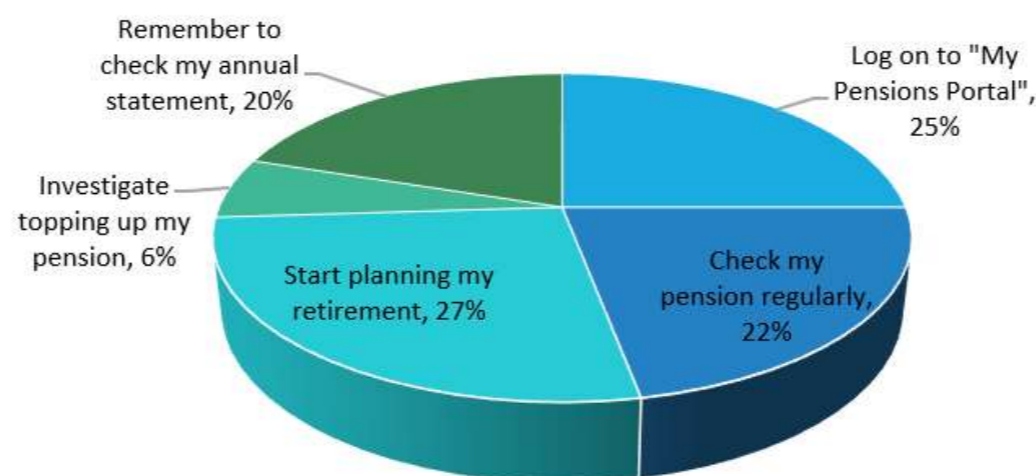
Members surveyed in July – September 2021

Overall, how would you rate the webinar?

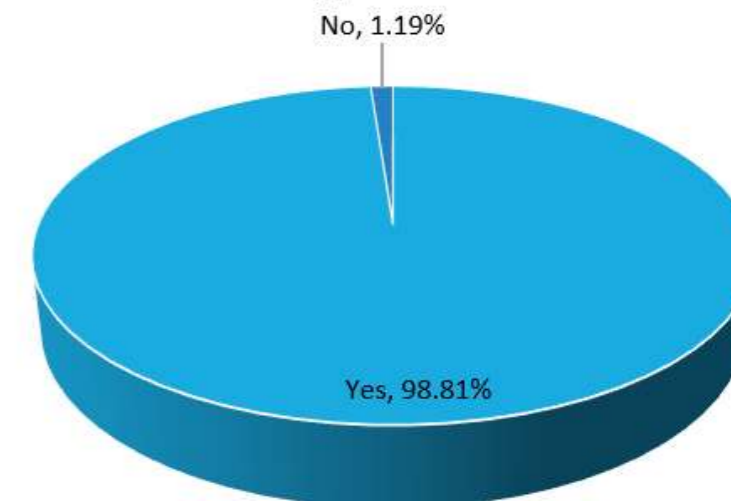


Page 91

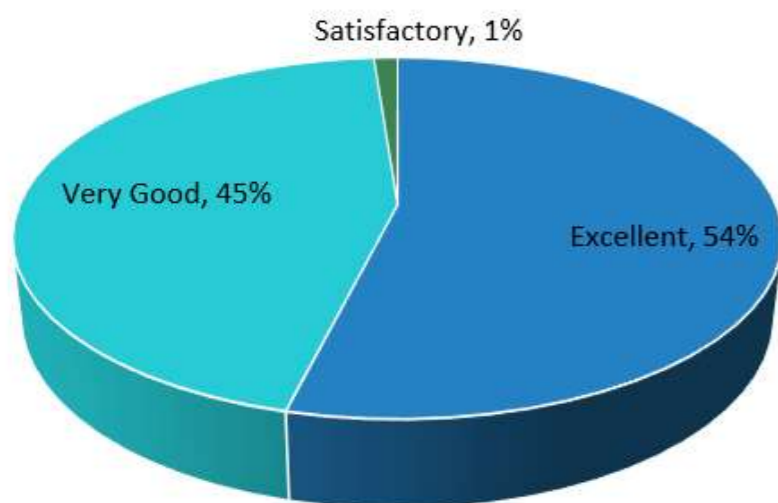
What are you going to do following this webinar?



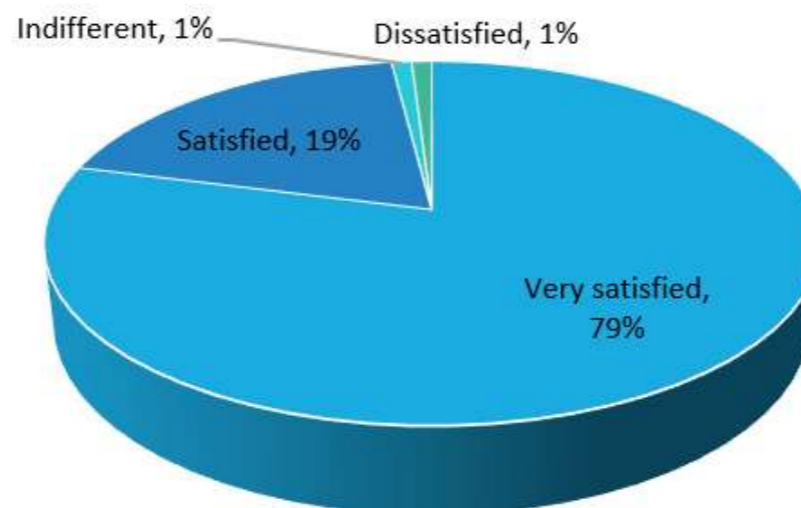
Would you recommend a colleague to attend this type of event?



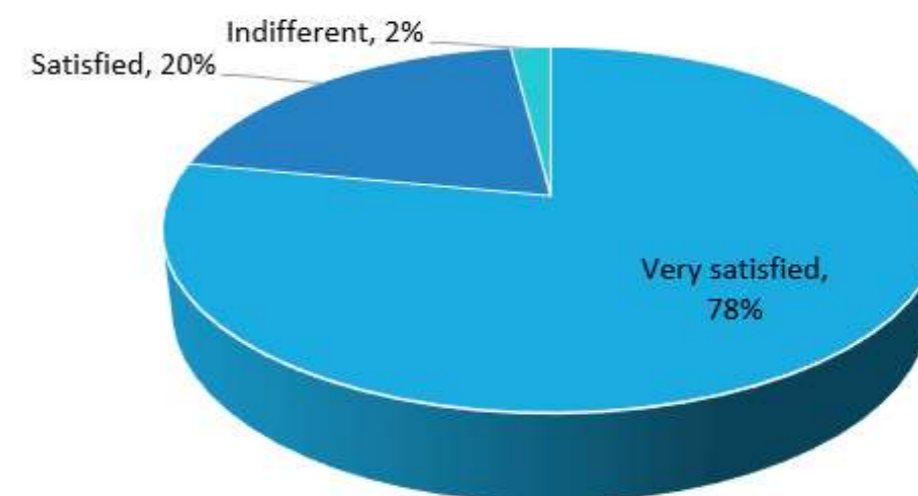
How would you rate the presenters general knowledge and presentation skills?



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

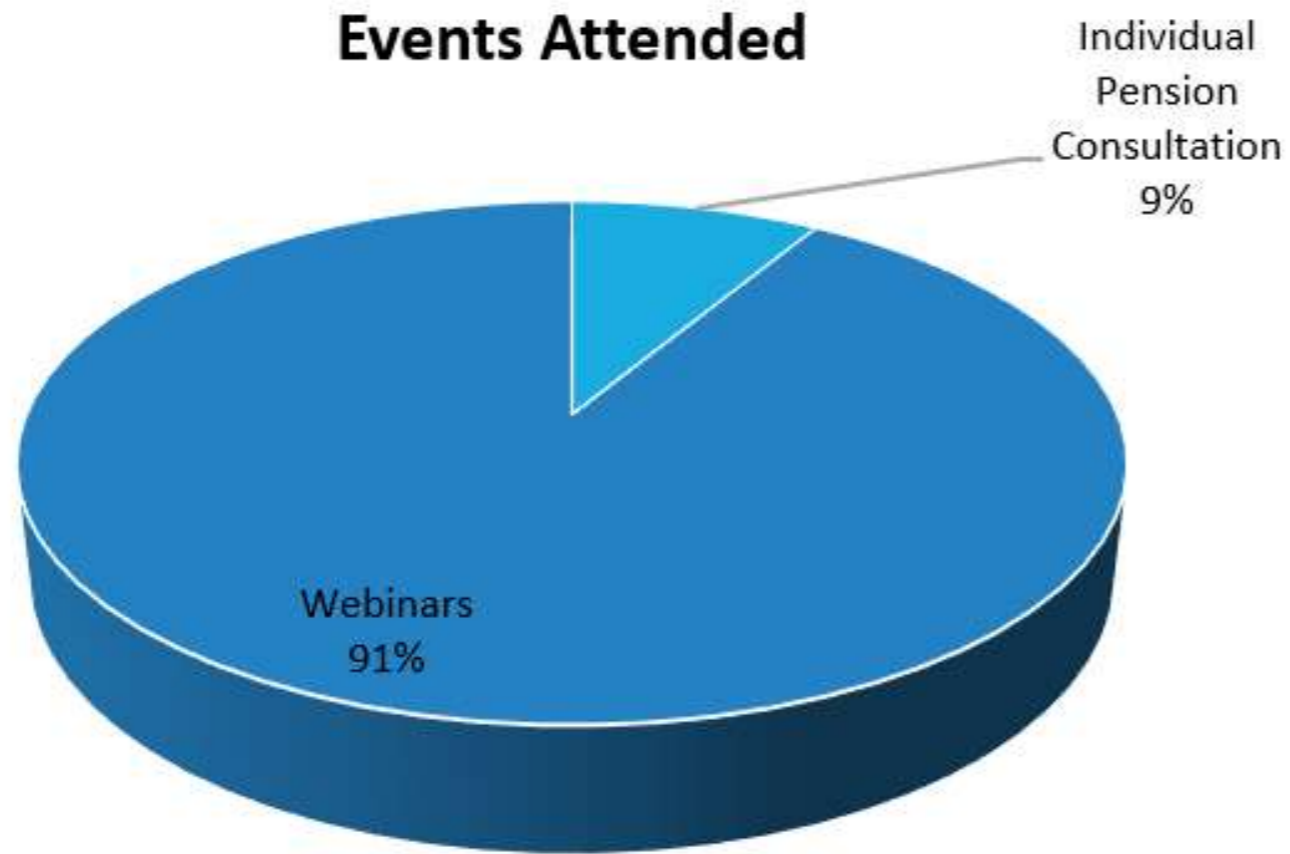


How satisfied are you with the overall service you have received from WMPF?



Member Services Team – Events Attended

1st July– 30th September 2021



Event Type	Attendance
Individual Pension Consultation	113
Webinars and Workshops	1,192
Total	1,305

ACTIVE MEMBER PENSIONS SMART

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

Welcome to your 2021 Active Member Pension Smart newsletter for members paying into the West Midlands Pension Fund.

This newsletter has been produced jointly with other Local Government Pension Scheme (LGPS) funds. However, should you have any queries or require further information, please contact West Midlands Pension Fund direct.



The pension benefits you've built up in the LGPS from 1 April 2014 have increased by 0.5% in 2020/2021. This increase is worked out in line with the Consumer Price Index (CPI), and you can see it in the CARE section on your annual benefits statement.

The LGPS has been a career average revalued earnings (CARE) scheme since 1 April 2014. This means that, each year, a proportion of your pensionable pay is added to your pension account. At the end of the year, this is added to any total pension pot you have built up in previous years and revalued to make sure it keeps up with the cost of living.

It's important to check the 2020/2021 pay shown on your statement as it affects how your pension builds up. If you have any questions about the pay used to work out your benefits, you must contact your employer.

YOUR 2021 ANNUAL BENEFIT STATEMENT IS NOW ONLINE!

Do you know how much your pension benefits are?

Be Pension Smart and go online to view your annual benefit statement. You can do estimates to see what the value would be if you take it before your normal pension age. Please visit www.wmpfonline.com/pensionsportal

Page 93





EXTRA PROTECTION IF YOU WERE IN THE LGPS ON 31 MARCH 2012

Following the McCloud court case about age discrimination in pension schemes, the Government proposed extending the final pay 'underpin' to everyone who was a member of the LGPS on 31 March 2012. The underpin was a protection introduced to protect older members when the scheme changed on 1 April 2014 from a final salary scheme to a CARE scheme. The underpin is a calculation to check whether your pension benefits would be higher if they were calculated under the old scheme rules or when calculated under the new scheme rules. When you retire, we will do this calculation (you do not need to ask us to do this), but in almost all cases we expect the current CARE scheme to deliver the best benefits.

However, if you were not paying into an employer of the West Midlands Pension Fund on the 31 March 2012 but have another LGPS pension (or pensions), perhaps with a different LGPS fund, that you were paying into on 31 March 2012, you

may be able to combine your LGPS pensions so that this period of membership is included. If you do this, it could mean that the benefits from your current membership for the period 1 April 2014 to 31 March 2022 could be the better of either:

- what they would be under the CARE scheme, or
- what they would have been if the CARE scheme had never been introduced.

The changes to the LGPS rules which need to be made because of the McCloud court case aren't expected to be in place before April 2022. The Fund is currently in the process of working with your employer to obtain your hours history since 2014 in order to start analysis.

For more information, see the frequently asked questions on the national LGPS website

www.lgpsmember.org/news/story/mccloud_qanda.php

COVID-19 AND FURLOUGH – HOW YOUR PENSION IS AFFECTED

We want to remind you that LGPS benefits are funded by investing employer and member contributions, but members earn a 'benefits promise' that is set out in law and does not depend on current stock-market levels.

If your job has been affected by Covid-19 and you've been on furlough, it may affect your pension.

The rules on what your employer pays you when you're on furlough have changed a few times since the Government's job-retention scheme was introduced in March 2020.

If your employer chose to continue paying 100% of your normal pay, your pension won't be affected. If you've been paid less than 100% of your normal pay, the pension benefits you built up during furlough will be reduced. You can find more information at www.lgpsmember.org/news/story/covid_19_member_qanda.php

You can make up any pension you lost during furlough by paying additional pension contributions (APCs) to buy extra pension. Your employer doesn't have to pay towards the cost, but they can choose to. You can find details on APCs, including an online calculator and how to apply, at lgpsmember.org/more/apc/index.php



CONTRIBUTING TOGETHER TO CREATE SUSTAINABLE FUTURES FOR ALL



Stewardship is the responsible allocation, management and oversight of capital to create long-term value for pension beneficiary members, and sustainable benefits for the economy, environment and society on a global scale.

In April 2021 the Fund submitted its first Annual Stewardship Report to be assessed against the 2020 UK Stewardship Code (the code) by the Financial Reporting Council. At the start of September the Fund was delighted to learn that it had been listed within the first cohort of successful signatories to the code, which sets high standards of stewardship for those investing money on behalf of UK savers and pensioners.

Events over the past 18 months have reinforced more than ever the importance of strong governance, responsible investment practice, the value of diversity and inclusion, and the need for a proactive response to climate change. Now, more than ever, there is a motivation across the public, alongside our own member and employers' appetite, to do more to address environmental and societal issues.

As a successful applicant to the code the Fund was able to demonstrate its commitment to stewardship and the efforts that it has taken to ensure that the Fund practices stewardship at the highest level both in its own operations and throughout its investment chain. Through annual review and ongoing development our approach and policies continue to evolve, as does the network we engage with and the tools we utilise to communicate and advocate an increased pace of action by companies, industries, governments, and policy makers to build and maintain a sustainable economy, environment and society.

We are proud of the outcomes and effective actions we have been able to bring to our first Annual Stewardship Report, and expect our approach to continue to evolve as we continue to engage in collaboration with key partners to drive our common ambition to build sustainable futures for all.

You can read our 2021 Annual Stewardship report [here](#):

ASSET OWNER DIVERSITY CHARTER

The Fund has also been involved in the development of, and is a signatory to, the first Asset Owner Diversity Charter, which aims to tackle diversity bias within the asset management industry.

The Charter established a set of actions that asset owners can commit to, which includes diversity and inclusion in manager selection; monitoring asset managers for diversity and inclusion on an ongoing basis; and leading and collaborating in this area to encourage broader industry change.



At launch, the Charter had 17 signatories with combined assets under management of £1.08 trillion. Our pool company, LGPS Central Ltd, have also joined this initiative and we will now seek to engage all WMPF investment managers on this initiative and monitor progress over time.

TAX AND YOUR PENSION

Tax limits apply to pension savings. These limits are called the lifetime allowance and the annual allowance. The standard lifetime allowance was £1,073,100 million for the 2020/2021 tax year and it's expected to stay at this level until April 2026.

The standard annual allowance for the 2020/2021 tax year was £40,000 (unless tapering applies), which is where your income exceeds certain limits and it will stay at this level for the 2021/2022 tax year.



HOW DO I UPDATE MY PERSONAL DETAILS?

If any of the personal details shown on your statement have changed, you can update these on My Pensions Portal at <https://portal2.wmpfonline.com/>

If your marital status has changed, we need to see a copy of your marriage certificate, civil partnership certificate or decree absolute, as appropriate, so we can update your record.



LOST CONTACT WITH YOUR PENSION?

There is currently an estimated £400 million in unclaimed pension savings. This is the money people have previously saved for their retirement.

If you are one of these people, try and locate your pension through www.gov.uk/find-pension-contact-details



BUY EXTRA PENSION IN THE LGPS BY PAYING ADDITIONAL PENSION CONTRIBUTIONS (APCs)

If you are in the main section of the LGPS you can pay additional pension contributions to buy up to £7,316 of extra pension. You can pay a one-off lump sum or spread the cost by paying the contributions over a number of years. There is a calculator for working out the cost of buying extra pension at

www.lgpsmember.org/more/apc/index.php



ACTIVE MEMBER ENGAGEMENT FORUM

We need you!

The Fund has a Pensioner Engagement Forum which meets on an annual basis and where pensioner members provide valuable feedback on their own experiences and interaction with the Fund and we also discuss new initiatives that are on the horizon. The Fund has made the decision to launch an engagement forum for active members, where we can meet virtually on an annual basis to gain your feedback on the Fund's communications, and listen to any improvements or ideas you may have to shape the Fund for the future. We would also like to pilot our new initiatives with you and act upon your feedback to improve an active member's customer journey in the future.

To join our Active Member Engagement Forum and to receive more information, please contact us at wmpfevents@wolverhampton.gov.uk



REJOINING THE LGPS

If you rejoin the LGPS with another pension fund, your new pension fund will ask if you have any LGPS pension benefits with other funds.

It's important that you tell your new LGPS fund about any LGPS benefits you have with other funds. You should do this as soon as possible because time limits apply to some of the options you have for transferring your previous LGPS benefits to your new fund.

Let your new fund know about your other LGPS benefits even if you do not want to transfer them to your new fund, because you may need to fill in a form to say that you want to keep your benefits separate.

You should also let your new fund know about any other pension benefits that you have with other pension schemes that you're interested in transferring into the LGPS.

If you rejoin the LGPS with the same fund, you may still have choices to make about your pension accounts, so it's important that you read and fill in any forms that your fund gives to you.



EXIT PAYMENT CAP



In November 2020, the Government introduced a £95,000 cap (limit) on exit pay (the amount of money a public-sector employer can pay when an employee leaves them). In February 2021, the Government reversed this rule and the cap no longer applies. However, the Government has said that it still plans to reform public-sector exit pay and that it will make some new proposals in the near future, so there may be more changes to exit payments in the future.

As soon as the Fund receives any information, we will provide you with an update.

HOW MUCH ARE YOUR PENSION BENEFITS?

You can take control of your retirement and log onto the Pensions Portal.

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

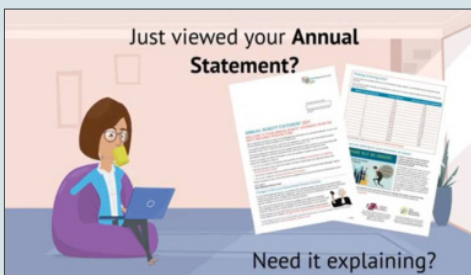
Use Pensions Portal to:

- access your annual benefit statement
- keep us up to date by amending your personal information
- get peace of mind by viewing documents and your nomination form
- plan for your retirement by calculating pension estimates
- and much more!



Register today at <https://portal2.wmpfonline.com/membership/register>

NEED ADDITIONAL SUPPORT?



[Click here](#) to view our quick video which explains your annual benefit statement.



[Click here](#) to view how to register for the Pensions Portal and take control of your benefits.



Access your step-by-step guide to navigate around the Pensions Portal by viewing [My Pensions Portal Guide](#).



[Click here](#) to view our video which provides a quick overview of the LGPS.

FREQUENTLY ASKED QUESTIONS



If you have questions in regards to your statement, or want more information about your benefits, why not visit [Annual Benefit Statements FAQs](#)

THINKING OF OPTING OUT? CONSIDER THE 50/50 SCHEME INSTEAD!



Did you know that since 1 April 2014 there have been two sections in the LGPS – the main section and the 50/50 section?

In the main section of the scheme, you pay normal contributions and get your normal pension build-up. In the 50/50 section you pay half your normal contributions, and build up half your normal pension during the period you are in that section, and still enjoy full:

- life cover;
- ill-health cover; and
- survivor benefits if you die.

The 50/50 section is designed to be a short-term option for when times are tough financially. This means that you can save money and still build up valuable pension benefits. If your current financial situation is causing you to consider opting out of the LGPS, why not take a look at the 50/50 section on the Fund's website www.wmpfonline.com/reducecontributions

WATCH OUT FOR SCAMMERS!

You may think that it could never happen to you, but pension scammers are experts at getting their hands on your hard-earned retirement savings. Scams are hard to spot because fraudsters often have credible websites and make false claims, such as being government-approved, to gain your trust. A scam may begin with a phone call out of the blue offering you a free pension review. This is pension 'cold calling' and it is illegal. Reject all unexpected offers. Research the company you're dealing with and always get impartial advice before making a decision about your pension.

To find out more, visit www.fca.org.uk/scamsmart/how-avoid-pension-scams

The Fund has taken The Pension Regulator's pledge to do what we can to protect scheme members and follow the principles of the Pension Scams Industry Group (PSIG) Code of Good Practice in so far as it applies to LGPS funds.

Pledging to combat pension scams confirms our intent to protect our members and demonstrates that the Fund are committed to stopping



scammers in their tracks. For more information, please visit www.wmpfonline.com/ourpledge

Why not view our short video to help you highlight the signs of a scam www.wmpfonline.com/protectyourpension

DO YOU HAVE A COHABITING PARTNER (SOMEONE YOU LIVE WITH AS IF YOU WERE MARRIED)?

If you left the LGPS after 31 April 2008 and live with a partner of either the opposite or same sex, your partner may receive a survivor's pension when you die.

If you retired or left the LGPS before 1 April 2008, you can't nominate this person to receive a survivor's pension.

However, before we pay a survivor's pension, we must be satisfied that your relationship meets certain conditions laid out by the LGPS. Please check the Fund's website to find out what these are.



THINKING OF RETIRING EARLY?

If you choose to retire before your normal pension age (NPA), your benefits will normally be reduced to take into account that your pension will be paid for longer.

How much your benefits are reduced by depends on how early you take them. The minimum age that you can take your pension is currently 55.

The reduction for taking your pension early is based on the length of time (in years and days) that you retire early before NPA. The earlier you retire, the bigger the reduction. The current percentage reductions for retirements up to 13 years early are shown in the table here.

Where the number of years is not exact, we adjust the percentages. Benefits built up before 1 April 2014 have a different NPA, which for most people is age 65.

If they choose to, your employer can agree to ignore any reduction that should be applied to your benefits. This is up to them, as it usually involves a cost. You can ask them what their policy is on this.

You can reduce or avoid any reductions by delaying payment until a later date. Your benefits will not be reduced if they are

paid at your NPA, but you can delay payment until after that age and, at that point, they will be increased for late payment. However, you must begin to take your pension before your 75th birthday.

Number of years paid early	Pension reduction	Lump sum reduction (for membership to 31 March 2008)
0	0.0%	0.0%
1	5.1%	2.3%
2	9.9%	4.6%
3	14.3%	6.9%
4	18.4%	9.1%
5	22.2%	11.2%
6	25.7%	13.3%
7	29.0%	15.3%
8	32.1%	17.3%
9	35.0%	19.2%
10	37.7%	21.1%
11	41.6%	Does not apply
12	44.0%	Does not apply
13	46.3%	Does not apply

'PENSIONS MADE SIMPLE' VIDEOS

We appreciate that pensions can sometimes be difficult to understand. That's why we have teamed up with the Local Government Association and some other LGPS pension funds to make seven short and simple videos to help you to understand your pension better. You can watch the videos online at www.lgpsmember.org/more/Videos.php

If you're hard of hearing, or your workplace disables sound on videos, you can click CC in the bottom right-hand corner of the screen and it will bring up subtitles.



USEFUL CONTACTS



www.moneyhelper.org.uk/en
0800 144 8943



www.unbiased.co.uk/
0800 023 6868



www.citizensadvice.org.uk/
0345 404 0506



www.retirementlivingstandards.org.uk



HM Revenue
& Customs

[www.gov.uk/government/
organisations/hm-revenue-customs](http://www.gov.uk/government/organisations/hm-revenue-customs)



[www.gov.uk/browse/
working/state-pension](http://www.gov.uk/browse/working/state-pension)

If you need to contact us, we are here to help...



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



www.wmpfonline.com/contactus



www.wmpfonline.com

Be Pension Smart!
and take control of your pension today

This page is intentionally left blank

CITY OF WOLVERHAMPTON COUNCIL	<h1>Pensions Committee</h1> <h2>15 December 2021</h2>
--	---

Report title	Annual Report and Accounts 2020/21	
Originating service	Pension Services	
Accountable employee	Darshan Singh	Head of Finance
	Tel	01902 555768
	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 Statement of Accounts for West Midlands Pension Fund (WMPF) for the year ending 31 March 2021 was audited and completed alongside the finalisation of the City of Wolverhampton Council Statement of Accounts on 11 October.
2. The Management Representations letter to Grant Thornton was signed on 11 October by the Chair of Pensions Committee and the Director of Pensions on behalf of the Fund.
3. The Chair and Vice Chair of Pensions Committee approved the final publication of the Fund's 2020-2021 Annual Report in November 2021.

1.0 Purpose

- 1.1 The purpose of this report is to update the Committee on the finalisation of the Statement of Accounts and the Annual Report for the year ending 31 March 2021 and the latter's 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 As at 30 September 2021, the Administering Authority's external auditor, Grant Thornton UK LLP, had not yet concluded the audit of the Statement of Accounts for City of Wolverhampton Council. A notice of delayed audit was therefore published by the Council in accordance with Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015.

3.0 Statement of Accounts for the year ended 31 March 2021

- 3.1 Having completed the audit of the West Midlands Pension Fund Statement of Accounts, Grant Thornton issued an unqualified audit opinion for the Fund upon the finalisation of the audit of the City of Wolverhampton Council Statement of Accounts on 11 October 2021.

4.0 Annual Report 2020/21

- 4.1 The Chair and Vice Chair of Pensions Committee approved the publication of the Fund's finalised 2020/21 Annual Report and this was placed on the Fund's website and available for public inspection from 30 November.

5.0 Financial implications

- 5.1 This report has no financial implications.

6.0 Legal implications

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

- 6.2 The Accounts and Audit (amendment) Regulations 2021 came into force on 31 March and extend the publication date for local authority audited accounts to 30 September 2021 with the public inspection period starting on the first working day of October 2021.
- 6.3 A notice of delayed audit was published by the Council in accordance with Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015, reflecting Grant Thornton's ongoing audit as at 30 September 2021.
- 6.4 Under LGPS Regulations, Administering Authorities are required to produce and publish a pension fund annual report, including information about the management and financial performance of the Fund by 1 December each year.

7.0 Equalities implications

- 7.1 This report has no equalities implications.

8.0 Environmental implications

- 8.1 This report has no environmental implications.

9.0 Human resources implications

- 9.1 The report has no human resources implications.

10.0 Corporate landlord implications

- 10.1 This report has no corporate landlord implications.

11.0 Schedule of background papers

- 11.1 Annual Report and Accounts 2020/21, Report to Pensions Committee, 29 September 2021. [Annual Report and Accounts 2020-2021.pdf \(modern.gov.co.uk\)](#)

12.0 Schedule of Appendices

- 12.1 This report has no appendices.

This page is intentionally left blank

CITY OF WOLVERHAMPTON COUNCIL	<h1>Pensions Committee</h1> <h2>15 December 2021</h2>
--	---

Report title	Budget Monitoring 2021/22 and Quarterly Accounts 30 September 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 September 2021 which estimate the value of West Midlands Pension Fund at this date to be £20.2 billion, an increase of £1.3 billion (6.9%) since 31 March 2021
2. As at the end of September 2021, West Midlands Pension Fund forecasts an out-turn underspend for the year against operating budgets as recruitment to new posts continued 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 2021/22 and present the quarterly accounts to 30 September 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 second quarter:

2.2

	Budget 2020/21	Budget 2021/22	Forecast 2021/22	Variance Out-turn
	£000	£000	£000	£000
Employees	9,066	9,700	9,210	(490)
Premises	300	700	700	-
Transport	38	40	34	(6)
Other Supplies and Services	437	488	456	(32)
Service Development	1,027	1,054	947	(107)
Professional Fees	1,552	1,499	1,470	(29)
Communications and Computing	613	627	627	-
Support Services	723	733	733	-
Miscellaneous Income	(595)	(590)	(590)	-
Net Expenditure	13,161	14,251	13,587	(664)
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	101,351	(664)

*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 half-way stage in the financial year, it is anticipated there is likely to be an underspend on staffing (£490k) as the recruitment to newly budgeted positions is underway but ongoing at the end of quarter two. With many meetings still taking place remotely and other events not yet reinstated since lockdown restrictions were lifted, forecasts for transport costs and training and associated accommodation expenses (included in other supplies and services) have been reduced accordingly.

Three months further into the year and with a little more clarity on projects that may not be completed in 2021/22, the forecast for service development expenditure has been revised downwards since the outlook 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.
- 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 £36.09 per member. This increase is not driven by forecast costs but derives from the number of members at 30 September 2021 being lower than the membership projected for budget setting purposes.

	2020/21 Actual	2021/22 Budget	2021/22 Forecast
Total Administration Costs (£000)	6,268	9,266	9,018
Administration Cost per Member (£)	18.70	27.04	27.01
Total Oversight and Governance Costs (£000)	3,133	3,012	3,033
Oversight and Governance Cost per Member (£)	9.35	8.79	9.08
Number of Members	335,101	342,684	333,895
Total Administration, Oversight and Governance cost per Member (£)	28.05	35.83	36.09
Total Investment Management Costs (£000) *	100,850	89,737	89,300
Investment Management Cost per Member (£)	300.95	261.87	267.45
Investment Management Costs as a Percentage of Forecast Net Assets	0.54%	0.46%	0.44%

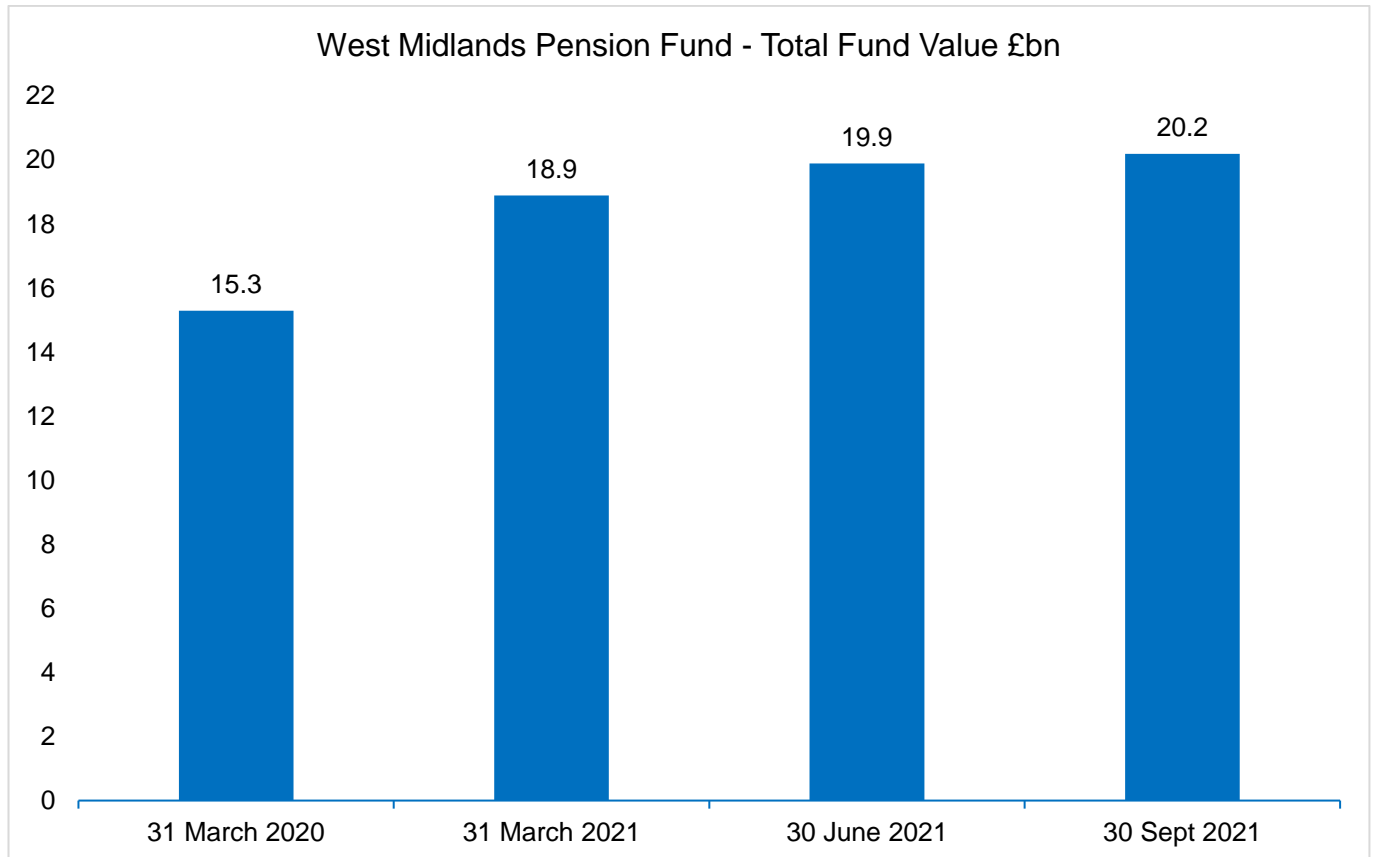
*Total investment management costs include costs of the Fund's internal Investments team. Pending ongoing recruitment to posts in this team, the forecast for internal investment costs 2021/22 is below the amount budgeted at the start of the year.

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 six months ending 30 September 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 September 2021 of £20.2 billion. This is an increase of £1.3 billion (6.8%) from the 31 March 2021 value shown in last year's accounts.



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 £1.4 billion 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 half of the total amount that will be due for the year);
- Management expenses have been estimated on an accrual's basis, being equal to one half of the forecast net cost for the year;
- Investment income has been calculated based on income due for the period.

4.0 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

9.0 Schedule of appendices

9.1 Appendix A: West Midlands Pension Fund Quarterly Accounts to 30 September 2021
[Budget Monitoring 2021-2022 and Quarterly Accounts 30 June 2021.pdf](#)
[\(modern.gov.co.uk\)](#)

WEST MIDLANDS PENSION FUND ACCOUNTS FOR THE SIX MONTHS TO 30 SEPTEMBER 2021

Fund Account

2020/21 £m		6 months to 30 September 2021 £m
	Contributions & Benefits	
1,182.7	Contributions Receivable	223.0
22.3	Transfers In	8.5
13.9	Other Income	12.3
1,218.9	Total Contributions and Other Income	243.8
(646.8)	Benefits Payable	(329.6)
(31.0)	Payments To and On Account of Leavers	(13.9)
(0.4)	Other Payments	(0.1)
(678.2)	Total Benefits and Other Expenditure	(343.6)
(110.2)	Management Expenses	(54.8)
	Returns on Investments	
84.8	Investment Income	42.1
3,123.8	Changes in Value of Investments	1,369.0
(14.1)	Revaluation of bulk annuity insurance buy-in contract	-
3,194.5	Net Return on Investments	1,411.1
3,625.0	Net Increase in the Fund During the Period	1,256.5
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	20,169.6

WEST MIDLANDS PENSION FUND ACCOUNTS FOR THE SIX MONTHS TO 30 SEPTEMBER 2021

Net Assets Statement

31 March 2021		30 September 2021
£m		£m
	Investment Assets (at Market Value)	
508.4	Bonds	571.4
27.0	UK Equities	54.8
2,567.5	Overseas Equities	2,665.6
13,640.8	Pooled Investment Vehicles	14,765.1
1,014.0	Property (Direct)	1,022.2
3.1	Derivatives - Forward Foreign Exchange	0.2
-	Derivatives - Swaps	1.4
399.6	Foreign Currency Holdings	539.3
498.2	Cash Deposits	279.6
19.2	Other Investment Assets	49.5
7.5	Outstanding Dividend Entitlement and Recoverable With-Holding Tax	6.4
18,685.3	Investment Assets	19,955.5
	Investment Liabilities (at Market Value)	
(2.3)	Derivatives - Futures	(8.8)
(2.3)	Investment Liabilities	(8.8)
18,683.0	Net Investment Assets	19,946.7
200.0	Bulk annuity insurance buy-in policy	192.4
10.2	Long-Term Debtors	10.9
40.4	Current Assets	40.8
(20.5)	Current Liabilities	(21.2)
18,913.1	Net Assets of the Fund at the End of the Period	20,169.6

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank