CITY OF WOLVERHAMPTON COUNCIL	**Pensions Committee** 30 March 2022

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

Venue Council Chamber - Civic Centre, St Peter's Square, Wolverhampton WV1 1SH

Membership

Chair Cllr Milkinderpal Jaspal (Lab)
Vice-chair Cllr Craig Collingswood (Lab)

Labour

Cllr Keith Inston
Cllr Phil Page
Cllr Clare Simm
Cllr Tersaim Singh
Cllr Paul Sweet
Cllr Stephen Simkins

Conservative

Cllr Paul Singh
Cllr Andrew Randle

District Members
Cllr Angela Sandison (Solihull Metropolitan Borough Council)
Cllr Bally singh (Coventry City Council)
Cllr Alan Taylor (Dudley Metropolitan Borough Council)
Cllr 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 plus one District member.

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
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Agenda

Part 1 – items open to the press and public

Item No. *Title*

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 **Corporate Plan 2022-2027** (Pages 13 - 16)
[To present the Committee with the proposed Fund Corporate Plan for 2022 – 2027 confirming the areas of focus and drivers for change over the next five years, together with the goals and ambitions for continuing to develop the Fund and deliver a high-quality service to our customers.]

6 **Operational Budget - Financial Plan** (Pages 17 - 26)
[To receive the Operating Budget for 2022/2023 and the Medium-Term financial plan for the period to 2026/2027.]

7 **Budget Monitoring** (Pages 27 - 34)
[To update Pensions Committee on the forecast out-turn against operating budget for 2021/2022 and present the quarterly accounts to 31 December 2021.]

8 **Accounting Policies** (Pages 35 - 36)
[To seek the Committee's approval of the accounting policies to be used in preparing the Fund's accounts for the 2021/2022 financial year.]

9 **Treasury Management Policy** (Pages 37 - 38)
[To set out the Fund's Treasury Management policy for 2022 for approval by the Pensions Committee.]

10 **External Audit Plan 2022** (Pages 39 - 42)
[To inform Committee members of the plan for the external audit of the Fund's Annual Report and Accounts for 2021/22.]

11 **Internal Audit Plan 2022/2023** (Pages 43 - 52)
[To provide the Committee with the outline of work programme for internal audit during 2022 – 2023.]

12 **Quarterly Investment Report and Investment Strategy Review 2022** (Pages 53 - 102)

[To receive an update on developments in investment markets, asset allocation and investment performance over the latest quarter in relation to the West Midlands Pension Fund (Main Fund and Admitted Body Sub Funds).]

13 **Responsible Investment** (Pages 103 - 130)
[To update the Pensions Committee on the work undertaken in relation to responsible investment activities since the last Pensions Committee meeting.]

14 **Pensions Administration** (Pages 131 - 150)
[To inform Committee of the routine operational work undertaken by the Pensions Administration Service areas during the period 1 October – 31 December 2021.]

15 **Customer Engagement** (Pages 151 - 168)
[To provide the Committee with an update of the Fund's customer engagement activity from 1 October 2021 to 31 December 2021 and to cover future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy.]

16 **Governance and Assurance** (Pages 169 - 178)
[To provide Committee with an update on the work of the Fund to deliver a well governed scheme.]

17 **Regulatory Update** (Pages 179 - 184)
[To provide Committee with an update on the regulatory environment in which the Fund is operating and the work being done to stay informed and prepared for change.]

PART 2 - EXEMPT ITEMS, CLOSED TO PRESS AND PUBLIC

18 **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.]

19 **LGPS Central Pooling and Shareholder Update** (Pages 185 - 220)
[To receive an update on matters considered and presented to Shareholders at the LGPS Central Limited General Meeting and on the Company and pool progress.]

20 **Investment Strategy and Activity Update** (Pages 221 - 228)
[To receive an update on the investment strategy and activity in the WMPF and Admitted Body Sub Funds over the quarter.]

21 **Actuarial Valuation 2022 Update** (Pages 229 - 240)
[To provide Committee with an update on matters relevant to the triennial review of the Funding Strategy Statement over 2002/2023 and delivery of the 2022 actuarial valuation.]

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CITY OF WOLVERHAMPTON COUNCIL

Pensions Committee

Minutes - 15 December 2021

Agenda Item No: 3

Attendance

Members of the Pensions Committee

Cllr Milkinder Jaspal (Chair)
Cllr Craig Collingswood (Vice-Chair)
Cllr Keith Inston
Cllr Phil Page
Cllr Clare Simm -V
Cllr Tersaim Singh
Cllr Paul Singh -V
Cllr Bally Singh -V
Cllr Alan Taylor -V
Cllr Peter Allen -V
Cllr Phil Davis

Trade Union Observers

Malcom Cantello (Unison) -V
Martin Clift (Unite)
Ian Smith – (Unite) -V

Employees

Rachel Brothwood	Director of Pensions – West Midlands Pension Fund
Simon Taylor	Assistant Director, Pensions – V
Tom Davies	Assistant Director – Investment Strategy -V
Rachel Howe	Head of Governance and Corporate Services
Amy Regler	Head of Operations
Shiventa Sivanesan	Assistant Director – Investment Management and Stewardship
Rachael Lem	Responsible Investment Officer
Hayley Reid	Regulatory Governance Manager -V
Holly Slater	Governance Officer -V

Part 1 – items open to the press and public

Item No. *Title*

1 **Apologies for absence (if any)**
Apologies were received from Cllr Angela Sandison, and Cllr Stephen Simkins.

2 **Declarations of interests (if any)**
None.

3 **Minutes of the previous meeting**
Rachel Brothwood, Director of Pensions requested an amendment to paragraph five of the minutes of the previous meeting.

Amendment:

Amend the job title recorded for the new Assistant Director to the ‘Assistant Director Investment Management and Stewardship’. The Director introduced Shiventa Sivanesan to the Pensions Committee and the Chair welcomed him to the meeting and to the Fund.

Resolved:
That the minutes of the previous meeting held on 29 September 2021 be approved as a correct record.

4 **Matters arising**

The Director of Pensions advised the Committee on paragraph 11 of the minutes of the previous meeting, regarding the appointment of an external auditor. Following the release and review of the Public Sector Audit Appointments Strategy for the procurement of audit services, the City of Wolverhampton Council confirmed that they will be using the National Procurement Process for the retender in 2023.

The Director highlighted that at the recent Local Authority Pension Fund Forum (LAPFF) conference, it was shared that the Financial Reporting Council (FRC) is evolving and reviewing systemic issues within the audit sector. The Fund welcomes the increased focus on the issues surrounding capacity and quality and noted that transformation was under way but would take some time to take effect.

5 **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 urgent decision made by the Chair and Vice Chair of the Pensions Committee on the 6 December 2021, to reduce the quorum required for Committee, to bring it in line with other regulatory committees within the City of Wolverhampton Council and noting committee arrangements common within the LGPS. It was amended in consideration of current legislation on public meetings and the ongoing pandemic which was restricting both Committee members and Officer’s ability to attend meetings in person, noting virtual attendees were unable to be counted towards the meeting quorum.

The Head of Governance and Corporate Services noted marginal movement across the Fund’s Operational Key Performance Indicators (KPI’s) over the most recent quarter end, resulting in maintained performance across all Service Areas.

On presentation of the Fund’s Organisational Risk Register the Head of Governance and Corporate Services noted that there had been movement across a number of risks including Resourcing, Data Management and Service Delivery, with external factors being the primary driver of increase in risk assessment.

The Committee were advised that the Fund had completed the Pension Regulator’s Annual Scheme Return in line with the deadline set by the Regulator.

Resolved:

1. That the Pensions Committee notes the Urgent Decision taken by the Chair and Vice Chair of Pensions Committee, in consultation with the membership, to reduce the quorum requirements.
2. That the Pensions Committee notes the Fund’s Key Performance Indicators.

3. That the Pensions Committee notes the latest strategic risk-register and areas being closely monitored in the current environment.
4. That the Pensions Committee notes the compliance monitoring activity undertaken during the quarter.
5. That the Pensions Committee notes the Governing Body Training activities undertaken during the quarter.

6 **Responsible Investment Activities**

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

The Responsible Investment Officer outlined that the report contained detail of engagements undertaken in relation to the Fund's four engagement themes identified by the Fund through external partners LGPS Central, LAPFF and EOS Hermes.

The Committee were updated on the work being undertaken by LAPFF on behalf of the Fund who continue to engage with companies operating in the Occupied Palestine Territories regarding their human rights and due diligence processes. LAPFF will continue to engage with companies and the Pensions Committee would be updated on the progress and outcomes.

The Fund also continues its involvement on the Asset Owner Diversity Working Group, with preparation for the rollout of Asset Manager questionnaires between January and March 2022. Ahead of the survey launch, a pulse survey was sent to a handful of West Midlands Pension Fund (WMPF) Asset managers to assess their knowledge and commitment to diversity. Responses to this pulse survey are currently being reviewed.

The Committee were also asked to approve the publication of the Fund's 2021 Climate Related Disclosure, prepared in line with recommendations from the Taskforce for Climate-related Financial Disclosures (TCFD). The report has been updated in line with the Fund's Climate Change Strategy Framework which was approved by the Committee in September 2021, and will continue to evolve on an annual basis. The Responsible Investment Officer reported pleasing progress on the year-on-year reduction in climate risk as determined from the carbon risk matrix currently used by the Fund.

In response to a question raised by Cllr B Singh regarding correspondence received relating to investments held in occupied territories and the potential differences between this correspondence versus the stance presented by the UN. The Director of Pensions advised that LAPFF and the LGPS Scheme Advisory Board were in dialogue on behalf of the Scheme on this matter and the Fund was awaiting the outcome from this. The Director confirmed that, in the meantime, the Fund continued to monitor the situation in context of the risk it posed to the Fund's investments and in line with the Fund's Responsible Investment Framework.

Resolved:

1. That The Pension committee notes and approves the Fund's 2021 Taskforce for Climate-related Financial Disclosure Report [Appendix A].
2. That the Pensions Committee notes the Fund's engagement and voting activity for the three months ending 30 September 2021 [Appendices B and C].

3. That the Pensions Committee notes the issues discussed by LAPFF are set out in the Quarterly Engagement Report.
4. That the Pensions Committee notes the voting and engagement activity of LGPS Central, as set out in the Quarterly Stewardship Report.
5. That the Pensions Committee notes the research and engagement activity undertaken by EOS at Federated Hermes as set out in the Quarterly Engagement Report.

7 **Pensions Administration Report to 30 September 2021**

Amy Regler, Head of Operations, presented the report on the routine operational work undertaken by the Pensions Administration Service areas during the period 1 July to 30 September 2021.

The Head of Operations highlighted the decrease in outstanding casework during the quarter, resulting in an overall reduction since the start of the year.

The Head of Operations outlined two areas that fell short of meeting the cumulative KPI target due to increased volumes over the quarter. Resources have been reallocated to support in retaining performance in line with the target.

The Committee were updated on recent regulation changes associated with a member's right to transfer out pension benefits from the LGPS which took effect from 30 November 2021. The regulations (which apply to all pension schemes) require schemes to undertake enhanced due diligence and checks prior to the completion of individual member transfer out of the scheme, with the aim of better protecting members from the risks associated with pension scams.

Resolved:

1. That the Pensions Committee approve the 10 applications for admission from employers into the Fund detailed in section 9 of the report.
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 **Customer Engagement Update**

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

The Committee were advised that the Fund's website remained a popular means for members to keep up to date.

The Assistant Director - Pensions highlighted the virtual delivery of employer engagement over the last 18 months, which has been both enhanced and expanded upon and has been well received by the Funds employer base and therefore, the Fund would continue to develop and roll-out webinars to members and employers.

In light of the increase in transmission of the Omicron variant, a decision was made to postpone the move back to face to face and hybrid delivery of events by the Fund's Member Services Team, pending further Government guidance.

In response to a question raised, the Assistant Director Pensions, outlined that an electronic flyer would be developed which could be passed on to members of the Committee, to enable them to more easily share with Pension Fund members details of Fund member engagement activities.

Resolved:

1. That the Pensions Committee notes the engagement activity and informed service development.

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

Rachel Brothwood, Director of Pensions, presented the report 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.

The Director confirmed that the audit of the Fund's Statement of Accounts alongside those of the City of Wolverhampton Council have been completed by Grant Thornton on 11 October 2021. The Fund's Annual report had now been completed and published online, meeting the regulatory requirement for Funds within the LGPS.

Resolved:

1. That the Pensions Committee notes 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. That the Pensions Committee notes 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. That the Pensions Committee notes the Chair and Vice Chair of Pensions Committee approved the final publication of the Fund's 2020-2021 Annual Report in November 2021.

10 **Budget Monitoring and Quarterly Accounts 30 September 2021**

Rachel Brothwood, Director of Pensions, presented the report on the forecast out-turn for the year against operating budget for 2021/22 and the quarterly accounts to 30 September 2021.

The value of the Fund's assets were reported as continuing to increase with an estimated value of £20.2 Billion as at 30 September 2021.

The Director highlighted that cash flow including contributions and benefit payments have been received and paid as expected, with return on investments within the first 6 months of the financial year totalling £1.4 Billion.

In relation to the operational budget, the Fund is at present forecasting a lower employee spend due to ongoing recruitment to a number of posts and lower than expected service development spend, primarily driven by delays in planned review and changes to core systems.

The Chair noted the positive position the Fund was in and the hard work undertaken by Fund officers.

In response to a question raised by Malcolm Cantello (Unison) regarding service development underspend and its correlation with third-party provider costs, the Director of Pensions re-iterated the ambition and intention of the Fund in developing its systems, services and tools to meet increased demands but highlighted that this will likely roll into the next financial year with work in parallel required to continue to deliver business as usual activity.

Cllr Craig Collingswood echoed the comments of the Chair regarding the positive outcomes reported and emphasised the importance of the Budget Monitoring and Quarterly Accounts being managed correctly, underpinned by good governance.

Resolved:

1. That the Pensions Committee notes 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. That the Pensions Committee notes that 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.

11 **Quarterly Investment Report to 30 September 2021**

Tom Davies, Assistant Director – Investment Strategy, presented the report on the developments in investment markets, asset allocation and investment performance over the latest quarter in relation to the West Midlands Pension Fund (Main Fund and Admitted Body Sub Funds).

The Committee were advised that both the Main Fund and the two admitted body sub-funds largely performed as expected over the period. The Main Fund had increased by 1.9% over the quarter, exceeding the return on its benchmark.

In response to a query raised by Malcom Cantello (Unison) on the reporting of weight in relation to asset classes, the Assistant Director- Investment Strategy confirmed that this indicates the categorisation of investment types by weight, as a percentage against their strategic targets.

Resolved:

1. That the Pensions Committee notes the global market and investment update paper prepared by the Fund's Investment Consultant, Redington.
2. That the Pensions Committee notes the Asset Allocation and Performance Reporting for the WMPF, Main Fund and Admitted Body Sub Funds.

12 **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.

13 **Investment Strategy and Activity Update**

Tom Davies, Assistant Director – Investment Strategy, presented the report on the Investment Strategy and activity in the Main Fund and Admitted Body of Sub Funds over the quarter.

Resolved:

1. That the Pensions Committee notes 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 notes the product developments and planned transitions to the LGPS Central pool.

14 **LGPS Central Pooling and Shareholder Update**

Rachel Brothwood, Director of Pensions, presented a report on the LGPS Central Pool, including an overview of the Annual Pooling Update Report submitted to the Department for Levelling Up Housing and Communities (DLUHC) over the last quarter and ongoing dialogue around the longer-term development of the pool.

Resolved:

1. That the Pensions Committee notes the submission of the LGPS Central Pooling Update Report to DLUHC.

15 **2022 Actuarial Valuation**

Simon Taylor, Assistant Director – Pensions, presented an overview of the 2022 actuarial valuation process, deliverables and context in preparation for the review of funding strategy and employer contribution rates.

Resolved:

1. That the Pensions Committee notes the report and the associated preparatory work and planning for the 2022 actuarial valuation of the West Midlands Pension Fund (the Fund).

16 **Procurement Update**

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

Resolved:

1. That the Pensions Committee notes the appointment of the providers for the following services, following completion of the procurement process:

- Fund Actuary and Benefits Consultant
- Risk Advisor
- Pension Administration System

2. That the Pensions Committee notes the progress with the procurement of the Fund’s Covenant Advisor.

Members of the Committee also received an update on longevity analysis and trends in preparation for the 2022 Actuarial Valuation from a representative of Club Vita in preparation for the 2022 valuation.

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Agenda Item No: 5

CITY OF WOLVERHAMPTON COUNCIL	**Pensions Committee** 30 March 2022

Report title	Corporate Plan 2022 - 2027	
Originating service	Pension Services	
Accountable employee	Rachel Howe Tel Email	Head of Governance and Corporate Services 01902552091 Rachel.Howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902551715 Rachel.Brothwood@wolverhampton.gov.uk

Recommendation for decision:

The Committee is recommended to:

1. Agree and adopt the Corporate Plan 2022 - 2027

1.0 Purpose

1.1 The purpose of this report is to present the Committee with the proposed Fund Corporate Plan for 2022 – 2027 confirming the areas of focus and drivers for change over the next five years, together with the goals and ambitions for continuing to develop the Fund and deliver a high-quality service to our customers.

2.0 Corporate Plan 2022 – 2027

2.1 In our Corporate Plan 2021 – 2026 the Fund set out several key goals and ambitions which would enhance service delivery to members and employers, be responsive to regulatory change and take opportunities to actively participate in the development of the Fund to the benefit of both our people and our customers.

2.2 Over the last 12 months, the Fund has made significant steps to deliver on its ambitions with active engagement on regulatory changes such as the McCloud Remedy and Pensions Dashboards, together with being one of the first LGPS Funds to become a signatory to the new UK Stewardship Code. With the ongoing Covid restrictions, the Fund’s member and employer services teams adapted and enhanced their offering to our customers with digital delivery of events and individual support. This saw the Fund deliver over 75 employer events and reach over 3,500 members. The Fund has continued to see a growth in employers during the year and an increase in the number of members engaging with their pension savings and drawing retirement benefits.

2.3 The Fund continued to deliver on its ambition of becoming a people development champion and saw the successful recruitment to over 30 roles across all service areas, with many facilitating internal development/promotion, including the successful appointment to permanent roles for a number of our Graduates and Trainees.

2.4 As we look forward, the pensions industry and the LGPS continues to go through a period of change with many drivers identified in our 2021 Plan remaining a prominent consideration in how we shape our service in the context of rising governance standards and further regulatory change. We continue to see increased member awareness commanding ongoing focus on service development and strong governance. Our Corporate Plan outlines how we will continue to promote sustainable futures for all over the medium term, drawing on drivers for change, ongoing dialogue with our stakeholders and aligned to the commitments we have made to our customers.

2.5 Our Corporate Plan 2022-2027 is structured around seven key themes which feed our goals and ambitions:

<u>People and Customers</u>

Ensuring we provide an inclusive and supportive working environment and create opportunities to build careers, securing the future local knowledge and skill for the Fund and continuing to be a voice within the LGPS and wider pensions industry. Continuing to create opportunities for members to engage with their pension saving and future benefits, enabling retirement planning and avoiding expectation gaps

Communications

Building on the Fund's strong customer services proposition to deliver on our ambition to increase accessibility to the Fund's support services and engage wider stakeholders in the Fund's stewardship and partnership activity, aligned to our commitments to drive positive change and deliver for local people, whilst focusing on our core purpose of delivering long term sustainable pensions to our members and employers.

Compliance and Risk

As we look to enhance our services and respond to regulatory change, it is central to the change programme that we build and maintain integrated assurance, instilling confidence in our outcomes and that we are effectively managing the risks that present themselves recognising the opportunity as well the challenge they present.

Operational resilience

Noting the events of the last two years, together with the potential for significant change across the industry, the Fund's ability to flex, adapt and successfully respond will be paramount in its ability to effectively plan, resource and deliver its services into the long-term future. Our business resilience, including in how we develop our people and operations, will be a key focus as we look to further build out our strong governance.

Investment implementation

Recent worldwide events have highlighted the need for the Fund to have resilience within its investments, building a long-term diverse portfolio able to withstand volatility in markets whilst responding to the long-term changing profile of the Fund's membership. 2022/23 will see the Fund deliver its triennial valuation, funding, and investment reviews. Reassessing the economic and financial outlook and risk, as well as the Fund's demographic development will be a core part of our engagement with Fund employers.

Stewardship

The Fund's Responsible Investment Framework and Climate Change Framework and Strategy seek to invest for real world change, engaging to drive change and improve outcomes, ensuring the strong governance we build within our own organisation is reflected in the assets in which we invest. Looking ahead, plans that developed over 2021/22 will start to progress into practice, with ongoing review and reporting to demonstrate progress and outcomes aligned to our stewardship ambitions.

Corporate Responsibility

All the above theme's centre around our corporate responsibility to ensure we are developing our own organisation that lives up-to the standards we set for others. As a Fund, we aim to manage our own environmental impact, add social value and continue to support our employees and local community.

2.6 A copy of the Corporate Plan 2022 – 2027 is attached at Appendix A.

3.0 Financial implications

3.1 The continued change in both the administration and governance requirements of LGPS Funds together with increasing regulation continues to increase demands on the resources of Funds. The Fund is committed to developing its services for members investing in its resources to ensure efficient and effective operational practices and procedures are in place, supported by strong governance and risk management.

4.0 Legal implications

4.1 The Fund has a duty to comply with statutory and regulatory requirements in the management and administration of the Fund and it is obligated to report matters of material significance to the Pensions Regulator where breaches of those standards are identified.

5.0 Equalities implications

6.1 The Fund's Corporate Plan has been drafted in consideration of its duties under the Equality Act. There are no implications

7.0 Other Potential implications

7.1 There are no other potential implications

8.0 Schedule of Background Papers

8.1 None

9.1 Schedule of Appendices

9.1 Appendix A: Corporate Plan 2022 – 2022

Agenda Item No: 6

CITY OF WOLVERHAMPTON COUNCIL	**Pensions Committee** 30 March 2022

Report title	Budget 2022/23 and Financial Plan to 2026/27	
Originating service	Pension Services	
Accountable employees	Femi Olatunde Tel Email	Interim Head of Finance 01902 55 1715 Femi.olatunde@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 55 1715 rachel.brothwood@wolverhampton.gov.uk

Recommendations for decision:

The Pensions Committee is recommended to approve:

1. The Operating Budget for 2022/23.

2. The Medium-Term financial plan for the period to 2026/27.

1.0 Purpose

1.1 The purpose of this report is to outline to the Committee the proposed Fund Operating Budget for 2022/2023 and the Medium-Term financial plan for the five years up to and including 2026/2027, noting areas of development since 2021/2022.

2.0 Background

2.1 The operating budget for 2022/23 has been developed to reflect the objectives and priorities set out in the Fund's Corporate Plan, produced in response to growing service demand, changing regulatory requirements and governance standards, together with the Fund's own ongoing service transformation. All budgets have been subject to thorough review in context of the emerging programme of work required by the Fund, tested for adequacy and adjusted where appropriate.

2.2 LGPS regulations allow for the costs of administering the Pension Fund to be charged to the Pension Fund; costs do not flow directly to the Administering Authority or any other participating employers. The actuary makes provision in the triennial Actuarial Valuation for Fund administration and governance costs, with investment return targets and monitoring established net of investment management costs.

2.3 The budget and forecast figures quoted in this report are also expressed in terms of cost per scheme member, a widely used, though often a blunt measure of pension schemes costs. These indicators vary year-on-year and will increase over time as the Pension Fund matures, as a result of slowing membership growth and changing investment strategy.

2.4 Regular monitoring of the operating budget, including the preparation of a forecast outturn, will be undertaken throughout the year, and reported to Pensions Committee at quarterly intervals. Investment management costs are assessed and reported in detail on an annual basis, as the Fund collates and reviews Cost Transparency templates incoming from investment managers.

3.0 Operating Budget 2022/23

3.1 The recommended Operating Budget for 2022/23 is £116 million. This includes Net Expenditure of £15.7 million, with the balance relating to estimated total investment management costs. Investment management costs are reported and included on a fully transparent basis (i.e. in addition to invoiced management fees, estimates have been made for fees being deducted at source by external managers).

3.2 Table 1 sets out the proposed budget analysed by expenditure type with comparison to the 2021/22 budget.

Table 1 – Operating Budget 2022/23

	2021/22 Budget £'000	2022/23 Budget £'000	Net growth / (saving) Budget £'000
Employees	9,700	10,425	725
Premises	700	698	(2)
Transport	40	25	(15)
Other Supplies and Services	488	411	(77)
Service Development	1,054	1,412	358
Professional Fees	1,499	1,764	265
Communications and Computing	627	780	153
Support Services	733	774	41
Miscellaneous Income	(590)	(600)	(10)
Net Expenditure	**14,251**	**15,689**	**1,438**
External Investment Management Costs	82,539	95,397	12,858
LGPS Central Charges	5,225	4,768	(457)
Total	**102,015**	**115,854**	**13,839**

3.3 The main drivers for the increase in the Net Expenditure are:

3.3.1 Employees

The Fund's employee base continues to evolve and grow, as service areas are regularly reviewing resourcing requirements in response to service demand, capacity and the changing volume and skills sets required to support Scheme change and Fund service and operational development. The budget reflects an increase in resource to most service areas of the Fund, with capacity for front-facing services, benefit operations and to support our people and change initiatives.

Resources are being targeted at areas where the Fund has struggled to meet processing KPI and in anticipation of rising member contact as we see an increasing trend of interest in pension saving with the aim of increasing accessibility and support to members through our new office space and online services. Allowance has been made for a number of temporary roles to support project and implementation work (for the McCloud remedy and Pension administration software change). We continue to support an increasing apprenticeship and graduate trainee programme and offer all employees the opportunity to develop their careers through our training programme.

Total Fund headcount stood at 202 employees as at 31 December 2021. Targeted recruitment continues across service areas to fill current vacancies. An update on the developing Fund structure will be provided to the Committee in June 2023.

3.3.2 Service development

Service development represents an estimate of in-year costs to support targeted development activity. The budget for 2022/23 includes allowance for system development by the incoming Pension software provider, third party administration support to aid processing of high volumes of benefit operations, pending system development and recruitment and a programme of work to support the development and enhancement of finance and investment operations to increase efficiency and strengthened resilience in these areas.

All activity is subject to programme development and oversight, taking a proportionate and well managed approach to change to ensure initiatives deliver value for money to the Fund. Due to capacity and competing priorities, some of this work is carried forward from 2021/22.

3.3.3 Professional Fees

The budget for professional fees has been developed to reflect the scope of work the Fund will undertake in partnership with its advisers over 2022/23 (which includes triennial funding and investment strategy review work). Several providers have been reprocured over 2021/22 with work programmes agreed to incorporate an increasing range of analysis to support the Fund in responding to the breadth of considerations facing Funds within the LGPS. 2022/23 will see an increase in analysis to support and enhance risk management (to include climate-related risk in both covenant and investment activity), targeted strategy review work, scenario planning and cost-effective support to enhance operational resilience. In using our advisers efficiently and for targeted activities it enables the Fund to continually evolve through innovation and appropriate challenge, delivering value for money alongside the Fund’s own resources.

3.3.4 Communications and computing

Following an extended and extensive programme of procurement for the Fund’s Pensions Administration software provider, Equiniti (EQ Paymaster) were awarded the contract and as noted above, system development is in progress with the aim of transitioning provider from April 2023. To allow for the required development and ongoing programme of activity with the Fund’s current provider (Civica), the Fund has entered into a short-term contract to ensure continuity of service over 2022/23. Due to the short-term nature of the contract the supplier has levied additional costs which are the main driver for the increase in budget required for 2022/23.

Longer term costs are projected to be lower, with enhanced functionality being developed with the new provider over 2022/23.

3.4 The operating budget includes estimates for external investment management costs and LGPS Central charges, which have been revised as follows:

- External investment costs have been estimated based on reported costs for the prior year. The annual investment cost collection exercise for 2020/21 led to an increase in reported costs, in part due to increasing visibility and reporting by Fund managers but mainly driven by an increase in asset values over the year – during 2020/21 the Fund's net assets increased by £3.6 billion (23%). As noted in quarterly monitoring papers, actual cost can be variable and will depend on manager reporting, investment performance, changing asset allocation together with movements in market conditions and asset values during the year.

- Recharges from the LGPS Central pool have been estimated following approval of the LGPS Central Limited 2022/23 budget in February 2022, and an estimated allocation between Partner Funds. During 2021/22 the mark-up on recharges of services to clients of the pool was reviewed and reduced and this is the primary driver for the reduction in charge estimated for 2022/23. Allowance has been made for projected product development and use of pool products and services, with actual costs and recharges monitored quarterly during the year.

4.0 Medium Term Financial Plan

4.1 Table 2 sets out the Fund's forecast operating budgets for the next five years. These assume a continuation of existing activities, plus service development initiatives, adjusted for assumed inflation, employee cost (general pay award) and growth in membership and asset values. It should be noted that these assume a continuation of temporary roles and service development allowed for in 2022/23, some of which is in train to aid the Fund in its response to Scheme-wide change. In practice, budget requirements will continue to be reviewed and presented to Committee for review and approval each year.

4.2 Table 3 shows the forecast cost of administration, oversight and governance per scheme member and the cost of investment management as a percentage of net assets which provide a measure of the Fund's potential cost development over the medium term. As noted above, these are relatively blunt measures, and the Fund continues to commission independent benchmarking of its administration and investment activities to better inform the value of services offered to members and employers and the effectiveness of implementation of investment strategy. The classification of costs for reporting purposes is in line with CIPFA guidance, with a broad definition applied for "administration" costs such that it includes the majority of the Fund's day-to-day operational costs including premises and service services for all Fund service areas.

4.3 The forecasts reflect assumed growth of 4.6% per year in the return on the Fund's investment assets (inclusive of income), with indicative projection of investment management costs, where most are based on assets under management, projected based on expected longer term cost as a percentage of assets, taking into account the Fund's longer term asset allocation target.

4.4 It is important to note that these operating budget forecasts assume that the Fund will continue to see growth in membership and invested assets, with elements of administration and governance costs as well as future benefit payments linked to inflation which has increased substantially over the last year (with assumed rate of 5.4% vs 1% in 2021/22, based on published December 2021 CPI, for the purposes for these projections). No allowance has been made for changes in membership (including increase in members drawing pension), with a lower overall projected increase in membership than prior years, reflecting the lower level of increase observed in recent years. In practice, investment management costs will be materially impacted by changing market conditions, asset values and changing asset allocation over time.

4.5 Table 4 provides forecasts for all Fund activities from 2022/23 to 2026/27. The assumptions underlying these forecasts are outlined in Table 5.

These forecasts are for illustration only.

Table 2 – Forecast Operating Budgets 2022-20223 to 2026-2027

	2022-2023 Budget £'000	**2023-2024 Forecast £'000**	**2024-2025 Forecast £'000**	**2025-2026 Forecast £'000**	**2026-2027 Forecast £'000**
Employees	10,425	10,608	10,793	10,982	11,175
Premises	698	736	775	817	861
Transport	25	27	28	30	31
Other Supplies and Services	411	433	457	481	507
Service Development	1,412	1,412	1,412	1,412	1,412
Professional Fees	1,764	1,859	1,959	2,065	2,176
Communications and Computing	780	823	867	914	963
Support Services	774	787	801	815	829
Miscellaneous Income	(600)	(632)	(667)	(703)	(740)
Net Expenditure	**15,689**	**16,052**	**16,426**	**16,814**	**17,215**
External Investment Management Costs	95,397	106,756	116,803	120,480	124,259
LGPS Central Charges*	4,768	5,025	5,297	5,583	5,884
Total	**115,854**	**127,833**	**138,526**	**142,876**	**147,358**

*LGPS Central charges assumed to increase in line with inflation

Table 3 – Cost per Scheme Member and Investment Costs as a Percentage of Net Assets

	2022/23 Budget	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
Number of Members	334,953	339,977	345,077	350,253	355,507
Total Administration, Oversight and Governance Costs (£000)	15,429	16,052	16,426	16,814	17,215
Total Administration, Oversight and Governance cost per Member (£)	46.06	47.21	47.60	48.00	48.42
Total Investment Management Costs (£000)	100,425	111,782	122,099	126,063	130,144
Investment Management Cost per Member (£)	299.82	328.79	353.83	359.92	366.08
Investment Management Costs as a Percentage of Forecast Net Assets	**0.48%**	**0.52%**	**0.55%**	**0.55%**	**0.55%**

- Growth in the Fund's membership has reduced in recent years, with an observed rate of 6.2% p.a. over 2014-2019, reducing to 1.2% p.a. 2019-2022 to date. The membership projection assumes the lower level of increases continues over the medium term.

- Investment management costs as a percentage of forecast net assets are expected to increase to around 0.55% as a result of implementation of planned changes to the Fund's strategic asset allocation. The Fund's long term strategic asset allocation aims to balance cost and risk whilst ensuring the Fund is positioned to achieve the required return over the long term, to meets its obligations of benefits payments to members. The increase in £ cost is driven by a combination of changing asset allocation and increasing asset values over the projection period.

- The allocation of costs between administration, governance and oversight and investment management is in line with guidance published by CIPFA (accounting for local government pension scheme management expenses – 2016 edition). Investment costs include third party custody and Fund accounting costs.

Table 4 – Medium Term Forecasts (WMPF)

	2022/23 Forecast £m	2023/24 Forecast £m	2024/25 Forecast £m	2025/26 Forecast £m	2026/27 Forecast £m
Contributions Receivable**	556	576	599	620	642
Other Income	17	17	17	17	17
Benefits Payable	(724)	(763)	(804)	(847)	(893)
Net Cost of Pensions	**(151)**	**(170)**	**(188)**	**(210)**	**(235)**
Return on Investments *	957	1,001	1,047	1,095	1,146
Management Expenses	(116)	(128)	(139)	(143)	(147)
Net Increase/ (Decrease) in the Fund	**690**	**703**	**721**	**742**	**764**
Opening Fund Balance	20,806	21,496	22,200	22,920	23,662
Closing Fund Balance	**21,496**	**22,200**	**22,920**	**23,662**	**24,426**

* Note: for 2022/23 to 2026/27, return on investments is forecast to grow by 4.6% per annum.
** Note: the contributions receivable figures for 2022/23 reflect agreements with some individual employers who have already paid those contributions in advance.

4.6 Table 5 provides the key assumptions used in preparing the medium-term forecasts.

Table 5 – Key Assumptions (annual growth)

	22/23	23/24	24/25	25/26	26/27
Employee costs (general pay award)*	1.75%	1.75%	1.75%	1.75%	1.75%
Consumer Price Inflation (December of preceding year)	5.40%	5.40%	5.40%	5.40%	5.40%
Increase in Total Number of Members	1.50%	1.50%	1.50%	1.50%	1.50%
Growth in Investment Assets	4.60%	4.60%	4.60%	4.60%	4.60%

*For the purpose of this projection this is set in line with the latest NJC award.

[Note for all tables- All totals are subject to rounding]

4.7 The medium-term forecasts shown in Table 4 are subject to change, because:

a) Contributions for 2023/24 to 2025/26 will be influenced by the 2022 actuarial valuation and could be significantly different from the figures shown here.
b) The local government employers (and many other employers in the Fund) have experienced and will continue to experience for the foreseeable future, significant changes in the way they operate including ongoing cost pressures and service restructuring and, as such, it is not possible to quantify the extent to which this will translate and change the Fund's total membership, including active memberships and members moving to deferred or retired status.
c) Inflation-linked costs and benefits will be materiality impacted by the changing outlook and long-term rate of inflation
d) Investment income and growth in asset values (and in turn investment costs) are difficult to forecast and could reasonably be expected to exhibit much greater year-on-year volatility than shown here.

5.0 Financial implications

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

6.0 Legal implications

6.1 This report has no direct legal implications.

7.0 Equalities implications

7.1 This report has no direct equalities implications.

8.0 Other potential implications

8.1 There are no other potential implications.

9.0 Schedule of background papers

9.1 Corporate Plan 2022-2027, Report to Pensions Committee, 30 March 2022

10.0 Schedule of appendices

10.1 None.

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Agenda Item No: 7

CITY OF WOLVERHAMPTON COUNCIL	**Pensions Committee** 30 March 2022

Report title	Budget Monitoring 2021/22 and Quarterly Accounts 31 December 2021	
Originating service	Pension Services	
Accountable employee	Femi Olatunde Tel Email	Head of Finance (Interim) 01902 551715 Femi.olatunde@wolvehampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 551715 rachel.brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Pensions Committee is asked to note:

1. The quarterly accounts for the period ending 31 December 2021 which estimate the value of West Midlands Pension Fund at this date to be £20.8 billion, an increase of £1.9 billion (10%) since 31 March 2021.

2. West Midlands Pension Fund forecast out-turn for the year against operating budgets as at the end of December 2021 is an underspend of £3.0 million.

1.0 Purpose

1.1 The purpose of this report is to update Pensions Committee on the forecast out-turn against operating budget for 2021/2022 and present the quarterly accounts to 31 December 2021.

1.2 The operating budget was approved by the Committee in 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 third quarter:

	Budget 2020/21	**Budget 2021/22**	**Forecast 2021/22**	**Variance Outturn**
	£000	**£000**	**£000**	**£000**
Employees	9,066	9,700	8,233	(1,467)
Premises	300	700	700	-
Transport	38	40	10	(30)
Other Supplies and Services	437	488	448	(40)
Service Development	1,027	1,054	158	(896)
Professional Fees	1,552	1,499	1,427	(72)
Communications and Computing	613	627	594	(33)
Support Services	723	733	733	-
Miscellaneous Income	(595)	(590)	(590)	-
Net Expenditure	**13,161**	**14,251**	**11,713**	**(2,538)**
External Investment Management Costs	77,970	82,539	82,539	-
LGPS Central Charges	4,949	5,225	4,727	(498)
Total External Investment Costs	**82,919**	**87,764**	**87,266**	**(498)**
Total	**96,080**	**102,015**	**98,979**	**(3,036)**

2.2 Forecasts have been reviewed and updated at the end of the third quarter, using a combination of reviewing spend to date and taking into account outlook for the remainder of the financial year. Over the most recent quarter employee spend has been reforecast to reflect delays in recruitment and an increase in turnover over the latter part of the year. Service development expenditure has also been reviewed, noting planned change and improvement programmes are ongoing with planning and preparatory work over 2021/22 expected to expand over 2022/23, with associated costs deferred.

2.3 As at the end of December 2021, LGPS Central Charges were forecast £0.5 million below the budget set at the start of the year. Over 2021/22 the Fund has continued to transfer assets to the pool (as reported separately) and increase utilisation of the products and services available through LGPS Central. The reduction in forecast relative to budget is driven by the Company's review and change in the level of mark-up applied to costs on recharge to Partner Funds, as clients of LGPS Central.

2.4 Investment management costs are heavily influenced by market movements and investment performance and are therefore expected to fluctuate during the year. Portfolio changes during the year and asset allocation or strategic changes may also impact on the annual reported costs. The Fund continues 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 captured in the cost transparency reporting templates, along with performance fees. Actual costs over 2021/22 are expected to be higher than budgeted and forecast in the table above, based on costs collated and reported for 2020/21 and rising asset values during the year. These are analysed in depth on an annual basis, with reporting on 2021/22 costs to be provided to the Committee alongside the annual Statement of Accounts in June and September 2022.

2.5 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 and consequently overall value for money. 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.

2.6 At this time, we are forecasting a reduction on expenditure relative to budget for both total administration, oversight & governance cost from £35.83 to £30.21 per member.

	2020/21 Actual	2021/22 Budget	2021/22 Forecast
Total Administration Costs (£000)	6,268	9,266	7,616
Administration Cost per Member (£)	18.70	27.04	22.80
Total Oversight and Governance Costs (£000)	3,133	3,012	2,476
Oversight and Governance Cost per Member (£)	9.35	8.79	7.41
Number of Members	335,101	342,684	333,895
Total Administration, Oversight and Governance cost per Member (£)	**28.05**	**35.83**	**30.21**
Total Investment Management Costs* (£000)	100,850	89,737	88,881
Investment Management Cost per Member (£)	300.95	261.87	266.19
Investment Management Costs as a Percentage of Net Assets	**0.54%**	**0.46%**	**0.46%**

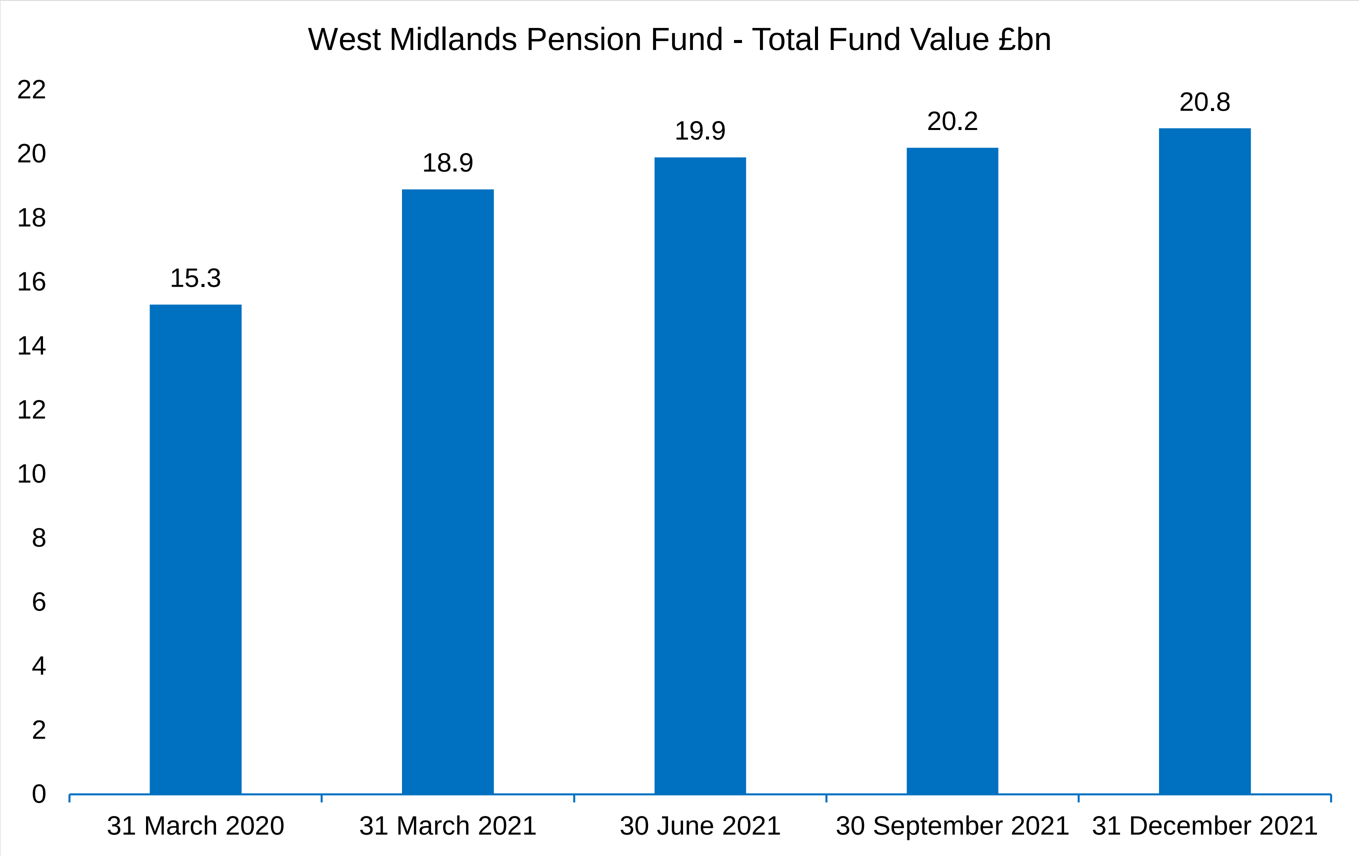
**Total investment management costs include costs of the Fund's internal Investments team.*

2.7 The Fund, like all public-sector bodies, continues to be cost-conscious and keeps its operating costs and procedures under regular review.

3.0 Quarterly Accounts – West Midlands Pension Fund

3.1 Appendix A provides a Fund Account for the nine months ended December 2021 and a Net Assets Statement as at 31 December 2021.

3.2 The Net Assets Statement estimates a value for the Fund at 31 December 2021 of £20.8 billion. This is an increase of £1.9 billion (10%) from the 31 March 2021 value shown in the year end 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 £2.2 billion over the third quarters year to date.

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; and
- 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 direct equalities implications.

7.0 Other potential implications

7.1 This report has no other potential implications.

8.0 Schedule of background papers

8.1 None.

9.0 Schedule of appendices

9.1 Appendix A – West Midlands Pension Fund Quarterly Accounts 31 December 2021

WEST MIDLANDS PENSION FUND ACCOUNTS FOR THE NINE MONTHS TO 31 DECEMBER 2021

Fund Account

2020/21 £m		9 months to 31 December 2021 £m
	Contributions & Benefits	
1,182.7	Contributions Receivable	295.6
22.3	Transfers In	11.8
13.9	Other Income	13.8
1,218.9	**Total Contributions and Other Income**	**321.2**
(646.8)	Benefits Payable	(500.2)
(31.0)	Payments To and On Account of Leavers	(26.2)
(0.4)	Other Payments	-
(678.2)	**Total Benefits and Other Expenditure**	**(526.4)**
(110.2)	**Management Expenses**	**(73.4)**
	Returns on Investments	
84.8	Investment Income	86.6
3,123.8	Changes in Value of Investments	2,085.3
(14.1)	Revaluation of bulk annuity insurance buy-in contract	-
3,194.5	**Net Return on Investments**	**2,171.9**
3,625.0	**Net Increase in the Fund During the Period**	**1,893.3**
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**	**20,806.4**

WEST MIDLANDS PENSION FUND ACCOUNTS FOR THE NINE MONTHS TO 31 DECEMBER 2021

Net Assets Statement

31 March 2021 £m		31 December 2021 £m
	Investment Assets (at Market Value)	
508.4	Bonds	588.6
27.0	UK Equities	60.4
2,567.5	Overseas Equities	2,705.9
13,640.8	Pooled Investment Vehicles	15,324.8
1,014.0	Property (Direct)	1,087.6
3.1	Derivatives - Forward Foreign Exchange	12.8
-	Derivatives - Futures	2.6
399.6	Foreign Currency Holdings	562.7
498.2	Cash Deposits	212.4
19.2	Other Investment Assets	15.9
7.5	Outstanding Dividend Entitlement and Recoverable With-Holding Tax	6.3
18,685.3	**Investment Assets**	**20,580.0**
	Investment Liabilities (at Market Value)	
(2.3)	Derivatives - Futures	-
(2.3)	**Investment Liabilities**	**-**
18,683.0	**Net Investment Assets**	**20,580.0**
200.0	**Bulk annuity insurance buy-in policy**	**188.6**
10.2	**Long-Term Debtors**	**11.2**
40.4	**Current Assets**	**44.6**
(20.5)	**Current Liabilities**	**(18.0)**
18,913.1	**Net Assets of the Fund at the End of the Period**	**20,806.4**

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Agenda Item No: 8

CITY OF WOLVERHAMPTON COUNCIL	**Pensions Committee** 30 March 2022

Report title	Accounting Policies 2021/22	
Originating service	Pension Services	
Accountable employee	Femi Olatunde Tel Email	Interim Head of Finance 01902 55 1715 femi.olatunde@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 55 1715 rachel.brothwood@wolverhampton.gov.uk

Recommendation for decision:

The Pensions Committee is recommended to approve:

1. The West Midlands Pension Fund accounting policies for the 2021/22 financial year.

1.0 Purpose

1.1 The purpose of this report is to seek the Committee’s approval of the accounting policies to be used in preparing the Fund’s’ accounts for the 2021/22 financial year.

2.0 Background

2.1 Local Government Pension Scheme (LGPS) Funds are required by law to produce an annual statement of accounts. In preparing these accounts, Funds must have regard to proper practice and to any guidance which has the effective standing of ‘statutory guidance’. That guidance is ‘The Code of Practice on Local Authority Accounting in the United Kingdom’ (‘the Code’), which is prepared by the Chartered Institute of Public Finance and Accountancy (CIPFA) and updated annually.

2.2 CIPFA has issued the 2021/22 Code and there are no changes to the Code which impact materially on the Pension Fund.

3.0 Financial implications

3.1 The accounting policies are a fundamental part of the Funds’ financial governance frameworks.

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

4.0 Legal implications

4.1 This report contains no direct legal implications.

5.0 Equalities implications

5.1 This report has no direct equalities implications.

6.0 Other implications

6.1 This report has no other implications.

7.0 Schedule of background papers

7.1 None.

8.0 Schedule of appendices

8.1 Appendix A: West Midlands Pension Fund Accounting Policies 2021/22.

This report is PUBLIC
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Agenda Item No: 9

CITY OF WOLVERHAMPTON COUNCIL	**Pensions Committee** 30 March 2022

Report title	Treasury Management Policy	
Originating service	Pension Services	
Accountable employee	Rachel Howe	Head of Governance and Corporate Services
	Tel	01902 552091
	Email	rachel.howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 55 1715
	Email	rachel.brothwood@wolverhampton.gov.uk

Recommendation for decision:

The Pensions Committee is recommended to approve:

1. The West Midlands Pension Fund Treasury Management Policy 2022.

1.0 Purpose

1.1 The report sets out the Funds Treasury Management policy for 2022 for approval by the Pensions Committee.

2.0 Background

2.1 The treasury management activities of the Fund are underpinned by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management published in December 2021.

2.2 The code of practice identifies three key principles that organisations should comply with in respect of treasury management alongside 12 Treasury Management Practices (TMPs) that are relevant to an organisations Treasury Management activity. This policy (included at appendix A) sets out how the Fund complies with those key principles and Treasury Management Practices, where applicable to the Fund's activity.

3.0 Financial implications

3.1 Treasury Management, and the Fund's treasury management policy forms part of the Fund's financial governance framework.

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

4.0 Legal implications

4.1 This report contains no direct legal implications.

5.0 Equalities implications

5.1 This report has no direct equalities implications.

6.0 Other Potential implications

6.1 This report has no other potential implications.

7.0 Schedule of background papers

7.1 None.

8.0 Schedule of appendices

8.1 Appendix A: West Midlands Pension Fund Treasury Management Policy.

This report is PUBLIC
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Agenda Item No: 10

CITY OF WOLVERHAMPTON COUNCIL	**Pensions Committee** 30 March 2022

Report title	External Audit Plan 2022	
Originating service	Pensions Services	
Accountable employee	Femi Olatunde Tel Email	Head of Finance (Interim) 01902 55 1715 Femi.Olatunde@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 55 1715 Rachel.brothwood@wolverhampton.gov.uk

Recommendations for decision:

The Pensions Committee is recommended to approve:

1. The management responses to questions from the external auditors, Grant Thornton LLP, as part of their audit planning.

2. Delegation of authority to the Chair and Vice Chair of Pensions Committee to approve the final publication of the 2021/2022 Statement of Accounts following audit in September and approval of the draft by Committee in June 2022.

Recommendation for noting:

The Pensions Committee is asked to note:

1. The external audit plan for the 2021/2022 Annual Report and Accounts as prepared by Grant Thornton [Appendix A].

1.0 Purpose

1.1 The purpose of this report is to inform Committee members of the plan for the external audit of the Fund's Annual Report and Accounts for 2021/22.

2.0 Background

2.1 The purpose of the Audit Plan is to direct and communicate the audit approach to the Pensions Committee. The Audit Plan considers the risks to the audit in forming the Audit Opinion and details the approach to addressing the key areas of the Fund's financial statements.

3.0 Audit of Accounts 2021/22

3.1 Two documents prepared by Grant Thornton are appended to this report:

- *The Audit Plan [Appendix A]* – this sets out the scope and timing of Grant Thornton's proposed work on the external audit along with other relevant information.

- *Informing the Audit Risk Assessment [Appendix B]* – this document sets out some of the potential areas of risk with regard to the Annual Report and Accounts. In accordance with auditing standards, Grant Thornton are required to formally seek the views of the Committee on these areas. The document provides management responses to a number of questions posed by the auditor and the Committee is invited to consider whether these responses are consistent with its own understanding and if it has any further comments to make on these matters.

3.2 *Informing the Audit Risk Assessment* considers themes of particular relevance to the external audit under five areas:

- General Enquiries of Management.
- Fraud Risk Assessment.
- Impact of Laws and Regulations.
- Related Party Considerations.
- Accounting Estimates Considerations.

3.3 The ultimate outcome of Grant Thornton's work will be an opinion on the Fund's Annual Statement of Accounts and Annual Report.

3.4 The audited Statement of Accounts, including the audit opinion, will be presented for Committee's formal approval in September ahead of this year's statutory deadline for publication by 30 September.

4.0 Financial implications

4.1 External audit of the Annual Report and Accounts is a fundamental part of the system of financial controls that govern the Fund's work. It provides independent assurance to stakeholders that the financial statements provide a true and fair view of the Fund's financial position and transactions for the period in question and that those statements have been prepared in accordance with generally accepted accounting practice.

5.0 Legal implications

5.1 This report contains no direct legal implications.

6.0 Equalities implications

6.1 This report contains no equalities implications.

7.0 Other Potential implications

7.1 This report contains no other potential implications.

8.0 Schedule of background papers

9.1 None.

10.0 Schedule of Appendices

10.1 Appendix A: External Audit Plan for West Midlands Pension Fund

10.2 Appendix B: Informing the Audit Risk Assessment for West Midlands Pension Fund

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Agenda Item No: 11

CITY OF WOLVERHAMPTON COUNCIL	**Pensions Committee** 30 March 2022

Report title	Internal Audit Plan 2022 - 2023	
Originating service	Pensions Services	
Accountable employee	Amanda MacDonald Tel Email	Client Lead Auditor 01902 55 0411 Amanda.macdonald@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 55 1715 Rachel.brothwood@wolverhampton.gov.uk

Recommendation for noting:

The Pensions Committee is asked to note:

1. The Internal Audit Plan for 2022 – 2023.

1.0 Purpose

1.1 To provide the Committee with the outline of work programme for internal audit during 2022 – 2023.

2.0 Background

2.1 The role of internal audit is to provide the Director of Pensions, Section 151 Officer, the Pensions Committee and the Local Pensions Board with an independent and objective opinion on the Fund's risk management, internal controls and governance and its effectiveness in achieving the Fund's agreed objectives. In order to provide this opinion, we are required to review the risk management and governance process at the Fund.

3.0 Work Plan 2022 - 2023

3.1 The plan has been developed taking into account the changing regulatory environment and planned service developments together with the Fund's latest strategic risk register.

3.2 A copy of the agreed work plan for 2022 – 2023 is attached at Appendix A.

4.0 Financial implications

4.1 Internal audit is a key part of the Fund's governance and financial control framework, and seeks to provide assurance that the Fund's systems, processes and controls are operating effectively and in support of the Fund's overall aims and objectives.

5.0 Legal implications

5.1 This report contains no direct legal implications.

6.0 Equalities implications

6.1 This report contains no direct equalities implications.

7.0 Other implications

7.1 There are no other implications associated with this report.

8.0 Schedule of background papers

8.1 None.

9.0 Schedule of Appendices

9.1 Appendix A - West Midlands Pension Fund Internal Audit Plan 2022 – 2023.

West Midlands Pension Fund

Internal Audit Plan

2022/2023

wolverhampton.gov.uk

CITY OF WOLVERHAMPTON COUNCIL

Index

1	Introduction
2	Assessing the effectiveness of risk management and governance
3	Assessing the effectiveness of the system of control
4	Identifying the Fund’s objectives and risks
5	Framework of assurance
6	Development of the internal audit plan
7	Considerations of the Pensions Committee, Board and senior management
8	How the internal audit plan will be delivered
9	The internal audit plan

1. Introduction

1.1 The purpose of internal audit is to provide the Director, Pensions Committee, Board and Section 151 Officer with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the Fund's agreed objectives. In order to provide this opinion, we are required to review annually the risk management and governance processes within the Fund. We also need to review on a cyclical basis, the operation of the internal control systems. It should be pointed out that internal audit is not a substitute for effective internal control. The true role of internal audit is to contribute to internal control by examining, evaluating, and reporting to management on its adequacy and effectiveness.

1.2 The purpose of this document is to provide the Fund with an internal audit plan for the 2022-23 financial year. This plan has been subject to Senior Management Team approval and individual audit dates and timings will be agreed with managers during the year.

2. Assessing the effectiveness of risk management and governance

2.1 The effectiveness of risk management and governance will be reviewed, where appropriate, annually, to gather evidence to support our opinion to the Director, Pensions Committee, Board and Section 151 Officer. This opinion is reflected in the general level of assurance given in our annual report and where appropriate within separate reports in areas that will touch upon risk management and governance.

3. Assessing the effectiveness of the system of control

3.1 In order to be adequate and effective, management should:

Establish and monitor the achievement of the Fund's objectives and facilitate policy and decision making.
Identify, assess and manage the risks to achieving the Fund's objectives.
Ensure the economical, effective and efficient use of resources.
Ensure compliance with established policies, procedures, laws and regulations.
Safeguard the Fund's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.
Ensure the integrity and reliability of information, accounts and data.

The plan contained in this report is our assessment of the audit work required to measure, evaluate and report on the effectiveness of risk management, governance and internal control.

4. The assessment of assurance needs - identifying the Fund's objectives and the associated risks

4.1 Internal audit should encompass the whole internal control system and not limited to only financial controls. The scope of internal audit work should reflect the key objectives of the Fund and the key risks it faces.

The following are the Fund's Core Objectives:

P Partnering for success

R Responsible asset owner, employer and local community partner

I Investing to increase capacity

D Deliver value and added services

E Engage to improve outcomes for customers

4.2 These objectives are achieved by the implementation of effective management processes and through the operation of a sound system of internal control.

The Fund has identified the following key risks which may potentially impact on its ability to achieve its objectives:

WMPF Key Risks: Details from latest risk register:

Risk Theme	Areas of Focus
Pandemic	Covid 19
Regulatory	Scheme benefits, governance and oversight, investment strategy and implementation
Resources	People, operational costs
Operational	Increased workloads, failure by the Fund to deliver on its service plan objectives and priorities, cyber security, reliance on 3rd party providers, information and data quality
Funding	Funding management, investment management, responsible investment, investment pooling
Reputational	Customer delivery, information management, failure to act on issues

5. The framework of assurance

5.1 The framework of assurance aims to satisfy an organisation that the risks to its objectives and the risks inherent in undertaking its work, have been properly identified and are being managed by controls that are adequately designed and effective in operation. The assurance framework will comprise a variety of sources and not only the work of internal audit.

In addition, we work closely with our partner funds to ensure that the Local Government Pension Scheme (LGPS) Central Pool has an appropriate assurance framework. This includes membership of the Internal Audit Working Group.

We also work with the Fund's external auditors to share knowledge and audit information.

Assessing the risk of auditable areas within the assurance framework

5.2 Risk is defined as "The threat that an event or action will adversely affect an organisation's ability to achieve its business objectives and execute its strategies."
(Source: Economist Intelligence Unit - Executive Briefing)

5.3 There are a number of key factors for assessing the degree of assurance need within the auditable area. These have been used in our calculation for each auditable area and are based on the following factors:

Materiality
Business impact
Audit experience
Risk
Potential for fraud

5.4 In this model, the assignment of the relative values is translated into an assessment of assurance need. These ratings used are high, medium or low to establish the frequency of coverage of internal audit.

6. Developing an internal audit plan

6.1 The internal audit plan is based, wherever possible, on management's risk priorities, as set out in the Fund's own risk analysis/assessment. The plan has been designed to, wherever possible, cover the key risks identified by such risk analysis.

6.2 In establishing the plan, the relationship between risk and frequency of audit remains absolute. The level of risk will always determine the frequency by which auditable themes and areas will be subject to audit. This ensures that key risk themes and areas are looked at on a frequent basis. The aim of this approach is to ensure the maximum level of assurance can be provided with the minimum level of audit coverage.

It is recognised that a good internal audit plan should achieve a balance between clearly setting out the planned audit work and retaining flexibility to respond to changing risks and priorities during the year.

Auditor's judgement will be applied in assessing the number of days required for each audit identified in the plan.

6.3 Included within the plan, in addition to audit days for field assignments are:

- a small contingency allocation, which will be utilised when the need arises, for example, special projects, investigations, advice and assistance, unplanned and ad-hoc work as and when requested.
- a follow-up allocation, which will be utilised to assess the degree of implementation achieved in relation to key recommendations agreed by management during the prior year.
- an audit management allocation, which is used for management, quality control, client and external audit liaison and for preparation for, and attendance at various management meetings and committees etc.

7. Considerations required of the Pensions Committee, Board and senior management

Does the plan include all the areas which would be expected to be subject to internal audit?
Does the plan cover the key risks as they are recognised?
Is the allocation of audit resource accepted, and agreed as appropriate, given the level of risk identified?

8. How the internal audit service will be delivered

Resources required
The audit plan will be delivered by the City of Wolverhampton Council's internal audit team.

Communication of results
The outcome of internal audit reviews is communicated by way of a written report on each assignment undertaken. However, should a serious matter come to light, this will be reported to the appropriate level of management without delay.

Staffing
Employees are recruited, trained and provided with opportunities for continuing professional development and are sponsored to undertake relevant professional qualifications. All employees are subject to the Council's professional development process, which leads to an identification of training needs. In this way, we ensure that employees are suitably skilled to deliver the internal audit service. This includes the delivery of specialist skills which are provided by staff within the service with the relevant knowledge, skills and experience.

Quality assurance
All audit work undertaken is subject to robust quality assurance procedures as required by the Public Sector Internal Audit Standards.

Combined assurance
We will work in conjunction with the company's external auditors and other assurance providers to ensure that the assurance both internal and external audit can provide, is focussed in the most efficient manner and that any duplication is eliminated.

9. Audit Services Plan 2022 - 2023

Service area	Audit Review Details	Assessment of Assurance Need / Audit Timing
Governance	Risk Management: To review the arrangements in place for the maintenance and co-ordination of risk registers throughout the Fund.	Medium Q1
Governance	Compliance Arrangements: To provide assurance that the Fund has a robust compliance programme which complies with policies and regulatory requirements.	Medium Q3
Governance	Committee Delegations: To review the responsibilities and operational arrangements for the delegations to Pensions Committee, Board, and associated sub committees.	Medium Q2
Governance	Regulation: To review the Fund's compliance with revised updated external guidance from the Pensions Regulator, including the good practice guidance and the single code.	Medium Q4 (subject to publication of revised guidance)
Finance	Bank Account Control: To review operational management of the bank accounts, including cash flow forecasting processes.	Medium Q2
Finance	Deficit Monitoring: To review past service deficit monitoring arrangements, ensuring accuracy of data and adherence to regulations.	Medium Q3
Governance	Contracts: To review the operation and monitoring of high value contracts via the use of the Fund's contracts register.	Medium Q4
Pensions Services	Employer Engagement: To gain assurance that appropriate action is taken regarding employers who are non-compliant with the Pensions Administration Strategy.	Medium Q2
Operations	Data Management: In response to the McCloud judgement, a review of the arrangements in place for the monitoring and treatment of data for affected members.	High Q2
Investments	Investment Procedures: A review of investment processes, including evidencing the decision making and approvals process to transfer funds to LGPS Central.	High Q1
Fund wide review	Follow up of previous year recommendations: Ensuring they have been implemented and embedded into Fund procedures where appropriate.	Medium Q3
LGPS Central Pool	Participation in the LGPS Central Pool internal audit group and review of key assurance documents to give assurance over pooling arrangements	Ongoing throughout the year

Other Related Internal Audit Work	
Counter Fraud	To oversee the Cabinet Office’s National Fraud Initiative exercise on behalf of the Pension Fund and any other work relating to counter fraud as requested by management.
Contingency and Consultancy	Special projects, advice and assistance as and when required.
Pensions / Board reports	The preparation of committee reports and attendance at committee.
Management	The management of the internal audit function.

This report is PUBLIC
NOT PROTECTIVELY MARKED

Agenda Item No: 12

CITY OF WOLVERHAMPTON COUNCIL	**Pensions Committee** 30 March 2022

Report title	Quarterly Investment Report to 31 December 2022	
Originating service	Pension Services	
Accountable employee	Tom Davies Tel Email	Assistant Director, Investment Strategy 01902 55 8867 Tom.davies@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 55 1715 rachel.brothwood@wolverhampton.gov.uk

Recommendations for decision:

The Pensions Committee is recommended to:

1. Approve the WMPF's Investment Strategy Statement (ISS) for 2022.

2. Approve a hold on further allocations to emerging market equities, retaining the Fund's underweight allocation relative to the target set out in the ISS, pending reassessment of the long term Strategic Investment Allocation Benchmark as part of the 2022/23 triennial review.

The Pensions Committee is asked to note:

1. The global market and investment update paper prepared by the Fund's Investment Consultant, Redington.

2. Asset Allocation and Performance Reporting for the West Midlands Pension Fund (WMPF), Main Fund and Admitted Body Sub Funds.

1.0 Purpose

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

2.0 Background

2.1 This paper aims to bring together routine investment matters relevant to the management and implementation of the Fund's investment strategy and related policies:

I. The economic and market background environment in which the Fund operates and the outlook for different asset classes.

II. WMPF's investment strategy is outlined in the Investment Strategy Statement (ISS) and set in conjunction with the Funding Strategy Statement (FSS) to target a return over the long term to deliver the asset values required to meet benefit payments due to members. The Strategic Investment Allocation Benchmark (SIAB) forms part of the ISS and includes the target asset allocation and the levels of returns investment policies will be benchmarked against.

III. This report provides separate commentary on the Main Fund and Admitted Body Sub Funds (ABSF), established for former employers of the West Midlands Integrated Transport Authority Pension Fund, West Midlands Travel Limited (WMTL) and Preston Bus (WMPB).

IV. The SIAB policy targets were refreshed as part of the 2020 ISS review as approved by the Pensions Committee in March 2020. Implementation of the ISS changes continues to progress and this report adopts an interim benchmark comprising policy targets that reflect partial transition to the strategic targets outlined in the ISS, designed to better meet the future needs of the WMPF.

3.0 Executive Summary

3.1 As at 31 December 2021, the West Midlands Pension Fund's market value was £20.6 billion (incl. WMTL and PB ABSF). Stock markets generally rose in the quarter although performance varied by region and sector.

3.2 The Main Fund increased by 3.6% over the quarter matching the return of its benchmark. The Fund's growth assets (largely equities) delivered strong positive returns in the quarter and for the 12-month period. Income and stabilising assets performed less well. The Fund's returns are ahead of its benchmark for 1 year but have trailed over longer time periods.

3.3 The Admitted Body Sub Funds are ahead of the benchmark return over 1 year and longer time periods. For WMTL, positive relative performance for the quarter was driven by the continued rebound in Multi-Asset Credit and Diversified Growth Funds. For both ABSF's Multi-Asset Credit contributed positively to deliver excess return over the quarter and year.

4.0 Markets and Investment Background

4.1 The Fund's Investment Consultant, Redington provides a quarterly update on the market background and market performance over the quarter. The report for the quarter to 31 December 2021, which further sets out the outlook for the Fund's key asset classes over the coming months, can be found in Appendix A.

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

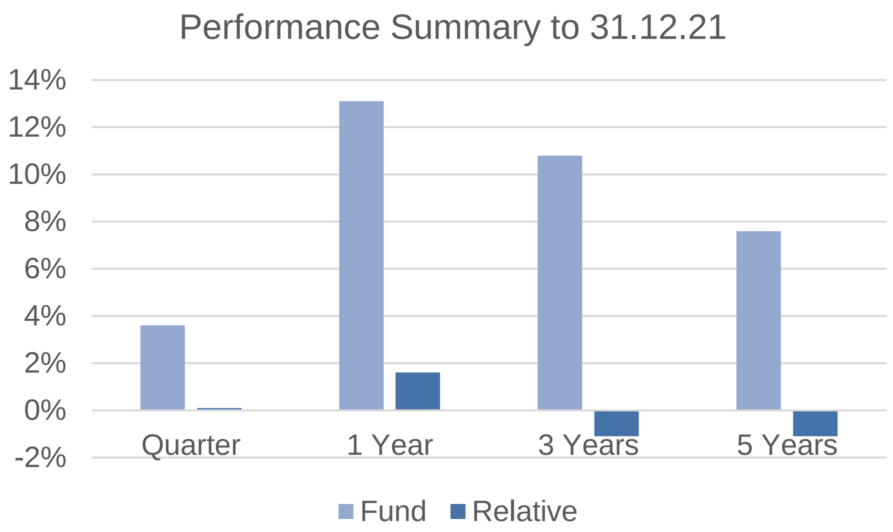
Total Return (£)	**Quarter**	**12 months**
US Equity (S&P 500)	10.5%	29.9%
Emerging Markets (MSCI Emerging Markets)	-1.8%	-1.6%
UK Equity (FTSE All Share)	4.2%	18.3%
Gilts (GBI UK All Mats)	2.5%	-5.3%
Corporate Bonds (BofA ML Non-Gilts)	0.4%	-3.0%
High Yield (BofA ML Global High Yield)	-1.2%	2.3%

4.3 Equities advanced further in the quarter. In bond markets, government bonds generally outperformed corporate bonds.

5.0 West Midlands Pension Fund

Main Fund Performance Summary

5.1 The Main Fund delivered a return of 3.6% over the quarter matching the benchmark return. The Fund's relative returns versus its benchmark over various time periods are shown below.



5.2 The Fund outperformed its benchmark over the 12 months to end December. Private equity was a large contributor to positive relative performance as continued strong performance from the portfolio outperformed the listed equity index to which it is compared.

5.3 Infrastructure continues to be a major negative contributor to relative performance.

5.4 Over 3 years the main detractors remain infrastructure, the combined global equity portfolio and a drag from holding excess cash in rising markets.

5.5 The asset allocation of the Main Fund as at the quarter end is set out overleaf. Interim benchmark weights have been introduced to reflect partial transition to the strategic targets outlined in the Fund's ISS. Full adoption of the ISS targets will take some time, especially for illiquid assets such as infrastructure and private debt.

5.6 The Fund remained overweight in growth assets versus previous policy targets, as a result of existing equity poistions and the strong performance from these asset types.

	Weight @ 31/12/21	Final ISS target	Interim Benchmark
Developed Market Equity	48%	30%	40%
Emerging Market Equity	7%	12%	8%
Total Equity	**54%**	**42%**	**48%**
Private Equity	7%	6%	6%
Opportunistic	2%	2%	2%
TOTAL GROWTH	**62%**	**50%**	**56%**
Corporate Bonds	5%	4%	4%
Multi-Asset Credit/Specialist	4%	6%	6%
Emerging Market Debt	4%	5%	5%
Private Debt	1%	6%	1%
Infrastructure	4%	9%	7%
Property	7%	9%	9%
TOTAL INCOME	**25%**	**38%**	**31%**
Gilts	2%	2%	2%
ILG	6%	3%	5%
Low risk strategy (orphan liabilities)	2%	5%	4%
Cash	3%	2%	2%
TOTAL STABILISING (incl. low risk)	**13%**	**12%**	**13%**
TOTAL	**100%**	**100%**	**100%**

5.7 The Fund's focus remains on implementing the Strategic Asset Allocation (SAA) changes as agreed as part of the 2020 investment strategy review. Efforts have primarily focused on fixed income assets, with steps being taken to move towards new target weights in multi-asset credit, emerging market debt and private debt in particular, with equity holdings expected to be trimmed over the coming quarters. Options to add to the Fund’s infrastructure investments are also being explored.

6.0 West Midlands Pension Fund

Detailed Performance Commentary

Growth Assets

6.1 The total combined equity fund delivered strong absolute performance during the quarter and for the 12 months to end December.

6.2 The Main Fund’s passive equity assets are now almost exclusively managed by the investment pool company, LGPS Central Ltd (LGPSC) with a large proportion of these assets held in an LGPSC Global Equity passive fund. All passive funds performed broadly in line with the respective benchmarks during the quarter but with significant divergence between region and strategy as shown below.

	Quarter	**12 months**
LGPSC UK (FTSE All Share)	4.1%	17.8%
LGPSC Global ex UK	4.1%	15.7%
LGPSC Dividend Growth (Blended)	6.7%	18.8%
LGPSC Climate Multi-Factor	8.8%	23.4%

6.3 Over the quarter the Fund’s actively managed global equities comprised the LGPSC Active Equity fund, an allocation to sustainable equity managers and a basket of global equity futures.

6.4 For the quarter the LGPSC Global Active Equity Fund returned 5.4% underperforming by the benchmark. The fund is comfortably ahead of its benchmark over 1 year (returning 22.3%). The LGPSC Global Active Equity Fund is a blended multi-manager portfolio consisting of 3 underlying portfolios.

6.5 Emerging markets lagged developed markets over the quarter but the Fund’s Emerging Market Equity portfolio outperformed its benchmark.

6.6 The private equity portfolio outperformed during the quarter and significantly outperformed over 1 year. The benchmark used for this asset class comprises listed equities plus an outperformance target (with a 3 month lag). Over longer time periods the portfolio has met expectations.

	Quarter	**1 Year**	**3 year**
Private Equity Portfolio	2.6%	42.3%	17.3%
FTSE All World +1% (3m lagged)	1.7%	23.7%	12.8%

Income Assets

6.7 The Fund's income segment trailed its respective benchmark over the quarter and over 12 months. The aggregate property portfolio has underperformed the benchmark over shorter-term time periods. The Direct portfolio has performed very well (significantly ahead of IPD/MSCI indices) due to resilient performance from sectors such as industrial, supermarket and offices. The Indirect portfolio performance has been weaker over most time periods and drags the aggregate portfolio below its benchmark.

6.8 The infrastructure portfolio delivered has delivered a positive return over the course of the quarter and year but as previously reported the portfolio has significantly underperformed its target return (CPI +4%) over most time periods.

	Quarter		**1 Year**		**3 Year**	
	Return	**Relative**	**Return**	**Relative**	**Return**	**Relative**
Infrastructure Portfolio	0.9%	-2.1%	3.6%	-5.5%	0.9%	-5.4%
Property Portfolio	4.8%	-1.6%	14.0%	-2.7%	6.5%	-0.2%

6.9 The Fund's fixed interest holdings have generally performed well over the year. The emerging market debt holdings are ahead of benchmark (the LGPS Central fund making a strong start since launch in December 2020). The Fund's multi asset credit investment had a good twelve months (despite underperforming at the onset of the pandemic) as high duration assets such as sovereign and investment grade bonds underperformed high yield. The Fund remains tilted to floating-rate assets. The Fund's corporate bond allocations delivered broadly in-line returns over the final quarter but continue to outperform their benchmarks over longer time periods.

	Quarter		**1 Year**		**3 Year**	
	Return	**Relative**	**Return**	**Relative**	**Return**	**Relative**
Corporate Bonds	0.2%	-0.2%	-2.5%	0.6%	6.1%	1.6%
Multi Asset Credit	0.2%	-0.1%	2.6%	0.4%		
Emerging Market Debt	-1.3%	0.6%	-2.3%	2.2%	3.9%	2.0%

Stabilising Assets

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

6.11 Over 1 and 3 year timeframes the stabilising portfolio has outperformed its benchmark.

Currency

6.12 The Fund currently only hedges a small proportion of its foreign currency exposure (25% for EUR equities). The hedge has had a positive impact on performance over the course of the last 12 months and longer. It has however, had a larger impact on the performance of the benchmark (which reflects higher hedge ratios for these currency pairs) impacting relative returns (i.e. versus benchmark). The hedge overlay is primarily a risk reduction tool.

7.0 Admitted Body Sub Funds (ABSFs)

7.1 The current allocation for the two ABSFs is shown below.

WMTL asset allocation (excluding buy-in policy):

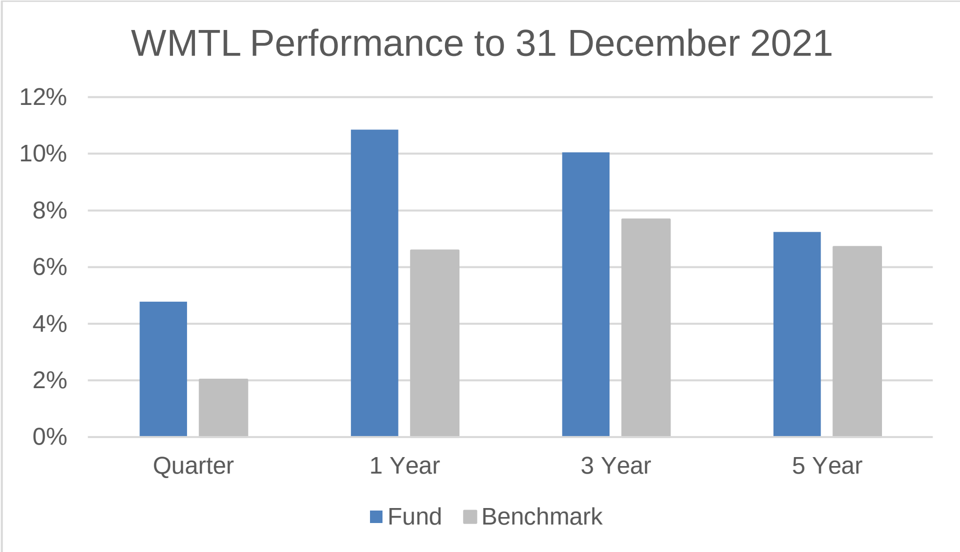
Asset Class	Value @31/12/21	Target Weight	Current %
Total Equities	£ 96,433,390		31.3%
UK Equities	£ 6,749,672		2.2%
North America Equity Index	£ 38,129,483		12.4%
Europe (ex UK) Equity Index	£ 23,831,722		7.7%
Japan Equity Index	£ 7,802,392		2.5%
Asia Pac exJap Dev Equ Ind	£ 7,891,842		2.6%
World Emerging Markets Equ Ind	£ 12,028,278		3.9%
Newton Real Return	£ 58,396,424		18.9%
Baillie Gifford DGF	£ 40,035,323		13.0%
Total Equities & DGF	**£ 194,865,136**	**16.0%**	**63.2%**
Corporate Bonds	£ 10,330,432		3.3%
Multi Asset Credit	£ 53,168,359		17.2%
LDI	£ 48,368,973		15.7%
Total Fixed Interest & LDI	**£ 111,867,764**	**84.0%**	**36.3%**
Cash	**1,778,785.23**	**0.0%**	**0.6%**
Total	**£ 308,511,685.52**	**100%**	**100%**

PB asset allocation:

Asset Class	Value @31/12	Target Weight	Current %
Total Equities	**£ 2,896,210**	15.00%	**14.0%**
UK Equities	£ 235,816		1.1%
Total Overseas Equities	£ 2,660,393		12.8%
North America Equity Index	£ 1,249,110		6.0%
Europe (ex UK) Equity Index	£ 420,617		2.0%
Japan Equity Index	£ 326,230		1.6%
Asia Pac exJap Dev Equ Ind	£ 222,526		1.1%
World Emerging Markets Equ Ind	£ 441,911		2.1%
Total Fixed Interest & Cash	**£ 17,814,194**	85.0%	**86.0%**
Corporate Bonds	£ 5,559,383		26.8%
Multi Asset Credit	£ 5,819,460		28.1%
LDI	£ 6,163,150		29.8%
Cash	**272,200.62**		**1.3%**
Total	**£ 20,710,403.39**	**100%**	**100%**

WMTL Performance

7.2 The Fund outperformed for the quarter and also significantly for 1 year. The Fund is also of its benchmark for 3 years. Relative performance is driven by the multi-asset credit and diversified growth fund holdings which outperformed ‘base rate plus’ target performance.



Fixed Income

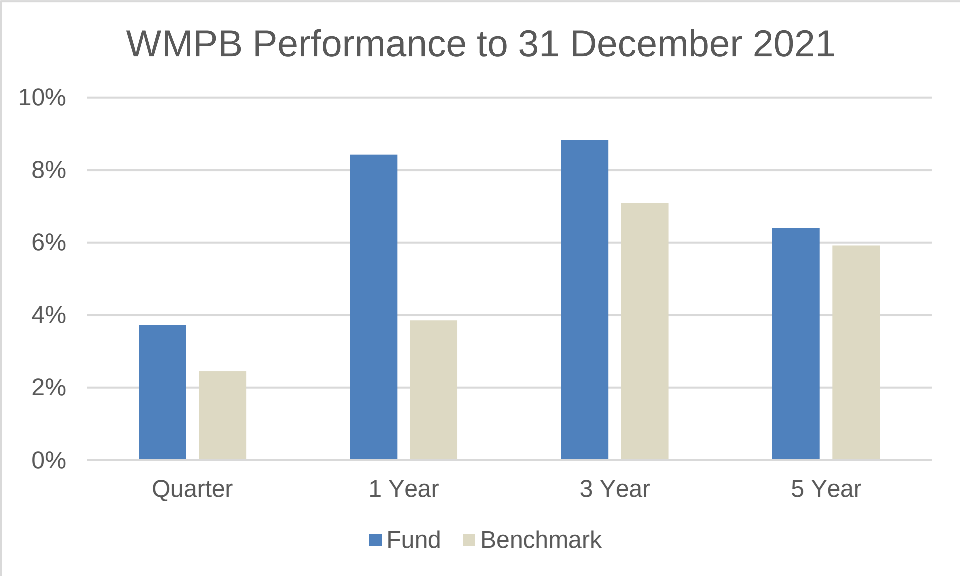
7.3 Alongside the multi-asset credit holding in the bond portfolio, there are passive index linked gilts and actively managed corporate bonds. The corporate bond mandate is performing well, ahead of benchmark over the 1-year period.

Diversified Growth Funds

7.4 Both Diversified Growth Fund holdings delivered positive absolute and relative performance for the quarter and 1 year performance is now ahead of target. In both cases, equities were the largest contributor to quarterly gains. More defensive holdings held back performance for both funds.

PB Performance Summary

7.5 PB performance is summarised below. The Fund very slightly underperformed for the latest quarter but significantly outperformed for 1 year. Relative performance for PB is almost entirely driven by the Multi-Asset Credit allocation, for the same reasons as those described above (for WMTL).



7.6 PB's holding in passive equities, index-linked gilts, multi-asset credit and corporate bonds are the same as those held by WMTL, with performance outlined above.

8.0 Investment Pooling Update – LGPS Central Ltd

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

9.0 Investment Strategy Statement (annual review)

9.1 In defining the implementation of the Fund's investment strategy the ISS sets out the Strategic Investment Allocation benchmark (SIAB) including the permitted ranges for each asset type.

9.2 A full in-depth review of the Fund's ISS is completed every 3 years in conjunction with the triennual funding and valuation process. In addition, interim annual reviews are also completed to complement this cycle.

9.3 The Fund completed a full review of its investment strategy over 2019/20 resulting in significant changes to the Funds SIAB being approved in March 2020. Implementation of these strategy changes is underway as communicated separately to this Committee. As the Fund is significantly increasing its allocation to private markets it will take time until the Funds positioning closely matches the policy targets stated in the ISS.

9.4 The interim review referenced here confirms these strategy changes remain appropriate for the Fund to meet its longer-term objectives. The Fund's Investment Consultant, Redington, who advised the Fund during the 2019/20 review has provided Fund Officers with a confirmation statement confirming their ongoing support for the strategy changes being implemented.

9.5 Whilst the longer-term strategy remains the focus and is unchanged, Fund Officers are alive to the significant changes to the investment and economic landscape that have occurred since 2020 and more recently the geopolitical risks prevalent with the Russian invasion of Ukraine. Given this backdrop and the Fund's overarching goals, including with regards to sustainability objectives, it is proposed that the increase in allocation to emerging markets equities, which was agreed within the Liquid Growth portion of the SIAB, is put on hold for the time being pending a full review of the Fund's existing and potential holdings in this area. The Committee is asked to approve the hold on further allocations to emerging market equities, pending reassessment as part of the 2022/23 triennial review.

9.6 The Investment Strategy Statement (ISS) has been reviewed for 2022, with minor typographical changes incorporated and this is included in Appendix B for Committee approval. A broader review of the ISS following the triennial funding and investment strategy review will be undertaken over 2022/23, with changes subject to further discussion with the Committee and consultation with relevant stakeholders.

10.0 Financial implications

10.1 The financial implications are set out throughout the report.

11.0 Legal implications

11.1 This report contains no direct legal implications.

12.0 Equalities implications

12.1 This report contains no direct equal opportunities implications.

13.0 Other implications

13.1 There are no other implications.

14.0 Schedule of background papers

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

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

15.0 Schedule of appendices

15.1 Appendix A – Redington Economic and Market Update

15.2 Appendix B – Investment Strategy Statement (2022)

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YOUR MARKET AND INVESTMENT UPDATE

Q4 2021

West Midlands Pension Fund

Private and Confidential

Philip Rose
(CIO, Strategy & Risk)

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Market Summary

While asset returns in 2021 for the most part continued the strong returns seen in recent years, the economic environment is potentially very different heading into 2022 compared with the last 10 years. The return of inflation across developed economies outside Japan presents central banks with challenges not seen since the 1970s.

While interest rate rises could reduce demand-induced inflation, they are not so effective against supply-induced inflation, and the degree of tightening currently priced into the market assumes a relatively quick return to the disinflationary trends of the 2010s. Overestimating the interest rate sensitivity of the economy could lead to inflation remaining high for an extended period; underestimating it could lead to a recession.

Key Points for You

- Expected Returns rose by c.10bps from Q3 2021, primarily due to increasing expected returns across most asset classes (see appendix). However, due to rounding, the Fund's expected return is shown as Gilts + 3.4%.
- Asset-side risk, as measured by VaR 95%, decreased slightly from 16.2% at 30 September 2021 to 15.8% at 31 December 2021. This was largely driven by greater levels of diversification within the portfolio.
- The Pension Risk Management Framework ("PRMF") in this report contains asset-only monitoring metrics. Our proposed PRMF, which includes liability-based metrics, has been included in the appendices.

Market Data

Equity Index	Level	Change since 30-Sep-21	Change since 31-Dec-20
FTSE 100 (Total Return)	7314	4.7%	18.4%
S&P 500 (Total Return)	9987	9.7%	28.7%
EuroStoxx 50 (Total Return)	1870	6.5%	24.1%
Nikkei 225 (Total Return)	48376	-2.1%	6.7%
MSCI World (Total Return)	7429	8.1%	24.2%
MSCI Emerging Markets (Total Return)	743	-0.9%	-0.2%
FX			
USD vs GBP	1.35	0.4%	-1.1%
EUR vs GBP	1.19	2.3%	6.3%
JPY vs GBP	155.8	3.9%	10.3%
Credit Spreads			
Sterling Non-Gilt Index	69	-3 bps	-31 bps
Sterling Non-Gilt 15Y+ Index	137	1 bps	-21 bps
Global Investment Grade	87	4 bps	-16 bps
US Investment Grade	100	6 bps	-13 bps
Global High Yield	334	0 bps	-48 bps
European High Yield	290	19 bps	-36 bps

Market Data

UK Gilts	Level	Change since 30-Sep-21	Change since 31-Dec-20
10Y	0.99	-5 bps	75 bps
30Y	1.11	-27 bps	32 bps
UK Nominal Swaps			
10Y	1.44	23 bps	104 bps
30Y	1.21	-6 bps	63 bps
Gilt Breakeven Inflation			
10Y	3.93	6 bps	73 bps
30Y	3.39	-13 bps	30 bps
UK RPI Swap			
10Y	6.34	44 bps	328 bps
30Y	4.69	20 bps	150 bps
UK Gilt Real Rates			
10Y	-2.94	-11 bps	2 bps
30Y	-2.28	-14 bps	2 bps
US TIPS			
20Y	-0.51	-17 bps	-11 bps
30Y	-0.45	-28 bps	- 18 bps

VIEWS FROM THE ASSET CLASS SPECIALISTS

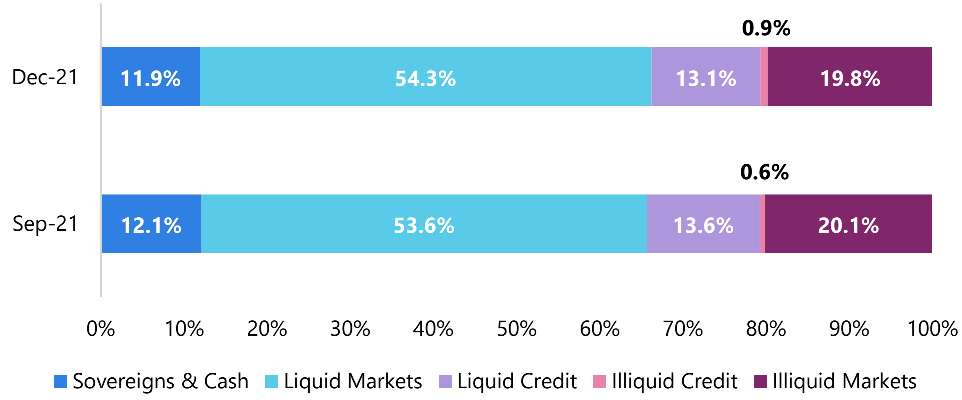
		**Kate Mijakowska** **Government Bonds**	UK nominal yields were volatile in Q4 2021. Yields rose initially, as oil prices continued to soar, and 20-year nominal yields peaked at 1.5%. Gilts then rallied sharply in November, amid concerns about the potential impact of the new Covid variant. In December, yields moved up again, and the Bank of England's Monetary Policy Committee voted to increase the base rate from 0.1% to 0.25%. Over the quarter, the nominal UK yield curve flattened, with the 20-year point down 17bps and the 5-year up 18bps. UK inflation prints continued to rise, with December year-on-year CPI reaching a 10-year high at 5.4%. The Bank of England now expects inflation to peak at 6% in Q2 this year. Inflation expectations over the quarter rose 20bps at the 5-year point but only 3bps at 20-year tenor. The UK Debt Management Office issued a new 2073 index-linked gilt over the quarter, the first extension of the index-linked gilt curve since 2013.
		**Oliver Wayne** **Liquid Markets (Equities)**	Global developed markets (DM) delivered strong absolute returns. The best-performing market was the US, driven by the technology sector. The UK and European markets also posted positive returns. Emerging market (EM) equities underperformed developed markets (DM) and generated negative absolute returns. The strength of the US dollar was a headwind in many markets and there were a number of country-specific issues, most notably in Turkey where there is extreme volatility in the currency due to a surge in inflation. From a factor perspective, Quality was the only factor group that generated positive excess returns in DM. From a size perspective, larger companies continued to outperform smaller companies in DM, which is a reflection of the narrow market leadership. In EM, all the major factor groups delivered positive excess returns. Smaller companies also meaningfully outperformed larger companies. This is a continuation of the trend for 2021. The resulting backdrop for active management was favourable in EM and challenging in DM.
		**Tom Wake-Walker** **Liquid Markets (Multi-Asset)**	Most multi-asset and liquid alternative strategies generated positive returns in Q4 as – broadly speaking – the major asset classes increased in value into year-end despite some fears over the Omicron Covid-19 variant. Equity markets led the way, with commodities broadly positive while bond pricing was volatile but largely flat. Within commodities, managers with long exposure to industrials and agriculturals benefited as supply constraints aligned with continued resurging demand, while short exposure to energies generated some positive returns for trend following strategies. Risk parity strategies were generally positive for the quarter as equities, inflation-linked bonds and commodities performed strongly. Inflation-linked bonds' performance was also advantageous to discretionary strategies holding exposure as a risk mitigant against inflationary pressures. Trend following strategies were largely flat as gains on short bond positioning were offset by losses in equities. Equity style premia strategies performed strongly, with momentum, defensive and more alpha-oriented signals positive.

VIEWS FROM THE ASSET CLASS SPECIALISTS

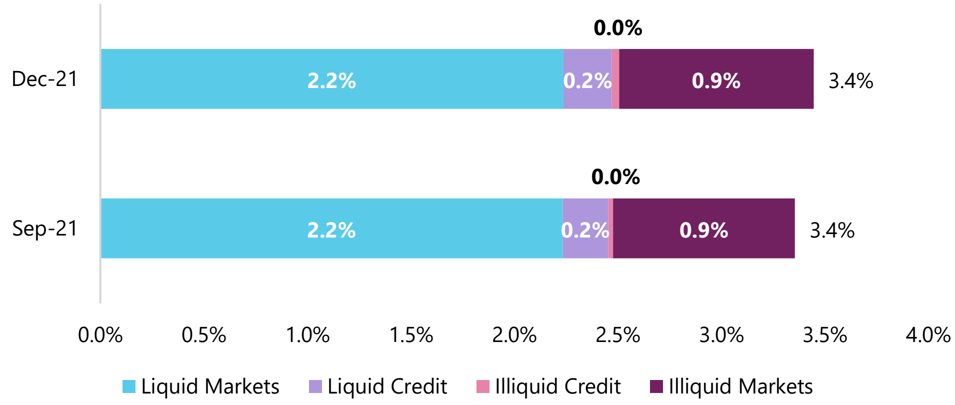
		**Chris Bikos** **Liquid & Semi-Liquid Credit**	10-year sovereign bond yields were largely unchanged over the quarter, with the front end of yield curves moving higher in the US and the UK as markets priced in a faster pace of rate hikes. Consequently, yield curves flattened, with short-maturity bonds being hit the most. In corporate bonds, long-duration credit posted positive total returns in both the US and the UK, outperforming shorter durations; this was driven primarily by rate movements. Performance in higher-yielding and lower-quality assets diverged, with US assets delivering a positive total return and European high yield detracting. Looking at emerging markets (EM), EM hard-currency bonds declined, with high yield significantly weaker, though investment-grade sovereign bonds saw positive returns. The picture was similar in local-currency sovereigns, too. Overall, waning central bank support and persistent inflationary pressure continue to be headwinds for fixed income markets going into next year.
		**Tricia Ward** **Illiquid Credit**	Borrower appetite remains high, but Q4 saw a slight deceleration in capital deployment, partly driven by uncertainty surrounding Covid, rising energy costs and supply-demand imbalances, and partly by stabilisation in private equity and private credit markets after the ferocity of deal-making in Q1 - Q3. Buoyant public equity markets and private equity exits contributed to a record c.$750bn of distributions (source: Preqin) in 2021, increasing private equity dry powder and private credit demand. Lenders are increasingly selective about deal quality and pricing, with a gradual prioritisation of established businesses over growth businesses. The Alternative Credit Council highlighted acceleration of ESG integration and engagement in private credit, though only 3/4 of managers identify this as a core investment focus. Amid concerns about rising interest rates, floating-rate loans with short-term reference rates remain attractive in direct lending, whilst contracted cashflows, asset security and appropriate covenants in specialty finance offer greater return stability versus fixed income, and diversification against headline risks.
		**Jaspal Phull** **Illiquid Markets**	UK commercial property growth increased 3.7% in December, the highest since the CBRE Monthly Index began, taking all property capital growth to 13.8% for 2021. Growth was driven predominantly by the industrial and logistics sectors. Q4 saw industrial sector capital values grow by 13.9%, more than Q2 and Q3 combined. Office activity remains more subdued; however, city centres have been resilient with premium office rents holding up. The focus on sustainability risks has increased substantially, with the Royal Institution of Chartered Surveyors issuing new guidance notes for valuers which includes taking sustainability into account when valuing commercial property. The market is already seeing "green premiums" for buildings with certifications; data suggests it can boost asset values by more than 12%. Demand for alternatives has increased materially. Life sciences investment more than tripled in 2021 and transaction volumes in the living sector grew by 80% over the year. Wholesale gas prices peaked over the quarter and have fallen sharply since; however, they remain three times higher than this time last year. The impact on the cost of living for the consumer is yet to be realised, as wholesale costs feed through into retail prices.

YOUR ASSET ALLOCATION AND EXPOSURE

Asset Allocation Change



Expected Return Contribution Change (over gilts)



Note, asset class expected returns are in the appendix.

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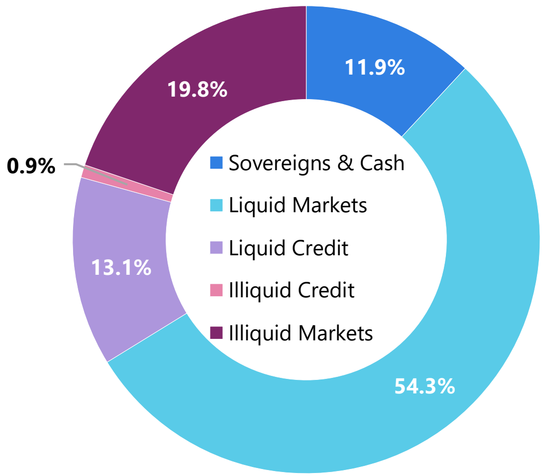
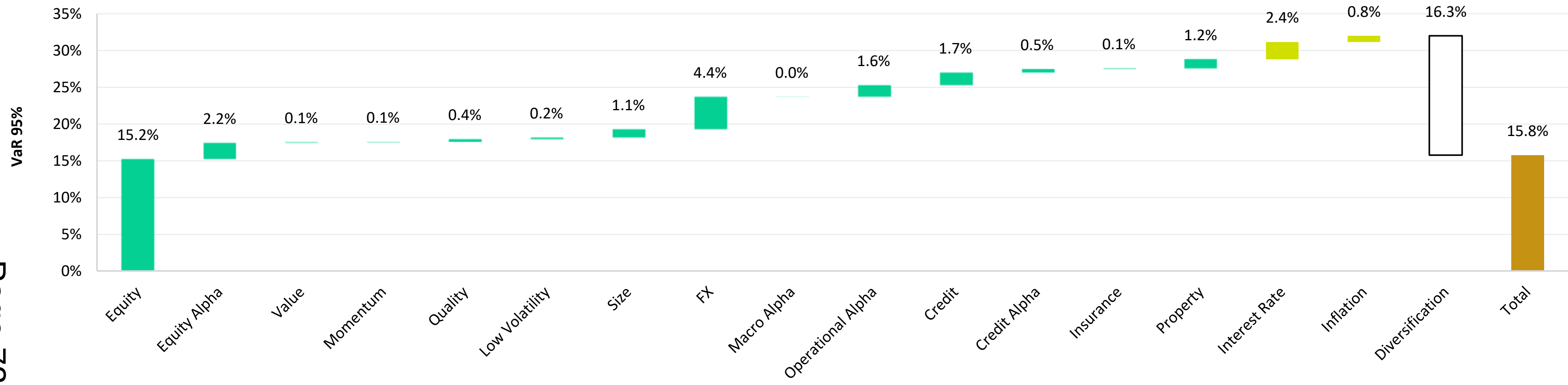
Detailed Asset Allocation



2.8% Cash
5.3% Index-Linked Gilts
1.6% Nominal Gilts
0.5% LGIM Overseas Bond Fund
1.7% US TIPS
5.9% ACS LGPS UK Equity Passive Fund
14.0% ACS LGPS Global Ex UK Passive Equity Fund
3.1% ACS LGPS Global Equity Dividend Growth Factor Fund
10.9% ACS LGPS All World Equity Climate Multi Factor Fund
6.0% LGPS Central Global Equity Multi Manager Fund
0.3% LGIM UK All Share
1.0% Global Active Futures
0.5% Equities held with Merrill Lynch
0.1% Smaller Equity Positions
2.5% Sustainable Equities - Impax
2.4% Sustainable Equities - RBC
0.6% Sustainable Equities - WHEB
2.4% Emerging Markets Equities - AGF
2.7% Emerging Markets Equities - BMO
1.7% Emerging Markets Equities - Mondrian
1.5% Aegon Short Dated Investment Grade Bond Fund
3.3% UK Corporate Bonds
1.0% LGPS Central Global Active IG Corporate Bond Fund
3.5% Multi-Class Credit
3.8% Emerging Market Debt Funds
0.9% Schroders FOCUS II / LGPS Credit Fund II
4.0% Infrastructure
7.1% Property
1.7% Opportunistic Funds
7.0% Private Equity

HELPING YOU UNDERSTAND YOUR RISK

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



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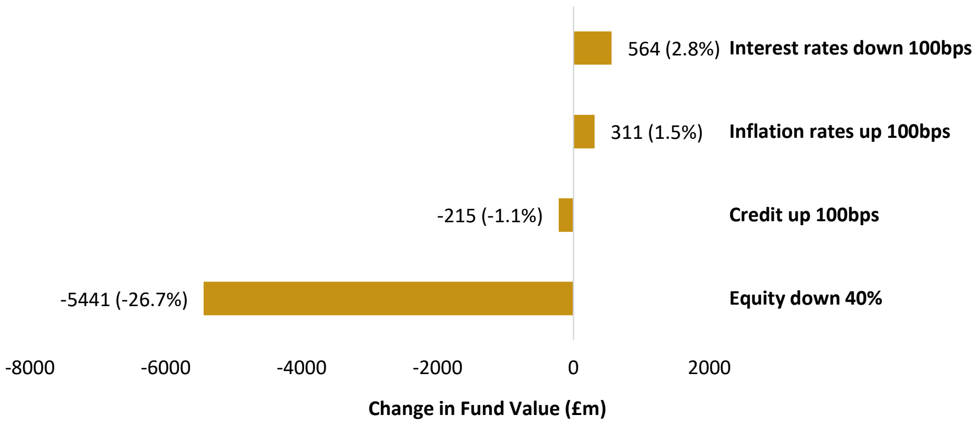
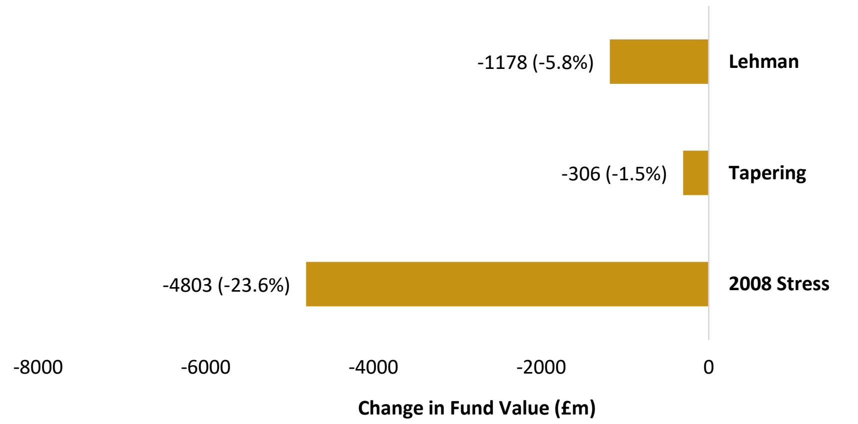
Scenario Analysis





APPENDICES

REDINGTON’S EXPECTED RETURNS – DECEMBER 2021

Asset Class	Expected Return (Gilts +)	Volatility	Expected Fees (p.a.)
Equity			
Developed Market Equities	3.9% ↑	16.7% ↓	0.0%-0.1%
Sustainable Equities	4.2% ↑	15.6% –	0.2%-0.4%
Emerging Markets Equities	4.5% ↑	20.1% ↓	0.1%-0.2%
China A Share Equities	5.8% ↑	30.8% –	0.3%-0.8%
Liquid Credit			
Corporate Debt GBP – Passive	0.8% ↑	6.5% ↑	0.1%-0.2%
Corporate Debt GBP – Active	1.1% ↑	6.6% ↑	0.2%-0.3%
Emerging Market Debt – Corporates	2.2% ↑	7.9% –	0.4%-0.6%
Emerging Market Debt – Local Currency Sovereign	3.0% ↑	14.9% ↑	0.5%-0.8%
Emerging Market Debt – Hard Currency Sovereign	2.0% ↑	9.5% –	0.5%-0.8%
Multi-Class Credit Global	2.4% ↑	7.6% ↓	0.4%-0.7%
Illiquid Credit			
Diversified Matching Illiquids (Uninvested)	2.6% ↑	7.1% –	0.3%-0.5%
Opportunistic Illiquid Credit	4.0% ↑	11.7% ↓	1.0%-1.5% (+ performance fee)
Securitised Opportunities	3.0% ↑	6.0% –	0.5%-0.7%
Special Situations	4.7% ↑	16.7% ↓	1.0%-1.5% (+ performance fee)
Illiquid Markets			
Private Equity	5.7% –	30.9% ↑	1.0%-1.5% (+ performance fee)
Insurance-Linked Securities	4.8% –	8.4% –	1.0%-1.5%
Renewable Infrastructure (Whole Projects)	3.7% –	13.7% ↓	0.5%-0.7% (+ performance fee)

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The increase in volatility of credit assets is driven by changes in our credit risk modelling.
Fee data is estimated based on fees of preferred managers in each strategy. In practice, each fee would be negotiated for West Midlands and may be considerably lower.

GLOSSARY

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

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Disclaimer

INVESTMENT STRATEGY STATEMENT
MARCH 2022

West Midlands Pension Fund

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1 INTRODUCTION

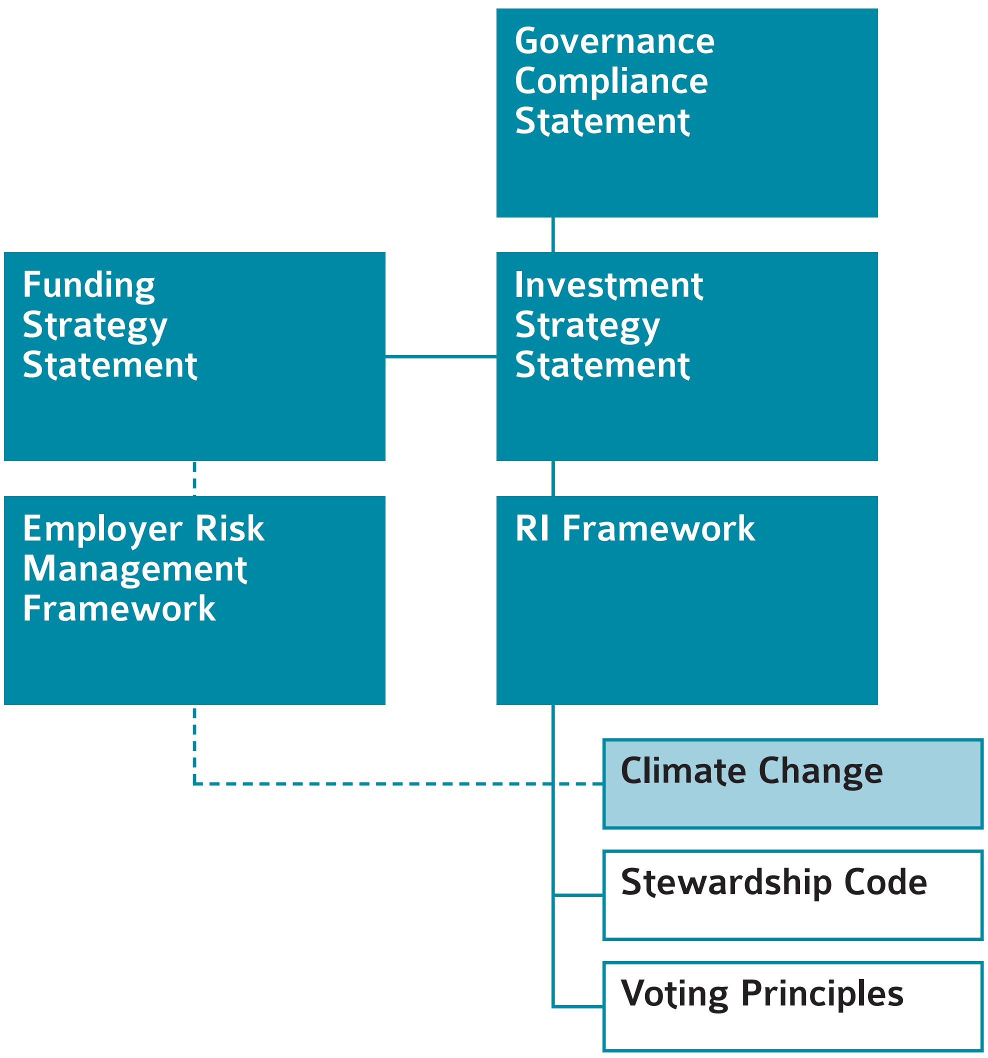
Local Government Pension Scheme (LGPS) regulations require administering authorities to prepare and maintain an Investment Strategy Statement ('ISS'). This ISS has been prepared by the West Midlands Pension Fund (the Fund) in accordance with regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the 'Regulations') and associated guidance. In preparing the ISS, the Pensions Committee has consulted with such persons as it considered appropriate. This statement updates and replaces the March 2020 ISS for both the WMPF main fund and the previously separate West Midlands Integrated Transport Authority Pension Fund (WMITAPF) Investment Strategy Statements. This statement was approved by Pensions Committee on 30 March 2022.

The ISS outlines the Fund's investments objectives and investment beliefs, identifies the risks the Fund faces and outlines how these risks are controlled/mitigated. In defining the implementation of the Fund's investment strategy, the ISS sets out the Strategic Investment Allocation Benchmark (SIAB) including the permitted ranges for different investment asset types.

The ISS also outlines the Fund's views on Responsible Investment (RI) and how RI is integrated into the investment decision making process and the role it plays in the way the Fund selects and stewards its assets.

The ISS is supported by the Funding Strategy Statement (FSS) and the Fund's employer covenant monitoring framework. Together these ensure an integrated approach to funding and investment strategy and risk management supporting the Fund in meeting the regulatory funding requirements.

The statements and framework relate as follows and are supported by a broader framework of policies in investments, most notably those relating to Responsible Investment:



Investment Governance Framework

The City of Wolverhampton Council is the administering authority for the Fund under the regulations. The City of Wolverhampton Council delegates responsibility for the administration and management of the Fund to the Pensions Committee who, in turn, delegates certain responsibilities to the Director of Pensions. The Investment Advisory Panel advises the Director of Pensions on investment issues relating to the Fund.

The Pensions Committee has oversight of the implementation of the management arrangements for the Fund's assets and comprises representatives from the seven district councils and three local trade unions. The Fund has a statutory Local Pensions Board whose role is to assist in the good governance of the scheme by ensuring compliance with statutory and regulatory duty. The Investment Advisory Panel includes two external advisers alongside the Director of Pensions and Assistant Directors. Neither the Local Pensions Board nor the Investment Advisory Panel have any decision-making powers. Roles and responsibilities are set out in more detail in Appendix A.

The Committee's investment objectives are represented by the Strategic Investment Allocation Benchmark (SIAB) included as Appendix B. This reflects the Committee's views on the appropriate balance between generating long-term investment return and taking account of market volatility and the risk and nature of the Fund liabilities.

ISS Review

The ISS is subject to fundamental review at least every three years and from time to time on any material changes to any aspects of the Fund, its liabilities, finances and its attitude to risk which are judged to have a bearing on the stated investment policy. In line with other Fund policies, the ISS is reviewed annually. In preparing the ISS, the Committee has considered advice from the Fund's investment and risk consultants.

Following a process of public consultation undertaken by the Ministry of Housing Communities and Local Government (MHCLG), Regulations were laid before parliament providing for the merger of the former West Midlands Integrated Transport Authority (WMITA) pension fund into that of the main West Midlands Pension Fund. Those regulations came into force on 8 November 2019 and apply retrospectively to effect merger from 1 April 2019.

In conjunction with the merger, former employers of the WMITA pension fund now participate in the main West Midlands Pension Fund with associated assets and liabilities transferred to two separate admission body funds (ABF). For the purposes of the 2021 Investment Strategy Statement (and thereafter) the associated investment strategy statements for the new separate ABFs are included as appendices to this ISS (appendices D and E).

The Fund has undertaken a consultation process with key stakeholders which have included group consultation meetings on the valuation and high-level investment strategy. Employers have been issued with a copy of the draft ISS and the draft has been published on the Fund's website pending approval by Pensions Committee. The two employers covered by the ABFs have also been consulted on their individual investment strategies, where applicable, which are incorporated in the appendices to the ISS.

2 PURPOSE OF THE ISS

The aims and purpose of a pension fund operating within the Local Government Pension Scheme (LGPS) are set out in the LGPS Regulations and the Public Service Pension Act 2013. With regard to funding, they can be summarised as follows.

The aims of the Fund are to:

- manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- enable primary and total contribution rates to be kept as nearly constant as possible; and
- seek returns on investment within reasonable risk parameters.

The purpose of the Fund is to:

- receive and invest monies in respect of contributions, transfer values and investment income; and
- pay out monies in respect of Fund benefits, transfer values, costs, charges and expenses, as defined in the GPS regulations and as requirement in the LGPS (Management and Investment of Funds) Regulations 2016.

The purpose of the ISS is:

- To set out the governance arrangements for investment
- To set out the Fund's investment objectives
- To define the Fund's investment beliefs
- How the Fund will manage investment-related risks
- How the Fund incorporates responsible investment
- To set out the Fund's strategic investment asset benchmark (SIAB) and ranges allowed to provide flexibility

3 INVESTMENT OBJECTIVES

The primary objective of the Fund is to ensure that the Fund is able to meet the pension promises (liabilities) made to scheme members as they fall due. To meet this objective the Fund sets the investment strategy so that the target level of return is achieved over the longer-term and that sufficient cashflow is generated so that it's liabilities can be met.

The Fund has a range of other objectives which include considering the needs of all key stakeholders which are supplementary to the aims of the Fund.

The funding objectives are set out in the Funding Strategy Statement.

4 INVESTMENT BELIEFS

The Fund's Statement of Investment Beliefs are set out in Appendix C which underpin the Fund's approach to investment strategy and how it is implemented. These beliefs underpin the ISS and cover:

- Financial market beliefs – The Fund adopts a long-term approach to investing as its liabilities stretch far into the future but in so doing seeks to also take a proactive approach to the management of assets taking into account the risk/return profile of different investment opportunities over a range of time periods
- Governance beliefs – The Fund believes having effective governance structures and policies will enable rigorous and tested decision making and will add value to the Fund over the longer term. Transparency and cost effectiveness provide key tenets of being a well governed Fund.
- Investment strategy – The Fund's investment strategy will encompass its approach to risk management, risk tolerance, liquidity and levels of return required to meet its strategic objectives. The Fund will set its strategic asset allocation to deliver the long-term returns required to meet its funding needs taking into account diversification, the requirement to remain agile, risk and cost of implementation, recognising that risk should be viewed both qualitatively and quantitively.
- Responsible investment – As long-term owners of capital (assets), the Fund believes that investing responsibly is key to ensuring the long-term value of the assets in which it invests is protected and where possible, enhanced. Investing responsibly and engaging as long-term owners reduces risk over time and has been proven to positively impact investment returns. The Fund is integrating responsible investment into the way it selects and stewards all assets.
- Climate change – The Fund adopts an evidence-based approach to climate change and believes there is overwhelming evidence to support that climate changes poses both risks and opportunities to the Fund's investments. The Fund will consider the impact of climate change in both its asset allocation and individual investments when making decisions.

5 IDENTIFICATION AND MANAGEMENT OF RISKS

Evaluation of risks that may impact on the investment strategy of the fund and expectation of future returns is crucial in determining the appropriate measures to mitigate those risks. The ISS identifies key risks specific to the Fund and the management or controls made to mitigate those risks:

Financial Risks	Management / Control
Investment risk - Assets do not deliver the return required to meet the cost of benefits payable from the Fund; potential drivers: • Inappropriate asset allocation and risk management • Investment market performance/volatility • Manager underperformance • The possibility that inflation is higher than expected increasing the Fund's liabilities and/or that the assets held deliver a level of return lower than inflation	• Investment strategy considered in context of Fund liabilities and return requirement set within the Funding Strategy Statement • Asset liability modelling and stress testing to set strategic benchmarks within Investment Strategy Statement (ISS), with annual review • Regular monitoring of strategic asset allocation and returns relative to benchmark • Regular monitoring of manager performance • Diversified portfolio with exposure to a wide range of asset classes, portfolio holdings and different management styles • Mitigates inflation risk through holding a diversified portfolio of growth and inflation-linked assets. Inflation risk is considered annually in the review of the SIAB and triennially as part of the actuarial valuation
Increasing maturity and benefit cashflow requirement; potential drivers: • Falling contribution income and increasing total benefit payments as more members start to draw their benefits • Declining active membership due to change in local authority service delivery models • Increasing reliance on income-generating assets	• Investment strategy review develop based on future benefit cashflow projection • Modelling of investment strategy and future asset income streams • Regular monitoring of membership movements and liability profile
Changing scheme regulations and guidance – impacting scheme benefits, funding strategy, actuarial valuations, investment strategy; potential drivers include: • Changes to scheme benefits from the LGPS cost management process • Changes to the approach for setting actuarial factors (for example on early retirement)	• Ongoing horizon scanning and consideration on the Fund risk register • Review and response to consultations on changes to the LGPS regulations and guidance which may impact scheme funding • Participation in national review and consideration of emerging issues within the LGPS

Financial Risks	Management / Control
• Changing regulations and guidance for administering authorities within the LGPS	
Asset risks (the portfolio versus the SIAB) • Concentration risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives. • Illiquidity risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets. • Currency risk that the currency of the Fund's assets underperforms relative to the SIAB. • Manager underperformance when the Fund managers fail to achieve the rate of investment return assumed in setting their mandates.	Asset risks at the fund level are mitigated by the setting and review of the SIAB. At the asset class level asset risks are mitigated by risk controls within individual asset mandates. • Constraining how far Fund investments deviate from the SIAB by setting diversification guidelines and the SIAB strategic ranges; • Investing in a range of investment asset mandates, each of which has a defined objective, performance benchmark, eligibility criteria and permitted ranges for individual securities which, taken in aggregate, constrain risk within the Fund's expected parameters; • Investing across a range of liquid assets, including quoted equities and bonds. This recognises the Fund's need for some access to liquidity in the short term; • Robust financial planning and clear operating procedures for all significant activities including regular review and monitoring manager performance against their mandate and investment process; • Appointing several investment managers. In doing so the Fund has considered the risk of underperformance by any single investment manager
Responsible investment (RI) risks that are not given due consideration by the Fund or its investment managers.	• The Fund actively addresses environmental, social and governance risks through implementation of its Responsible Investment (RI) Framework and its Compliance with the UK Stewardship Code for Institutional Investors. Key elements include selection, stewardship and disclosure.
Climate change - The Fund adopts an evidence-based approach to climate change and believes there is overwhelming evidence to support that climate changes poses both risks and opportunities to the Fund's investments. The Fund will consider the impact of climate change in both its asset allocation and individual investments when making decisions.	• Establishment of a separate climate change framework and strategy setting out its approach to this risk • Monitoring and measuring the impact of climate change risks

Operational Risks	Management / Control
Investment pooling: • Expected benefits and cost savings do not emerge over the long-term	• Investment Pool Risk Register • Collaboration on product development – protocol in place • Monitoring and management of costs
Transactional: • Transition risks – unexpected costs or losses arising from transition of assets • Custody – risk of losing economic rights to Fund assets when in custody or being traded • Credit or counterparty – potential default of counterparty • Financial recording of assets is inaccurate	• Professional advice from specialist transition managers, due diligence and oversight on transitions • Use of global custodian for directly held assets, contractual management and accounting recordss • Due diligence prior to appointment, review of credit ratings, internal controls reporting and compliance monitoring • Reconciliation of assets, internal and external audit

6 INVESTMENT STRATEGY

The Committee has translated its objectives into a suitable strategic investment allocation benchmark (SIAB) and structure for the Fund (set out in Appendix B) taking into account both the liability structure and the Fund's objectives. The Fund benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities. The investment beliefs in Appendix C also help in formulating the investment strategy.

The Committee monitors investment strategy relative to the agreed asset allocation benchmark and strategic ranges.

The Fund will be diversified across multiple asset classes with different risk return expectations and correlations to deliver the targeted return of the Fund. Appendix B shows the Strategic Investment Allocation Benchmark (SIAB) and strategic ranges.

The Fund will use risk attribution provided by independent advisors to assess diversification benefits.

7 DAY-TO-DAY MANAGEMENT OF THE ASSETS

Investment Management Structure
The Pensions Committee retains responsibility for the investment strategy of the Fund but has delegated oversight of its implementation to the Director of Pensions, advised by the Investment Advisory Panel.

The day-to-day management of the Fund's investments is led by the Assistant Director, supported by an internal team, investment consultant and external managers including the pool company, LGPS Central Limited. Further details are set out in Appendix A.

The Internal Investment Committee (IIC) is responsible for the day-to-day management and oversight of the assets including implementation of the strategic asset allocation within the benchmark ranges set out in the SIAB. This is supported by the Investment Advisory Panel and advice from the appointed investment consultants.

External Investment Managers

The Fund has appointed a number of external investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The investment managers are required to comply with LGPS investment regulations and operate within investment mandates set by the Fund. External managers are also expected to comply with the Fund's requirements on cost transparency.

Investment Pooling

A significant amount of investment is implemented through LGPS Central Limited following the setting up of a local authority shareholder owned FCA-regulated company, alongside seven Partner Funds and launched in April 2018. This comprises a mix of directly managed sub-funds along with a number of advisory mandates which the Fund has in place to assist with the day-to-day management of the assets. Both the individual sub-funds and the advisory portfolios are set a clear investment mandate with an accompanied investment process.

Oversight of performance is the responsibility of the IIC.

Expected Return on the Investments

Over the long-term, it is expected that the investment returns will be at least in line with the assumptions underlying the actuarial valuation (the discount rate). The individual mandates are expected to match or exceed the specific targets set for each portfolio over time.

Suitable Investments

Subject to the LGPS regulations on allowable investments the fund may invest in a wide range of assets and strategies including quoted equity, government and non-government bonds, currencies, money markets, commodities, traded options, financial futures and derivatives, alternative strategies (including insurance linked securities and loans), private equity and debt markets, infrastructure and property. Investment may be made in-house, in segregated mandates, indirectly (via pooled funds or partnership agreements), in physical assets or using derivatives. The Fund will also use external managers to carry out stock lending ensuring suitable controls/risk parameters are put in place to prevent losses.

The Fund may make use of derivatives either directly or in pooled funds when investing in these products, for the purpose of efficient portfolio management or to hedge specific risks.

The Fund, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles and a mix of asset types across a range of geographies in order to provide diversification of returns.

Additional Assets

Assets in respect of members' additional voluntary contributions are held separately from the main Fund assets. These assets are held with Utmost Life (from January 1st 2020) and the Prudential Assurance Company Limited. Members have the option to invest in with-profits funds, unit-linked funds and deposit funds.

The Fund monitors, from time to time, the suitability and performance of these vehicles.

Realisation of Investments

The Fund's liquidity characteristics are monitored on a regular basis and the majority of the Fund's investments may be realised quickly, if required. The Fund will ensure that the liquidity of the investments is suitable to meet future cashflow requirements. In general, the Fund's investment managers have discretion in the timing of realisations of individual, underlying investments and in considerations relating to the liquidity of those investments. Private equity, infrastructure and a number of the Fund's alternative investments, may be difficult to realise quickly in certain circumstances.

Monitoring the Performance of Fund Investments

The performance of all assets and investments is independently measured by an external provider. In addition, officers of the Fund meet or engage with all investment managers (both segregated and pooled) regularly to review their arrangements and the investment performance. The Pensions Committee meets regularly and reviews markets and Fund performance at least annually.

8 DAY-TO-DAY CUSTODY OF THE ASSETS

The Fund invests a significant proportion of its assets in third party investments schemes, including through LGPS Central. Separately, for certain directly invested assets the Fund has appointed a custodian with regard to the safekeeping of the assets in the Fund and other investment administrative requirements.

9 SECURITIES LENDING

Securities lending is undertaken in respect of the Fund's quoted equities holdings through the custodian/asset servicer. There is a formal securities lending agreement and approved collateral management framework to control and mitigate risk. Securities lending may also take place in pooled investment vehicles held by the Fund including those developed with LGPS Central Limited.

10 INVESTMENT POOLING

The Fund is part of the LGPS Central pool with the objective that the pooled investments can expect to benefit from lower investment costs and the opportunity to access alternative investments on a collective basis. As a local authority-owned and FCA-registered investment manager, the pool company, LGPS Central Limited is required to provide governance, transparency and reporting to give the Fund assurance that its investment instructions are being carried out appropriately. The Fund monitors the performance and management of its assets with LGPS Central Limited (either directly in sub-funds or through advisory and other forms of agreements) on a quarterly basis. It undertakes it oversight arrangements both collectively with other Partner Funds but also individually to assess whether the investments are meeting the Fund's longer-term strategic requirements.

The Fund intends to invest the majority of its assets through the LGPS Central Pool, transitioning over time and maintaining operational cash balances within the Fund. The Fund is likely to continue to hold a number of legacy assets and may hold assets outside the pool to meet specific strategic investment requirements not available through the pool. These will continue to be managed by the Fund given liquidity and the potential for significant loss of value should these assets need to be redeemed to meet the requirement to transition assets.

Investment strategy is set by the Pension Committee who also continues to oversee implementation of the investment strategy with the assistance of Fund officers and independent advisors. This includes the transition of assets to the LGPS Central Pool and ongoing monitoring of those arrangements, through the pool's governance framework.

11 RESPONSIBLE INVESTMENT

The Fund's approach to responsible investment is set out below and further detailed in its Responsible Investment Framework. The Fund believes that effective management of financially material responsible investment (RI) including climate change risks should support the Fund's requirement to protect returns over the long term. The Fund seeks to integrate responsible investment factors (adding corporate governance, environmental and social factors to the existing financial factors) into the investment process across all relevant asset classes. The Fund votes on all investments where possible and engages with companies when engagement will add value to the Fund.

The Fund is a signatory to the Stewardship Code (see www.wmpfonline.com) and the Principles of Responsible Investment. The Fund works with like-minded investors to promote best practice in long-term stewardship of investments. The Fund will not seek to exclude investments that are not barred by UK law.

RI Beliefs and Guiding Principles
The Fund's RI beliefs and guiding principles underpin its RI approach and are set out in detail in the Fund's Responsible Investment Framework.

RI Integration
The Fund believes that effective management of financially material RI risks should support the Fund's requirement to protect and potentially enhance returns over the long term. Investment managers incorporate RI into their investment process. With regard to climate change risk, the Fund recognises that the scale of the potential impact is such that a proactive and precautionary approach is needed in order to address it setting out in more detail the Fund's approach to climate change within its separate Climate Change Framework and Strategy.

The Fund considers RI to be relevant to the performance of the entire Fund across all asset classes. RI investments will be considered where any non-financial benefit is aligned with a positive financial benefit.

There are some investment opportunities arising from environmental and social challenges which can be captured so long as they are aligned with the Fund's investment objectives and strategy.

The Fund recognises the need to operate at a market-wide level to promote improvements that will help it to deliver sustainable long-term growth.

Engagement Versus Exclusion
Investee companies with robust governance structures should be better positioned to handle the effects of shocks and stresses of future events. There is risk but also opportunity in holding companies that have weak governance or financially material RI issues. Thus, the Fund prefers to adopt a policy of risk monitoring and engagement in order to positively influence company behaviour and enhance shareholder value, influence that would be lost through a divestment approach. The Fund extends this principle of 'engagement for positive change' to the due diligence, appointment and monitoring of external fund managers who are at an early stage of developing their RI approach.

The Fund believes that it will improve its effectiveness by acting collectively with other like-minded investors because it increases the likelihood that it will be heard by the company, fund manager or other relevant stakeholder compared with acting alone. The Fund will continue to monitor the success of both its individual but also collective engagement with companies.

Voting
Where practical, the Fund aims to vote in every single market in which it invests in alignment with corporate governance best practice guidelines. In the interests of sending a consistent signal to investee companies, the Fund has decided to use a third- party provider for analysis of governance issues and executing its proxy voting rights across all markets in which it invests. At the present time, the Fund believes that the advantage of a consistent signal outweighs the inherent disadvantages to disconnecting the voting function from the investment and engagement decisions of external fund managers.

12 CLIMATE CHANGE

The Fund takes an evidenced based approach to the risks around climate change and acknowledges the potential financial risks that climate change pose to the Fund's investments. The Fund has developed and published a separate Climate Change Framework and Strategy, setting out how it intends to manage both the risks and opportunities of climate change and how it intends to integrate climate change into its broader strategy and asset management. The Fund has set targets and will monitor and manage delivery of those targets and report back to Pensions Committee on progress. The Climate Change Framework and Strategy is subject to annual review by the Committee.

13 COMPLIANCE WITH THIS STATEMENT

The Fund will monitor compliance with this statement. In particular, it will ensure its investment decisions are exercised with a view to giving effect to the principles contained in the statement, so far as is reasonably practicable.

14 COMPLIANCE WITH MYNERS

Following from the Myners' report of 2000 into institutional investment in the UK, the Government, after consultation, indicated it would take forward all of the report recommendations identifying investment principles to apply to pension schemes.

These principles cover the arrangements for effective investment management decision-making, setting and monitoring clear investment objectives, focus on asset allocation, arrangements to receive appropriate expert advice, explicit manager mandates, shareholder activism, use of appropriate investment benchmarks, measurement of performance, transparency in investment management arrangements and regular reporting.

The Myners' principles have since been updated, and the Fund continues to support and comply with them. Full details of compliance are set out in the Fund's Compliance with Myners' Statement which can be found on the Fund's website.

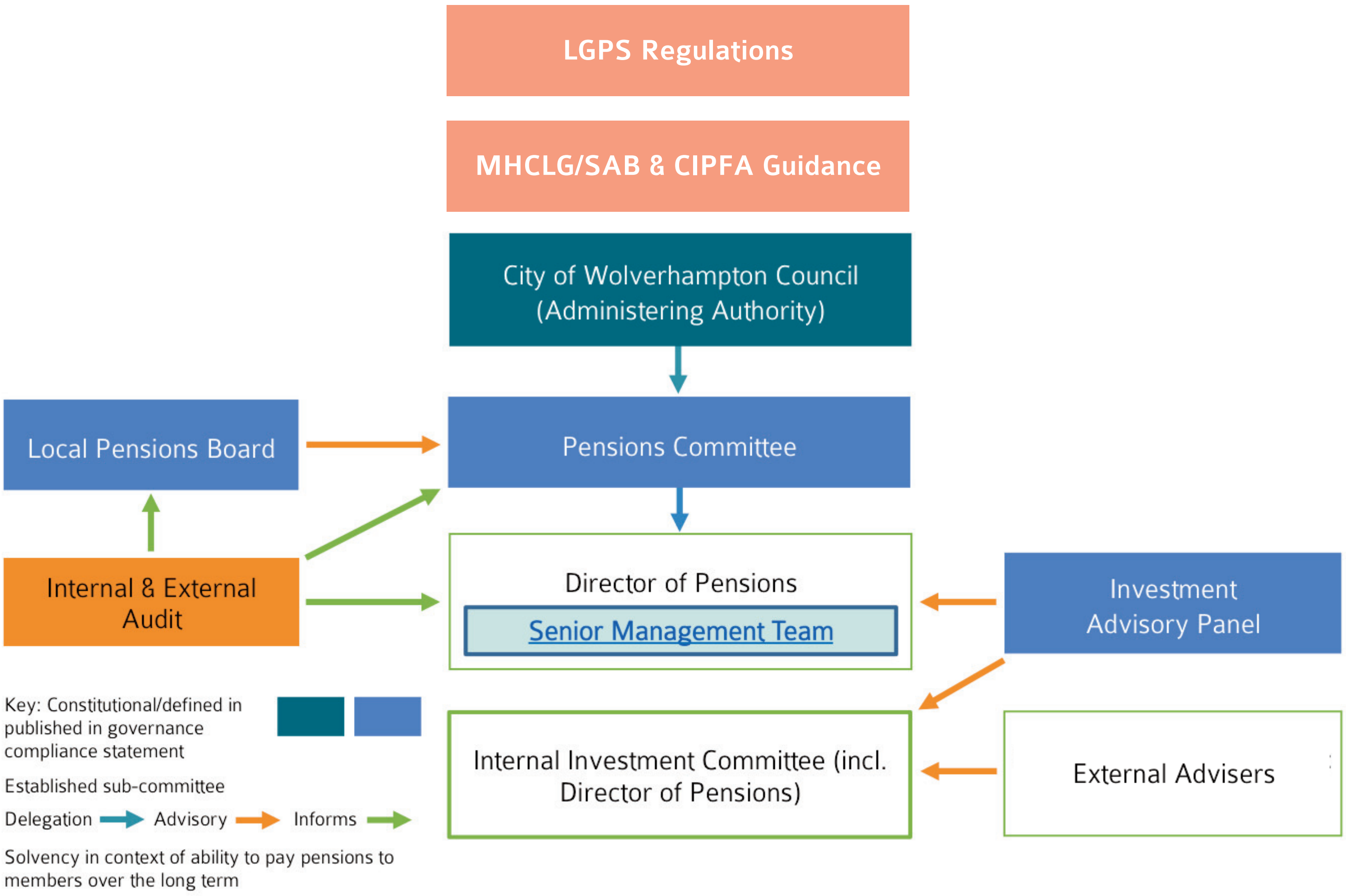
The Myners' principles have since been updated, and the Fund continues to support and comply with them. Full details of compliance are set out in the Fund's Compliance with Myners' Statement which can be found on the Fund's website.

LIST OF APPENDICES

- **Appendix A** – Roles and Responsibilities
- **Appendix B** – WMPF Main Fund Strategic Investment Allocation Benchmark (SIAB) and Ranges
- **Appendix C** – Statement of Investment Beliefs
- **Appendix D** – WMPF Separate Admission Fund WMTL Strategic Asset Allocation
- **Appendix E** – WMPF Separate Admission Fund PBL Strategic Asset Allocation

APPENDIX A: ROLES AND RESPONSIBILITIES

The regulatory and governance framework in place to manage investment strategy includes:



The roles and responsibilities of the different bodies in the governance structure are outlined below:

Pensions Committee	• Effect decisions on the management and administration of the Fund including investment decisions, annual approval of the Investment Strategy Statement
Local Pensions Board	• Review the process of effective decision-making
Director of Pensions	• Delegation for day to day management of Pension Fund including investments and implementation of investment strategy
Investment Advisory Panel	• Supports the Director of Pensions and Internal Investment Committee with strategic advice, challenge, market commentary and oversight of portfolio management
Internal Investment Committee	• Day-to-day asset allocation and investment strategy decision-making and implementation of investment strategy, together with oversight and monitoring of investment management arrangements
Investment Advisors	• Provision of advice on markets, investment strategy, risk management and individual investment ideas
Internal & External Audit	• Review process, decisions and implementation and to provide assurance to those charged with governance of the Pension Fund

The roles of the members and the Committee are as follows:

To exercise all those functions of City of Wolverhampton Council which are required to be performed by its role as Administering Authority for the Local Government Pension Scheme under the Public Services Pensions Act 2013 (and any associated legislation) adhering to the principles required by Statutory Guidance and the Code of Practise issued by The Pensions Regulator.

The key duties in discharging this role are:

1. To act as Pension Scheme Manager for the administering authority in the management and administration of the local government pension scheme fort the West Midlands.
2. To be responsible for compliance with legislation and best practice
3. To undertake training as outlined in the Fund's Pensions Committee and Pensions Board Training Policy.
4. To review and agree the Investment Strategy Statement, Responsible Investment Statement and Funding Strategy Statement for the Fund.
5. To monitor funding and investment activity and the performance of the Fund's investments;
6. To produce and maintain an Administering Authority Statement, Pension Administration Strategy, Governance Compliance Statement, Communications Statements and publish a Pension Fund Annual Report;
7. To determine employer admission policy and agreements;
8. To appoint and monitor an investment pool operator to manage the assets of the Fund;
9. To appoint Committee advisors;
10. To determine detailed management budgets; and the Fund's Service Plan
11. To administer all aspects of the West Midlands Pension Fund on behalf of City of Wolverhampton Council.

Further information about the role of the Pensions Committee is available in the Pensions Committee Terms of Reference which can be found in the City of Wolverhampton Council Constitution.

The Director of Pensions oversees the implementation of Fund policy and the management of the day-to-day operational functions through the Fund's service areas. The Committee are advised and supported by the Chief Executive, Director of Pensions, Assistant Directors, Section 151 Officer, Monitoring Officer, Heads of Service and Senior Finance and Legal Officers from the City of Wolverhampton Council.

Local Pensions Board
The role of the Local Pensions Board is to assist in the good governance of the scheme through the monitoring of Fund performance and adherence to statutory duties.
The Board consists of six employer and six member representatives consisting of five employer and five member representatives together with two City of Wolverhampton Councillors, each sitting one as an employer representative and one as a member representative.

The Pensions Board is not a decision-making body, nor does it hold a scrutiny function; its role is to assist in the compliance with statutory duties.

Investment Advisory Panel
The Investment Advisory Panel advises the Director of Pensions on investment issues relating to the Fund.

The Investment Manager
Appointed Investment Managers carry out the investments for the Fund. Investment managers encompass both LGPS Central Limited and external providers with investment activity governed by investment management agreements (external providers) and the terms of the LGPS Central Limited Authorised Contractual Scheme and other legal entities (eg, limited partnerships).
The Fund also maintains a number of investment advisory agreements with LGPS Central Limited which are subject to review on an ongoing basis.

APPENDIX B: WMPF MAIN FUND STRATEGIC INVESTMENT ALLOCATION BENCHMARK AND RANGES

Medium-term asset allocation	Target %	Total %	Range %
Growth		**50.00**	**40-60**
Liquid growth		**42.0**	
Developed market equities	30.0		
Emerging market equities	12.0		
Illiquid growth		**8.0**	
Private equity	6.0		
Special opportunities	2.0		
Income		**38.00**	**30-50**
Liquid income		**14.0**	
Multi-asset credit	5.5		
Corporate bonds	4.0		
Emerging market debt	4.5		
Illiquid income		**24.0**	
Infrastructure	9.0		
Property	9.0		
Diversified private credit	6.0		
Stabilising and low risk		**12.0**	**5-20**
Stabilising		**7.0**	
Government bonds	2.0		
Index-linked bonds	3.0		
Cash	2.0		
Stabilising low risk		**5.0**	
Index-linked bonds	1.0		
Corporate bonds	2.0		
Multi-asset credit	1.0		
Private credit (lower risk)	1.0		
Total	**100.0**		

APPENDIX C: STATEMENT OF INVESTMENT BELIEFS

The Fund's investment beliefs outline key aspects of how it sets and manages the Fund's exposures to investment risk. They are as follows:

Headline beliefs
Objectives beliefs – As a pension fund the primary objective is to ensure that the Fund is able to meet the pension promises (liabilities) made to scheme members as they fall due. The Fund has a range of other objectives which include considering the needs of all key stakeholders which are supplementary to the primary objective
Financial market beliefs – The Fund takes a long-term approach to investing as its liabilities stretch into the future. The Fund has a proactive approach to the management of assets taking into account the risk/return profile of different investment opportunities over a range of time periods.
Governance beliefs – The Fund believes having effective governance structures and policies will enable rigorous and tested decision making and will add value to the Fund over the longer term. Transparency and cost effectiveness provide key tenets of being a well-governed Fund.
Investment strategy – The Fund's investment strategy will encompass its approach to risk management, risk tolerance, liquidity and levels of return required to meet its strategic objectives. The Fund will set its strategic asset allocation to deliver the long-term returns required to meet its funding needs taking into account diversification, the requirement to remain agile, risk and cost of implementation, recognising that risk should be viewed both qualitatively and quantitively.
Responsible investment – As long-term owners of capital (assets), the Fund believes that investing responsibly is key to ensuring the long-term value of the assets in which it invests is protected and where possible, enhanced. Investing responsibly and engaging as long-term owners reduces risk over time and has been proven to positively impact investment returns. The Fund is integrating responsible investment into the way it selects and stewards all assets.
Climate change – The Fund adopts an evidence-based approach to climate change and believes there is overwhelming evidence to support that climate changes poses both risks and opportunities to the Fund's investments. The Fund will consider the impact of climate change in both its asset allocation and individual investments when making decisions.

Objectives
Headline objectives – As a pension fund the ultimate objective is to ensure that the Fund is able to meet the pension promises (liabilities) made to scheme members as they fall due. The Fund has a range of other objectives which include considering the needs of all key stakeholders which are supplementary to the primary objective. • Setting clear and well-defined objectives are essential to reflect the Fund's long-term direction of travel • Use of an integrated risk management framework including interlinking with both employer covenant monitoring and funding work to assist in delivering the sustainability of the Fund

- To meet the changing needs of the Fund's scheme membership and employer base, noting in particular the growing number of both members and employer but also changing workforce patterns and nature of employment and employers in the Fund.
- The Fund's asset allocation will reflect a risk-based assessment of its ability to meet its long-term pension liabilities taking into account funding levels, cash flow and balancing risks to long term sustainability of contributions

Financial market beliefs

Headline financial market beliefs – The Fund takes a long-term approach to investing as its liabilities stretch into the future and in so doing seeks to take a proactive approach to the management of assets taking into account the risk / return profile of different investment opportunities over a range of time periods

- There exists a relationship between the level of investment risk taken and the rate of expected investment return. The Fund monitors the long-term returns (10 years plus) of asset classes and their level of risk through assessing the level of volatility over time
- Markets are dynamic and asset values can become distorted over time providing opportunities for the Fund to benefit from the mispricing of assets
- There are opportunities for the Fund to access a level of illiquidity premium by its ability to invest longer term in illiquid assets where there is evidence that it is beneficial to do so
- Diversification is a key risk management tool for the long-term investment of Pension Fund assets
- Investing for the long-term can enable the Fund to use short term volatility to acquire investments when attractively priced
- The Fund does not need to own an asset class/investment strategy where it is not expected to help in delivering the required risk-adjusted return.
- The Fund recognises that currency management including the use of currency hedging is another risk management tool
- The Fund believes that the use of derivatives e.g. market futures and currency forwards can enable the Fund to implement its investment strategies and make asset allocation changes in a cost effective and efficient way.

Governance and organisational beliefs

Headline Governance and Organisational Beliefs – The Fund believes having effective governance structures and policies will enable rigorous and tested decision making and will add value to the Fund over the longer term. Transparency and cost effectiveness provide key tenets of being a well-governed Fund.

- Effective governance and clear decision-making structures promote clear accountability, audit and transparency in decision making leading to appropriate levels of challenge and improved investment outcomes
- Internal investment management can lead to lower costs, improved transparency and greater responsiveness in meeting the Fund's broader strategic objectives including those aligned with responsible investment.

- The Fund will assess and select the most appropriate benchmarks or absolute return targets for individual asset classes and will use a customised benchmark for the Fund as a whole
- The Fund will assess its performance against its customised benchmark and will assess its longer performance against relevant peer groups both national and international comparatives to assess the value add that the Fund is delivering
- The Fund will assess a range of implementation routes to accessing asset classes and individual investment opportunities, this will include the use of the investment pool company
- Investment costs are a certain cost versus investment performance which provides for an uncertain outcome and the Fund believes that investment costs should be fully transparent and assessed as part of any investment decision.
- Effective cost management will enhance investment returns. Cost should be transparent and assessed within decision making and monitored to ensure investments continue to offer VFM
- Investment costs are an important determinant in assessing investments, but net of fees performance is a more important factor in delivering investment performance
- Effective manager monitoring, and oversight is critical for risk management and enhancing outcomes
- Effective implementation and structuring of investment portfolios should enhance the long-term returns to the Fund

Investment Strategy beliefs

Headline strategy beliefs – The Fund's investment strategy will encompass its approach to risk management, risk tolerance, liquidity and levels of return required to meet its strategic objectives. The Fund will set its strategic asset allocation to deliver the long-term returns required to meet its funding needs taking into account diversification, the need for flexibility, risk and cost of implementation.

- Taking a long-term perspective on investment strategy will deliver better outcomes for the Fund
- SAA is a key determinant of risk and return and the Fund believes that this will add greater value than individual manager or stock selection over time
- SAA targets needs to encompass flexibility to be able to take account of market volatility and enable the Fund to manage cashflows
- Alternative asset classes add further diversity to the portfolio and improve its risk-return characteristics
- Active management can add value over time, but it is not guaranteed and can be hard and more expensive to access. Where actives strategies are not considered to add value, a passive approach will be selected
- Managing fees and costs matter especially in low-return environments. Fee arrangements with our Fund managers – as well as the remuneration policies of investee companies – should be aligned with the Fund's long-term interests

- Strategic asset allocation is the most important driver of the Fund's investment outcome. The asset allocation process balances diversified risks against the expected additional returns for these risks. The main sources of return for the Fund for bearing risk ('risk premia') are equity, credit, and illiquidity.
- Diversification through effective portfolio construction is a key technique available to investors for spreading risk across a range of factors and improving risk-adjusted returns

Responsible investment beliefs

Headline responsible investment beliefs – As long-term owners of capital, the Fund believes that investing responsibly is key to ensuring the long-term value of the assets in which it invests. Investing responsibly and engaging as long-term owners reduces risk over time and positively impacts investment returns. The Fund will integrate responsible investment into the way it manages all assets.

- Effective management of financially material ESG risks including climate change risks should support the Fund's requirement to protect and optimise returns over the long term
- Investee companies with robust governance structures should be better positioned to handle the effects of shocks and stresses of future events
- There are some investment opportunities arising from environmental and social challenges which can be captured so long as they are aligned with the Fund's investment objectives and strategy.
- Responsible Investment should be integrated into the investment process
- The Fund will manage responsible investment factors through engagement rather than exclusions.
- The Fund may take into account non-financial factors when making investment decisions, provided that it is able to demonstrate no significant financial detriment from doing so
- The Fund believes working collaboratively with other investors will deliver improvements to the way in which companies are managed and the provides the opportunity to influence wider policy which could impact on the long term returns to the Fund

Climate change beliefs

Headline climate change beliefs – The Fund adopts an evidence-based approach to climate change and believes there is overwhelming evidence to support that climate changes poses both risks and opportunities to the Fund's investments. The Fund will consider the impact of climate change in both its asset allocation and individual investments when making decisions.

- The Fund believes there is overwhelming evidence to support the fact that climate change is impacting on the environment and that this will have longer term consequences for the Fund's financial returns if not managed.
- Climate change has the potential to impact the funding level of the pension fund through impacts on employer covenant, asset pricing, and longer-term inflation, interest rates and life expectancy.

- We believe that a transition to a low carbon economy is essential and that carefully designed and targeted government and company policies can ensure a just transition for workers and communities, with substantial economic and social benefits. In addition, public finance will be important as a cross cutting mechanism to invest in human capital and inclusive growth
- The Fund will collaborate with other investors to campaign for positive changes to policy both nationally and at a company level to bring about change aligned to the Paris accord of 1.5 to 2.0 degrees scenarios
- The Fund will adopt a focused climate change policy which will be monitored and measured to ensure that the Fund is delivering against policy targets set within its climate change policy
- The Fund accepts that there are both risks, and opportunities involved in climate change and will take these into account when setting investment strategy but also when considering individual investments
- In order to assess progress for the Fund towards a lower carbon economy it is essential for the Fund to measure its climate risk exposure at regular intervals

APPENDIX D: WMPF SEPARATE FUND WMTL STRATEGIC INVESTMENT ALLOCATION BENCHMARK AND RANGES

Medium term asset allocation	Target %	Range %
Return seeking (equities)	16.0	14-18
Alternative credit	48.0	42-54
Stabilising gilts & bonds (including LDI)	36.0	32-40
Total	**100.0**	

The above excludes the value of the buy-in policy held to support meet a portion of the pensioner liabilities.

WMTL target hedge ratios	
Interest rates	60%
Inflation	40%
Total	**100.0**

APPENDIX E: WMPF SEPARATE FUND PBL STRATEGIC INVESTMENT ALLOCATION BENCHMARK AND RANGES

PBL medium term asset allocation March	**Target %**	**Range %**
Return seeking (equities)	15.0	10-20
Alternative credit	26.0	20-35
Stabilising gilts & bonds (including LDI)	58.5	50-70
Cash	0.5	0-2
Total	**100.0**	

West Midlands Pension Fund
PO Box 3948
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Agenda Item No: 13

CITY OF WOLVERHAMPTON COUNCIL	**Pensions Committee** 30 March 2022

Report title	Responsible Investment Activities	
Originating service	Pension Services	
Accountable employee	Rachael Lem Tel Email	Responsible Investment Officer 01902 554764 Rachael.Lem@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 551715 Rachel.Brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Pensions Committee is asked to note:

1. The Fund's draft Voting Principles 2022 [Appendix A].
2. The Fund's engagement and voting activity for the three months ending 31 December 2021 [Appendices B and C].
3. 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/2022/01/LAPFF_QER04_2022_Final.pdf.
4. The research and engagement activity undertaken by EOS at Federated Hermes as set out in the 2021 Annual Engagement Report, which is available on the EOS website: EOS 2021 Annual Review | UK Institutional (hermes-investment.com).

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 quarter[1], 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 823[2] engagements with 252 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 engagement examples considered in this paper are predominately taken from LAPFF's Q4 2021 Quarterly Engagement Report and EOS's 2021 Voting and Engagement Highlights Annual Review. Following the request of the Financial Reporting Council (FRC) for investors, asset managers and service providers to submit Annual Stewardship Reports for review at the end of April or October each calendar year, some companies, such as LGPS Central and EOS, are choosing to produce an Annual Stewardship report in place of a Q4 2021 quarterly report. The Fund's 2022 Annual Stewardship Report will be

[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.

submitted to the FRC for review at the end of April and will be presented to Pensions Committee at the June 2022 meeting.

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 approximately 420 climate change engagements, the majority of which saw correspondence with the FTSE all-share (excluding investment trusts) pressing for an annual 'Say on Climate' vote. The 'Say on Climate' initiative asks companies to set out their strategy to manage the transition to a net zero emissions business with investors asking for emission disclosure consistent with the Task Force on Climate-related Financial Disclosure, a five-year plan to get onto a net zero emissions pathway and annual provision for shareholders to vote on such plans. In October 2021, the LAPFF chair, together with TCI Fund Management and Sarasin and Partners, wrote to the FTSE All-share (excluding investment trusts and companies that had already made a commitment to annual vote for shareholders) to ask that boards set out their strategy to manage the transition to a net zero emissions business and to provide annual provision for shareholders to vote on such plans. As at end December 2021, 64 responses had been received.

3.7 Following correspondence with companies in November 2020, LAPFF joined in further communications with companies to share feedback on climate-related financial disclosures in the most recent set of company financial accounts. Correspondence aimed to encourage the companies to address outstanding concerns in audited accounts issued in 2022. Copies were also provided to the lead audit partner to emphasise the expectation that they alert shareholders where the accounts are not consistent with a 1.5°C outcome.

3.8 Alongside LAPFF and LGPS Central, the Fund continues to participate in regular calls with IIGCC and its investor members, receiving and providing updates on EU constituents of the CA100+ initiative. Results of the CA100+ benchmarking process are being discussed with companies following the review period ending in December 2021. Sector meetings are proving helpful in providing peer best practice examples as 'pointers' for other companies in the sector.

3.9 The LAPFF-supported "All-Party Parliamentary Group (APPG) for local authority pension funds" inquiry report into a Just Transition was published during the quarter. The APPG had undertaken an inquiry during 2021 examining the role investors can play, with the support of government, in ensuring the transition to net zero considers the social implications for employees, consumers, communities and supply chains. The APPG, chaired by Clive Betts MP, heard evidence from LAPFF members, investors, companies, trade unions and from the Climate Change Committee. The inquiry found that just transition presented investors with financial risks and covered actions investors can individually and collectively undertake and also set out how Governments can support investors. A copy of the report can be found on the LAPFF Website[3].

Sustainable Food Systems

3.10 During the quarter, one of the Fund's Sustainable Equities Managers produced an insight piece addressing biodiversity loss and the role of investors. The manager writes that failure to address biodiversity loss carries enormous risks to human health and prosperity, given our dependence on nature. Addressing the crisis is especially challenging, given its complexity, diverse drivers, and our limited understanding of natural processes. We can learn valuable lessons from confronting other environmental issues, including climate change. To respond effectively, the asset manager states that we need to break biodiversity loss down into a set of specific sub-issues (or 'Biodiversity Imperatives') and address them using tailored solutions based on a 'multi-local' approach. Investors can not only contribute significantly to these efforts but also benefit from new business opportunities linked to the sustainable management of biodiversity.

3.11 Biodiversity loss was further recognised by EOS at Federated Hermes as an urgent challenge in 2021 given the importance of ecosystems for sustaining global food supplies, providing clean water and air, and absorbing harmful carbon dioxide to help mitigate global heating. In EOS's 2022-2024 Engagement Plan[4], EOS outline that they will engage with companies, especially those that are involved in the production and sale of food, on halting and reversing biodiversity loss. Depending on the specific company context, engagement will cover various issues including deforestation, regenerative agriculture, sustainable proteins and chemical run-off management.

Human Rights

3.12 During the quarter LAPFF engaged companies on approximately twenty human rights issues on behalf of the Fund. In the same time period, the Investor Alliance on Human Rights (IAHR) circulated an investor letter calling for the UK and the EU to implement mandatory human rights and environmental due diligence (mHREDD). It followed with another letter asking that stakeholder engagement be placed at the heart of this legislation. On behalf of WMPF, LAPFF signed both letters.

3.13 Over the last couple of years, LAPFF has engaged intensively with mining companies on their human rights practices. The engagement has focused on the participation of affected stakeholders in mining company activities and decision-making. Based on these engagements with mining companies and affected stakeholders, LAPFF has produced five reports on its views regarding mining companies and human rights. The reports are currently being consolidated into a single draft report that LAPFF has circulated for comment to the five companies addressed and to the affected communities whose accounts have been included in the report. After the comments have been received, they will be assessed and integrated as appropriate before the report is released publicly.

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[3] Responsible-Investment-for-a-Just-Transition-Report.pdf (lapfforum.org)

[4] EOS Engagement Plan 2022-2024 | UK Institutional (hermes-investment.com)

3.14 The LAPFF Vice Chair, was appointed in 2021 to the City of London's Taskforce on Socioeconomic Diversity Advisory Board and during the quarter, the Vice Chair attended an in-person event to discuss a number of issues that both the advisory board and working groups are looking to overcome. Questions of whether mandatory reporting by government or regulators were asked, and what role sector bodies can play. The role of membership bodies seeking to progress change in this area was discussed as well as what members of the taskforce believed would convince senior leadership to improve socio-economic diversity. LAPFF's work on diversity will continue in 2022 and will incorporate aspects of socio-economic diversity alongside other aspects.

3.15 For the third consecutive year, the Fund has joined 122 investors with £9.6 trillion in assets under management, to become signatory to the Rathbone's Modern Slavery Initiative. Thus far during March 2022, letters have been sent to 44 target companies and Rathbone's have already begun to receive a number of positive responses.

Responsible Financial Management

3.16 Executive remuneration pay structures are a critical tool for aligning the activities of management with a company's purpose, strategy and incentivising long-term value creation, including wider social and environmental outcomes. During 2021, EOS opposed 53% of UK remuneration policy proposals versus 50% in 2020. EOS denote that they saw evidence of some good practices, with many companies repaying the money received from the government to furlough their employees or in business rates relief, and it was generally accepted amongst those not able to do so that they should not pay bonuses to executives.

3.17 In their 2022-2024 Engagement Plan, EOS have outlined that in some markets they consider that compensation structures and practices are generally not fit for purpose, with some recent practices, such as introducing structures to gear the majority of pay towards performance-based pay, may have been well-intentioned but have proved ineffective with unintended consequences such as escalating quantum and encouraging short-termism or financial engineering. The coronavirus pandemic has served as a reminder of the limitations of pay schemes reliant on stock options or performance-based incentives schemes. EOS therefore wish to see simpler, more transparent pay schemes with the reduction of variable, performance-based elements in pay, replacing these with higher fixed pay, paid primarily in shares held for the long term. The long-term outcomes EOS seek include executives being rewarded for behaviour aligned to the desired corporate culture; simple, understandable pay schemes that incentivise delivery of long-term sustainable value; clear disclosure explaining the nature and appropriateness of awards; and fair levels of pay that clearly align with performance and can be justified to employees, investors and other stakeholders.

Voting Globally

3.18 The Fund's Voting Principles 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 latest iteration of which is due to be published in April 2022. The Fund has reviewed and updated its Voting Principles noting the important role voting places in the overall engagement strategy and in consultation with appointed investment managers, including LGPS Central Ltd. Key updates to the document include:

strengthening of expectation on board composition to enhance diversity (Section 3.1); enhancement of Auditor Independence and Remuneration practices (Sections 3.2 and 3.4); and inclusion of Section 3.5 '*Sustainable Business Practices'* which sets out enhanced expectations of company climate-related disclosures and transition plans and encourages commitment to biodiversity protection as part of a broader climate transition effort. A draft version of the Fund's updated Voting Principles can be found in Appendix A. This has been developed ahead of the 2022 voting season, with the final version to be presented to Committee for approval in June 2022.

3.19 The voting activity for the quarter across markets and issues can be found in Appendix B. During the period, the Fund voted at a total of 316 company meetings (2,424 resolutions) – 59 UK, 46 Europe, 38 North American, 44 Developed Asia, 90 Australasian and 39 in Emerging and Frontier Markets. At 167 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

3.20 This quarter the Fund has continued its involvement in the Asset Owner Diversity Working Group, which in 2022 saw the development of the first Asset Owner Diversity Charter[5], which aims to tackle diversity bias within the asset management industry. The Charter has now been backed by 20 signatories representing £1.88 trillion in assets under management/consultancy. Preliminary questionnaires were sent to a subset of Asset Mangers during Q1 and Q2 2021, which led to the development of the 'Asset Manager Diversity and Inclusion Questionnaire' which is set to be available to all asset managers globally later on in 2022. Simultaneously, the Fund is looking to incorporate diversity and inclusion into its conversation with managers with a view to this becoming a required metric for asset managers to report on in the coming year. Pensions Committee will be kept informed of the progress of both initiatives.

LAPFF 2022-2023 Workplan

3.21 As per previous years, the Fund was pleased to have the opportunity to be able to feed comments into the development of the LAPFF 2022–2023 Workplan. Commensurate with the Fund's engagement themes for 2019-2023 and WMPF's newly established climate targets for 2021 – 2026, the Fund asked LAPFF to continue the strong work that it is doing in their climate workstream, which comprises net zero, Paris-aligned accounts, strategic resilience, just transition and electric vehicles. The Fund also asked LAPFF to continue to press for companies operating in the Occupied Palestine Territories to produce credible human rights impact assessments and will seek clarity as to how best approach engagement with these companies.

[5] Asset Owner Diversity Charter | Diversity Project

Occupational Pensions Stewardship Council

3.22 During the quarter the Fund attended an Occupational Pensions Stewardship Council (OPSC) quarterly meeting. In response to a recommendation by the Department for Work and Pensions, the OPSC was established mid-2021 to promote and facilitate high standards of stewardship of pension assets. The council provides schemes with a forum for sharing experience, best practice and research, and providing practical support. The council also enables opportunities for schemes to collaborate on stewardship activities such as shareholder resolutions, climate change, corporate governance and other topics.

Correspondence

3.23 The Fund continues to receive correspondence from individual members of the public, and more established divestment groups in connection with climate change, human rights issues and calls for divestment. During the quarter the Fund received queries and correspondence on responsible investment topics relating to investment in Occupied Palestine Territories (OPT). The Local Authority Pension Fund Forum is continuing a programme of engagement over 2022 on behalf of the Fund and is monitoring both UN activity and the developing political situation in OPT areas. Pensions Committee will be kept abreast of progress.

3.24 The Fund is shocked and saddened by the escalating events in Ukraine over the last couple of weeks and our thoughts are with those whose lives are affected by the invasion and ongoing conflict. We are united with many others in our view that war is not the answer, and we are supportive of the actions taken to support the people of Ukraine. The Fund has received a number of queries from members and press outlets on the Fund's investment holdings within Russia. The Fund has reviewed its investment holdings and continues to liaise with Fund Managers to assess actions taken in response to the developing events in Ukraine, together with the increasing sanctions imposed on Russia. Fund investments in this area represent a very small and reducing element of the Fund portfolio, with actions having already been taken to reduce exposure.

3.25 The Fund, and its managers, have taken action to limit future investment (as outlined in a separate report to be discussed later in this meeting) and we continue to monitor the situation in line with our Responsible Investment Framework[6]. The economic and investment landscape has fundamentally shifted, with geopolitical risks, and humanitarian impact coming to the fore. The Fund believes this requires a fundamental review of investment strategy and re-evaluation of social and governance risks with this being our focus as we continue to monitor the financial and non-financial implications, short and longer term.

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.

[6] Responsible Investment Framework - March 2021 (wmpfonline.com)

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 Other Potential Implications

7.1 This report contains no other potential implications

8.0 Schedule of background papers

8.1 LAPFF Quarterly Engagement Report: https://lapfforum.org/wp-content/uploads/2022/01/LAPFF_QER04_2022_Final.pdf.

8.2 EOS at Federated Hermes Public Engagement Report: EOS 2021 Annual Review | UK Institutional (hermes-investment.com)

9.0 Schedule of appendices

9.1 Appendix A – WMPF Draft Voting Principles 2022

9.2 Appendix B – WMPF Engagement Activity

9.3 Appendix C - WMPF Voting Activity

WEST MIDLANDS PENSION FUND VOTING PRINCIPLES
MARCH 2022

West Midlands Pension Fund

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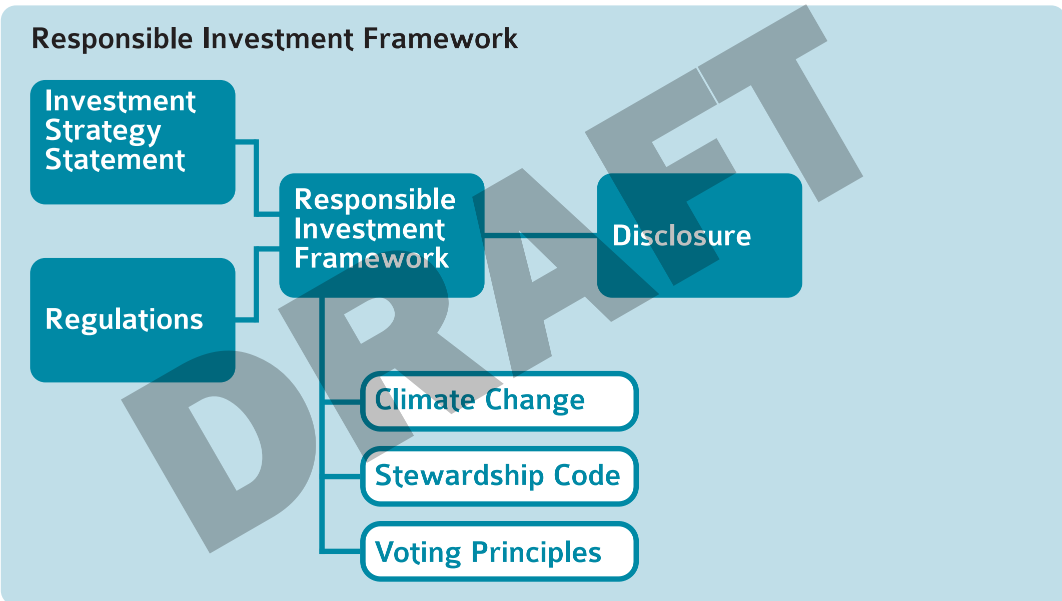
1 CONTEXT

1.1 Purpose

This document describes West Midlands Pension Fund's ("WMPF/ the Fund") approach to exercising its voting rights at the shareholder meetings of UK companies in which the Fund invests. This document supports the Fund's ambition to be fully transparent to its stakeholders. The principles described in this document apply primarily to companies with a premium listing on the main market of the London Stock Exchange (LSE), but the principles may be extended to other investee companies as appropriate. For voting rights associated with non-UK companies, the Fund currently applies the international voting principles of the proxy research provider appointed by the investment pool company LGPS Central Limited.

This document is supplementary to the Fund's *Investment Strategy Statement*, *Responsible Investment Framework* and *Climate Change Framework and Strategy*. As detailed in the Fund's submission to the *UK Stewardship Code 2020*, voting is a core component of WMPF's approach to investment stewardship.



The Fund's *Voting Principles* have been developed in alignment with the relevant statutory guidance. The *Voting Principles* apply to those assets where the Fund holds the voting rights. Where voting rights are executed by external managers on behalf of the Fund (for instance, in pooled mandates, including those operated by LGPS Central, or where the Fund has delegated authority) the Fund has reviewed and is satisfied with the voting policies of those managers. This document is owned by the Fund's Assistant Director - Investment Management and Stewardship and is subject to regular review by WMPF's Internal Investment Committee and approval by Pensions Committee on an annual basis.

1.2 About the West Midlands Pension Fund

WMPF is one of the largest funds within the Local Government Pension Schemes in the UK. An open defined benefit pension scheme with more 800 employers, the Fund has assets under management of c.£20 billion and invests for the long-term across a wide range of asset classes to deliver returns to pay pensions to almost 335,000 Fund members within the West Midlands.

The Fund is one of eight partner funds within the LGPS Central pool, a collaboration facilitating pooled investments established under the UK government's programme of pooling local authority pension funds. LGPS Central Limited is the investment management company established by the pool and is authorised and regulated by the Financial Conduct Authority (FCA). Since April 2018, the Fund's voting rights have been executed by LGPS Central Limited, following its adoption of a leading approach to responsible investment (RI) and stewardship, aligned to the principles established by WMPF and other partner funds.

1.3 Responsible Investment at West Midlands Pension Fund

Through the Fund's *Responsible Investment Framework*, the Fund supports active stewardship, engagement and seeks positive change to protect and enhance WMPF's assets, ensuring they deliver the returns to support the payment of members' pension benefits. The Fund adopts a three-pillar approach to implementation, across selection, stewardship, and reporting and disclosure. Supporting activities reflect investment beliefs set out in The Fund's *Investment Strategy Statement*, including the beliefs that:

- Investing responsibly is key to ensuring that the long-term value of WMPF assets are protected and where possible, enhanced;
- Engaging as a long-term asset owner reduces risk over time and has been proven to positively impact investment returns;
- There is overwhelming evidence that climate change poses both risks and opportunities for investments.

2 CORPORATE GOVERNANCE, STEWARDSHIP AND VOTING IN THE UK

Consistently, with its approach to RI, the Fund's principles regarding corporate governance, stewardship and voting in UK markets are informed by the Fund's fiduciary responsibilities. The Fund uses its voting rights to support the long-term economic interests of its stakeholders and to ensure boards of directors are accountable to shareholders.

2.1 UK Corporate Governance Code

The UK Corporate Governance Code ("the Code") is set by the Financial Reporting Council (FRC) and outlines the standards of good practice for listed companies on board composition and development, renumeration, shareholder relations, accountability and audit. The Fund supports the Code and believes that strong standards of corporate governance translate ultimately into healthy and stable financial markets. UK companies are expected to adhere to the Code and to provide high quality disclosure on the extent of compliance with the Code in their annual report. The Fund does not view the Code as a corporate governance "straightjacket", and companies are encouraged to use the "explain" feature of the Code where particular circumstances make deviation from the Code appropriate. Such explanations should be sufficiently detailed and transparent. Beyond the Code's provisions, it is important that companies adhere to the spirit of the Code and that boards feel empowered to make appropriate arrangements and disclosures that are suitable to the business in question. Rather than recapitulate the principles and provisions of the Code, this document focuses on areas of corporate governance and voting that require particular clarification.

2.2 Cyclical Stewardship

Voting is inherently linked to engagement, and the votes cast by the Fund at company meetings will typically reflect the outcomes of engagement activities during the year in review. Equally, a voting decision can set the tone for subsequent engagement. A vote is a process, not an event, and the Fund's approach may be described as "cyclical stewardship". The Fund's intention is that its voting decisions do not come as a surprise to our investee companies, and dialogue with companies facilitates this, and develops a two-way relationship of trust. Where the Fund takes the decision to not support a resolution, either by abstaining or voting against, this should be interpreted by the boards of companies as an expression of strong and conscious dissatisfaction, not as a mechanical or thoughtless matter of routine. In order to send a strong signal, the Fund makes a limited, tactical use of abstain.

2.3 Market Transformation

The Fund recognises its role as a large, long-term asset owner with investment diversified across a range of geography, sector and market instruments. It has an interest in improving the standards of corporate governance within financial markets and aspires to act, therefore, in a leadership role. Where certain standards or targets set the "minimum" (for example in matters relating to the diversity of company boards) the Fund will consider voting beyond the minimum (for example by requiring a faster rate of progress on diversity within company boards). The Fund's voting and stewardship activities are supported by its membership of various partnership organisations.

2.4 Voting Procedures

The Fund engages a proxy research provider through LGPS Central Limited to analyse and provide advice relating to the Fund's voting opportunities, consistent with the Fund's policies. The provider also executes the Fund's votes through the relevant intermediaries.

The Fund and LGPS Central have active securities lending programmes. To ensure that the Fund is able to vote all its shares at important meetings, it has worked with service providers to establish procedures to restrict lending for certain stocks and recall shares in advance of shareholder votes. The Fund and LGPS Central (where relevant) monitor the meetings and proportion of the securities on loan and will restrict and/or recall lent stock in select circumstances, with due consideration to the advantages of voting the shares versus the cost implications of recalling or restricting the loan of the stock.

The Fund's voting decisions are arrived at through a collegiate approach, incorporating the views of Fund officers as appropriate, LGPS Central's Responsible Investment and Engagement ("RI&E") Team, asset managers, research teams and advisers as appropriate for the company in question.

2.5 Voting Disclosure

The Fund's disclosure of its Voting Principles, and its voting outcomes, supports the Fund's ambition of full transparency. With regards to voting outcomes, disclosures are made in three formats. Firstly, a report summarising the Fund's voting activities is provided on a quarterly basis to the Fund's Pensions Committee. Secondly, the Fund's annual report includes disclosures on voting, as well as other aspects of RI, consistent with statutory guidance. Thirdly, the Fund discloses its quarterly voting statistics via the Fund website. Each of these disclosures is available to the public.

From time to time, the Fund might choose to "pre-declare" its voting intentions for particular resolutions. This might include declarations made through third party platforms, such as the platform administered by the Principles for Responsible Investment.

3 VOTING PRINCIPLES

The principles below describe the broad parameters the Fund will consider before casting its votes. They are supplementary to the principles and provisions of the Code, which is fully supported by the Fund. It is not possible for one document to cover every eventuality and this document's ambition is to serve as a guide. The Fund will override the guidelines below where this is deemed to be in the long-term economic interests of the Fund's stakeholders. Where issues are insufficiently addressed by the Code or by this document, the Fund will come to a decision using internal research and the advice of the Fund's appointed adviser and research provider.

3.1 A Great Board with a Long-Term View

Principles

Composition and Committees
Good governance starts with a great board. Led by the Chair and/or the chair of the Nominations Committee, we expect our investee companies to appoint an effective board of directors whose combined expertise is a key strategic asset to the company. We believe the most effective boards include a diversity of skills, experiences and perspectives. Through our voting decisions (and otherwise) we support the Davies Review, the Hampton-Alexander Review and the Parker Review.

We expect FTSE 100 and 250 companies to have at least 33% women on their boards and will consider voting against the Chair of companies with materially less female representation unless there are clear and justifiable reasons why 33% is not achievable in an interim period. Equally, we will consider opposing the Chair of companies of any FTSE 100 company with materially less than 20% female representation in the combined population of the executive committee and its direct reports. Furthermore, we expect any FTSE 100 company to disclose information on ethnic minority representation at board level in line with the Parker Review report with the aim of having at least one director from an ethnic minority background. We will consider voting against the Chair of companies where insufficient progress is made against this target and where no credible plan exists to rapidly achieve this.

Board members should be able to devote sufficient time to their directorship, should refrain from becoming "overboarded" and should attend all relevant meetings including committee meetings (audit, nomination, remuneration or other). Non-attendance should be explained in the annual report. Overboarded directors will not be supported, even if they are from demographics that are currently underrepresented in UK boardrooms. The board should demonstrate collective awareness of material short, medium and long-run risks including, where material, climate change. The Chair should ensure the board is of an appropriate size and, while the Fund is not prescriptive on board size, would consider boards of five or fewer members, or boards of sixteen or more members, as red flags warranting further analysis. In line with the Code we expect the majority of board members, excluding the Chair, to be independent according to the criteria defined in the Code. Independence is not, however, a sufficient condition for the support of a director's election or re-election: each director must offer a valuable contribution to the functioning of the board. With regards to the so-called "nine year rule" of independence:

whilst we include "a tenure of fewer than nine years" among our criteria for independence, we fully support directors that make valuable contributions to the boardroom, even if their tenure exceeds this guideline. We will typically vote against special interest representation.

Consistently with the Code, boards should include nomination, remuneration, and audit committees. The latter two board committees should be composed solely of independent non-executive directors who have served on the board for at least a year, and participation by executives in these committee meetings should be by exceptional invitation only and explained in the annual report. Both the audit and the remuneration committee should have at least three members. The annual report should include a clear report from each committee Chair explaining the issues the committee has prioritised during the year in review, outlining progress made without recourse to boiler-plate language. Particular attention is paid to the overboarding of audit committee members owing to the requirement to read financial papers in sufficient detail. External advisors on remuneration and audit should be accountable to the committees, and details should be disclosed in the annual report including the nature of services provided and whether the advisor provides additional services. Conflicts of interest relating to external advisers should be disclosed and managed effectively. The Fund supports the creation of additional committees that are appropriate to the business model in question, but we do not support unwarranted layers of governance, or the outsourcing of important issues to less experienced directors. We typically support board oversight of sustainability issues, either through committee structures or through individual responsibility. We support the election of employee representatives where this improves the quality of the board and accountability to stakeholders.

Leadership

The role of the Chair is of special significance, as is the relationship between the Chair and CEO. Accordingly, we pay particular attention to our vote on the re-election of the Chair. We support the Code's principles and provisions in relation to the role of the Chair and the eligibility of candidates. In exceptional circumstances we will support an interim Executive Chair, but expect a cut-off date to be provided, along with the appointment of a Deputy Chair and/or a strong Senior Independent Director ("SID"). Such exceptions should be discussed with shareholders and a clear and convincing rationale must be disclosed. The SID is another role of significance and we would not usually support the re-election of a non-independent SID, where independence is defined as per the Code.

Effectiveness, Evaluation & Election Process

The effectiveness of boards should be reviewed internally (by an independent director, usually by the SID) on an annual basis, and should be reviewed by an external party every three years. Companies should seek shareholder input into the process for determining board effectiveness, and the identity of the triennial external reviewer should be disclosed in the annual report. Boards and their committees should establish a suitable number of meetings per year and the location of the meetings should be appropriate to the business and to the residency of the board members. In order to preserve the board's accountability to shareholders, directors should be re-elected on an annual basis by majority vote (excepting controlled companies, where director re-election ought to follow the Code). Director biographies should be sufficiently detailed in order for voting shareholders to make an informed judgement, and the Nominations Committee reports should describe the contribution the director will make, or has made, to the board during the year.

3.2 A Transparent Audit Function, Supporting True and Fair Reporting

Principles

The audit committee of the Board plays a critical role and votes pertaining to its composition and conduct carry particular importance for shareholders. The committee should be composed of at least three independent non-executive directors with recent financial experience, and each member should have been on the board for at least a year in order to become familiar with the business. Members of the audit committee should achieve 100% committee meeting attendance and the thresholds for overboarding are stricter for audit committee members than for other directors. Attendance by executives at audit committee meetings should be by invitation only and should be explained in the annual report. We expect the audit committee to take responsibility for reviewing internal audit controls.

A company should disclose its auditor tendering policy and details of the tendering process (when it occurs). The Fund supports the EU's audit reforms, primarily that the external auditor should be independent and conflict-free (from the company and from audit committee members), and there should be regular tendering and rotation (at a minimum: tendering at least every seven years, rotating every 15, with no re-appointment until at least four years following the rotation). The lead audit partner should be rotated and named in the annual report. Auditor fees must be clearly disclosed, and non-audit fees should not exceed 50% of total fees over a three-year average. Where this limit is breached, the audit committee should plan for fee reduction. Companies should not provide auditors with limited liability or indemnification. The resignation of an auditor during the financial year should be clearly explained, as should any qualifications to the annual report. There should be no material omissions. The audit committee should ensure that adequate whistleblowing procedures are in place.

As with all elements of corporate disclosure, boilerplate should be avoided at all costs. Disclosures should be clear, relevant, as concise as possible and AGM materials should be available in English in sufficient time before the meeting. We will consider voting against the annual report where disclosure falls short of the mark. We support the FRC's guidance on risk management, internal control and related financial and business reporting.

The statements of viability should be clearly disclosed. Companies should provide sufficient disclosure on material and emerging risks across a suitably long-term horizon. "Long-term" should relate to the company's business cycle and should never be limited to the next twelve months. Aside from a description of risks, the strategic report should detail the contribution and composition of the company workforce.

3.3 Stewarding our Capital, Protecting Shareholder Rights

Principles

We aim to be responsible stewards of the capital bestowed on us by our beneficiaries. In turn, we expect companies to steward the capital we provide to them with care and concern for long-term outcomes. We would like our companies to be granted the flexibility to manage their capital structure effectively and raise additional capital where necessary in a timely and cost-efficient manner. We are against giving companies unlimited authorisation to raise capital unless there is a sufficiently compelling case. We encourage companies to use the 14-day General Meeting ("GM") facility to raise extraordinary, unanticipated volumes of capital and expect prior dialogue with shareholders.

Securities that are accompanied by shareholder rights are more valuable than securities lacking these rights. Clearly, we wish to preserve or enhance this value, not fritter it away. We avoid, therefore, the unnecessary dilution of our shares and seek to preserve our rights of pre-emption. We expect resolutions pertaining to capital decisions to be split out on the proxy statement, rather than "bundled" into one resolution. We will not typically approve the creation of non-voting shares and usually vote against attempts by controlling shareholders to increase the differential between his or her level of equity ownership and voting control. Stock splits are approved on a case-by-case basis with reference to the justification disclosed by the company.

Companies ought to disclose clear dividend policies. Dividends should be sufficiently covered and put to shareholder vote. Uncovered dividends should be accompanied by an explanation covering the sustainability of the dividend or distribution policy. Companies proposing scrip issues should offer a cash dividend option. Companies ought to explain why a share buyback programme is the most appropriate method of returning cash to shareholders, including the circumstances in which a buyback will be executed. The Fund pays particular attention to share buyback programmes that could affect remuneration structures through the influence on earning per share ("EPS") measurements: such structures must be buyback-neutral and buyback authorities must be within acceptable limits, expiring no later than the following AGM. The Fund will typically vote against waivers of Rule 9 of the Takeover Code.

The Fund is unlikely to support article changes that materially reduce shareholder rights. The Fund is strongly opposed to virtual-only AGMs and views as fundamental the right to attend shareholder meetings in-person. The Fund typically opposes resolutions seeking authority to limit the jurisdiction that applies to dispute resolution.

Merger and Acquisition ("M&A") decisions are made on a case-by-case basis, with reference to the long-term economic interest of scheme members. The Fund will consider supporting transactions with the following characteristics: long-term benefits to shareholders, good quality disclosure, high quality management, supportive independent advice, approval of the independent directors. We seek to determine whether the deal yields a good strategic fit, and we value prior engagement with shareholders. We do not support poison pills that entrench management or damage shareholder value. Introductions of poison pills should be clearly explained and put to shareholder vote. By contrast, poison pill redemption resolutions are generally supported. We will usually vote at courts and classes in a consistent manner with our GM vote.

The Fund does not support resolutions seeking authority to make political donations, where the recipients are likely to be political parties or lobbying organisations of concern. When it comes to capital, smaller companies might be afforded greater flexibility, depending on circumstance.

Fair Remuneration for Strong Performance Through the Cycle Aligned with Long-Term Success

3.4 Principles

General

For the majority of the Fund's UK listed investee companies, shareholders are entitled to vote annually on an advisory basis on the remuneration report and (typically) every three years on the remuneration policy (where the voting outcome is binding). Our voting decisions recognise that remuneration is contextual, rather than one-size-fits-all. Companies need flexibility to design and apply remuneration structures appropriate to the business in question. There is no requirement for remuneration structures to follow traditional models if more appropriate models can be found. Whilst the structure of remuneration policies is of prime importance, we are also concerned about the quantum of pay. Remuneration should amount to no more than is necessary and sufficient to attract, retain and motivate the individuals and groups of individuals most suited to managing the company. Levels of executive remuneration that are, or are perceived to be, excessive and unfair can be demotivating to staff and reputationally damaging to the company. Executive pay should be considered in the context of overall workforce pay and in the context of the long-term financial needs of the company, its ability to meet its dividend policy and its ongoing requirement for capital investment and research and development. Remuneration structures should be simple and easy to understand for both shareholders and executives, who need clear lines of sight as to their objectives.

Governance

A remuneration committee, composed solely of independent non-executive directors, should design and apply appropriate remuneration structures and should enter into dialogue with shareholders and employee representatives. The outcome of consultations should be made known in advance of the AGM, such that policy changes do not come as a surprise to engaged shareholders or employee representatives. Any advisors to the remuneration committee should be disclosed with an explanation of the advice provided. Multiple relationships with the company should be transparent and the external auditor should not normally perform the role of remuneration advisor. The committee should feel empowered to apply discretion appropriately (including increases and decreases) and should be aware that it is possible to gain shareholder trust through the use of restraint. Where the remuneration report or policy receive large votes against (which we currently consider to be more that 20% oppose votes among minority interests), the company should consider changes to the remuneration committee, engaging shareholders and changing remuneration advisors. The output of the remuneration committee – including remuneration policies and reports – should exhibit intelligent design and proactivity. This can be achieved through appropriate departures from traditional remuneration models including Long Term Incentive Plans ("LTIP"). We advocate for simpler remuneration structures, with an emphasis on long-term share ownership, to align the interests of executives with the long-term success of the company.

The remuneration committee and the nomination committee should work together on succession planning and at an early stage of the recruitment process should start to design appropriate remuneration for incoming executives. We view exceptional payments as indicative of poor planning by the remuneration committee.

Disclosure

The Chair of the remuneration committee should author a detailed but intelligible report outlining the work undertaken during the year and, where relevant, how the committee has responded to significant levels of opposition votes.

Disclosures should clearly relate remuneration structures to business strategy and should relate to the levels of award to company performance, strategy, financial liabilities and over all workforce conditions. Any use of discretion should be fully explained. The median and maximum awards under the bonus scheme and incentive plans should be clear, as should the effect on EPS-based targets of share buyback schemes. The targets for variable pay, for this year and next, should be disclosed (there should be retrospective disclosure if the targets are commercially sensitive). We encourage companies to disclose executive to employee ratios, gender pay gap, and other workforce diversity and inclusivity data which can provide insight into pay practices.

Structure and Fairness

Remuneration should amount to no more than is necessary and sufficient to attract, retain and motivate the individuals and groups of individuals most suited to managing the company.

An executive's base salary should reflect his or her role and level of responsibility. Base salary should not increase significantly without a clear, compelling and exceptional justification. The rate of salary should not be solely or mainly based on quartile comparison, and we would expect salary benchmarking to occur once every three years at a maximum. Salary increases should be set in the context of wage increases to the median worker. The remuneration committee should understand how base pay increases affect the total level of pay now and in the future. Contracts should be agreed on a 12-months' basis.

Annual bonuses should have stretching, declared targets that link to company strategy. There should be consistency with the targets given prominence in the strategic report. Performance against targets should be disclosed in the remuneration report.
In determining targets for variable pay, the remuneration committee should consider strategic, financial and non-financial measurements, and companies with high levels of Environmental, Social or Governance (ESG) risk should consider using ESG metrics with appropriate weightings. We encourage companies to embed ESG metrics in their pay structure and to explain to shareholders the relevance of each metric to its strategy.
In general, bonuses should be reduced from their current levels, and maximum and median rewards under annual bonuses should usually be lower than rewards within LTIP schemes, reflecting the dominance of the long-term over the short-term.
The payment of a significant proportion of the annual bonus in deferred shares is welcomed where this improves alignment with shareholders, does not risk excessive dilution and includes a suitable holding period. If a company experiences a significant negative event, bonus sanction should be considered even if the annual targets were met.

Incentive schemes should be transparent, understandable, long-term and appropriate to the circumstances and strategy of the company. For reasons of simplicity, companies should avoid having more than one active incentive plan. Performance conditions should ensure there is no reward for failure, nor for luck, and sufficient clawback and malus provisions should be designed and applied. The performance measurement period should have a minimum of three years, with a vesting period a minimum of three years from grant. Companies operating in sectors with long-term investment horizons should consider a performance period of more than three years. We are concerned that, despite the wide range of business models and investment horizons across UK listed companies, there are too many standard LTIP schemes with common vesting periods and performance targets, and we think this reflects a lack of intelligent design by remuneration committees.

Committees should give thought to not having an LTIP and rewarding execs through a single bonus scheme which pays out in deferred shares with a holding period, based on stretching performance targets. Whether contained in an LTIP or otherwise, performance targets should not reward below-median performance and threshold vesting amounts should not be significant relevant to base salary. Where comparator groups are used, the remuneration committee should disclose why the comparators are believed to be genuinely representative (eg, with reference to their size, sector and performance). If awards depend on Total Shareholder Return (TSR) relative to overseas peers, companies should disclose fair currency conversion policies in advance of the grant. There should be several performance targets, which should relate to shareholder return, to the business strategy and include financial and non-financial elements, according to the company's current and expected operating environment. We would not expect performance conditions to be re-tested between remuneration policy reviews. Following a change of control, awards under an LTIP plan should be made pro-rata for time and performance to date; they should not automatically vest. Share-based awards should not lead to excessive dilution and exceptions to this principle should be put to shareholder vote, which ought to receive support from the majority of minority shareholders. In the event of a decline in the share price, remuneration committees should prevent accidental ("windfall") gains through top level grants through the use of downward discretion. Remuneration policies should explain the treatment of M&A and share buybacks where these are likely to impact performance targets either directly or indirectly.

In order to achieve alignment with shareholders, executives should make a material, long-term investment in company shares and these shares should be subject to a suitable holding period following an executive's departure. Companies should disclose the time by which new executives should reach the target level share ownership. Whilst these shares may be hedged or used as collateral, the company should make it clear that this is not true for share awards earned through LTIPs. Executive share ownership for alignment purposes should be distinct from shares granted under LTIPs, though exceptions may be made where shares are vested and not subject to ongoing performance conditions. Significant share sales should be rationalised in the annual report. As with all aspects of remuneration, the remuneration committee should be wary of unintended consequences, eg, effects on risk taking or risk aversion, dividend policy design and M&A.

Remuneration committees should be cognisant of the significant costs and liabilities of executives' pensions contributions, the overall remuneration structure, and the tax and regulatory environment. Whilst we use a 30% contribution rate as a guideline for the upper limit, we think executive pensions contributions must be set in the context of contributions for the overall workforce. Changes in actuarial assumptions that affect transfer values should be clearly disclosed. No element of variable pay should be pensionable.

Certain payments to incoming and outgoing executives cannot be avoided, but remuneration committees should be mindful of opportunities to minimise such costs in alignment with long-term shareholders. Outgoing executives should not be rewarded for failure. Severance pay consequences should be considered before appointment, such that early termination does not lead to unanticipated liabilities. We will not usually support retention payments ("golden handcuffs"), but could support deferred payments to key staff during critical periods. A clear rationale should be presented during shareholder dialogue. Similarly, compensatory payments for new appointments (including where the appointee has had to forgo expected variable pay at a previous employer) should only be considered with a clear rationale and we would expect compensation to be awarded in shares and subject to performance conditions. New appointments should normally begin on a lower salary to avoid creeping costs.

We will typically oppose tax equalisation payments where this introduces a new (net) cost to the company. We expect a cap on such payments to be disclosed.

Non-executive directors' fees should reflect the role and the level of responsibility and should not increase excessively from one year to the next. We do not expect non-executives to participate in LTIP schemes but understand that, exceptionally, directors may be granted shares at listing or pre-listing stage on a one-off basis. Share awards need a clear rationale and the policy should be applied consistently over time with conditions and parameters that ensure independence of the director's contribution. At a minimum this should include a requirement that share-based awards do not have performance conditions and are made at the market price. Additional benefits for non-executives should reflect necessary business duties only.

3.5 Sustainable Business Practices

Principles

We expect companies to assess and address the impact of their operations on society and the environment, including in supply chains and business relationships, and through their products. We expect companies to consider relevant, material social and environmental risk factors in their long-term strategic business planning. These can have a significant effect on the value of a company's assets over time, and on its ability to generate long-term returns for shareholders.

We consider disclosure of codes of conduct, policies, strategies, management plans and performance data with respect to environmental and social issues, as well as impact assessments of specific projects or operations, to be the first step towards better management of associated risks. Reporting should follow from the board's view of material or salient risks and opportunities and be aligned with business strategy and risk assessments. Companies should seek to align their disclosures with established reporting standards and frameworks.

We will consider voting against the Chair, and other relevant directors or resolutions (including remuneration), at companies where we consider a company's response to the risks and opportunities presented by climate change to be materially misaligned with the goals of the Paris Accord.

We expect disclosure of climate-related risks and actions to mitigate these in line with latest best practice guidelines, such as those of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD) and the ClimateAction 100+ Benchmark Framework. Furthermore, we expect companies to present a climate transition plan with an explicit net-zero by 2050 target to shareholders for advisory voting at three-year intervals, as a minimum.

Net-zero strategies should be expressed in absolute emissions, not emissions intensity only, and cover the full lifecycle of emissions, as well as establish short and medium-term targets, critically 2030 targets, that demonstrate how net-zero by 2050 can be achieved. Progress against the plan should be reported to the annual general meeting. If a company is assessed by the Transition Pathway Initiative's Management Quality framework below a Level 4, we will consider voting against the company Chair, and other relevant directors or resolutions.

We encourage companies to commit to protect and restore biodiversity as part of their broader climate transition effort. We expect companies to disclose information on their climate and energy policy lobbying and expenditure, allowing shareholders the opportunity to assess whether these lobbying activities are in line with the goals of the Paris Accord.

3.6 Miscellaneous

Principles

We are regularly called on to vote on shareholder proposals. These proposals address a range of topics including proxy access, articles of association, climate change, human rights and more. The Fund takes a case-by-case approach to shareholder resolutions and will support resolutions that are appropriately worded and, on balance, encourage sustainable business practices and support the long-term economic interests of our stakeholders and help to make boards of directors accountable to shareholders.
We will consider pre-declaring our voting intentions on shareholder proposals on a case-by-case basis.

We follow the Pension and Lifetime Savings Association's guidance on related party transactions.

We usually support all employee share schemes, except where we have concerns over dilution.

Smaller companies and investment trusts are at different stages with respect to corporate governance arrangements, and our expectations of these companies reflect these differences in some circumstances. We are mindful of the QCA corporate governance code for smaller and medium listed companies and the Association of Investment Companies Code of Corporate Governance.

Where the Fund has voting rights at private (unlisted) companies, votes will be cast drawing on principles articulated above as far as practicable.

West Midlands Pension Fund
PO Box 3948
Wolverhampton
WV1 1XP

LGPS Central Limited

Federated Hermes EOS

Engagement Report, Q4 2021

West Midlands

EOS at Federated Hermes

Engagement by region

Over the last quarter we engaged with 252 companies held in the West Midlands portfolios on a range of 823 environmental, social and governance issues and objectives.

Global

We engaged with 252 companies over the last quarter.

- Environmental 39.0%
- Social and Ethical 23.1%
- Governance 22.0%
- Strategy, Risk and Communication 15.9%

Australia & New Zealand

We engaged with 14 companies over the last quarter.

- Environmental 26.7%
- Social and Ethical 3.3%
- Governance 56.7%
- Strategy, Risk and Communication 13.3%

Developed Asia

We engaged with 33 companies over the last quarter.

- Environmental 35.8%
- Social and Ethical 21.1%
- Governance 27.4%
- Strategy, Risk and Communication 15.8%

Emerging & Developing Markets

We engaged with 29 companies over the last quarter.

- Environmental 31.0%
- Social and Ethical 17.9%
- Governance 27.4%
- Strategy, Risk and Communication 23.8%

Europe

We engaged with 56 companies over the last quarter.

- Environmental 46.1%
- Social and Ethical 22.1%
- Governance 19.6%
- Strategy, Risk and Communication 12.3%

North America

We engaged with 88 companies over the last quarter.

- Environmental 40.5%
- Social and Ethical 25.6%
- Governance 18.1%
- Strategy, Risk and Communication 15.9%

United Kingdom

We engaged with 32 companies over the last quarter.

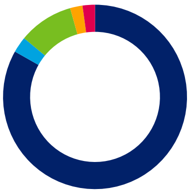
- Environmental 33.7%
- Social and Ethical 29.7%
- Governance 18.8%
- Strategy, Risk and Communication 17.8%

Engagement by theme

Over the last quarter we engaged with 252 companies held in the West Midlands portfolios on a range of 823 environmental, social and governance issues and objectives.

Environmental

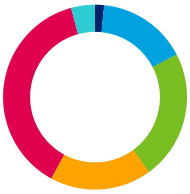
Environmental topics featured in 39.0% of our engagements over the last quarter.



- Climate Change 83.2%
- Forestry and Land Use 2.8%
- Pollution and Waste Management 9.7%
- Supply Chain Management 2.2%
- Water 2.2%

Social and Ethical

Social and Ethical topics featured in 23.1% of our engagements over the last quarter.



- Bribery and Corruption 1.6%
- Conduct and Culture 15.8%
- Diversity 22.6%
- Human Capital Management 17.9%
- Human Rights 37.9%
- Labour Rights 4.2%

Governance

Governance topics featured in 22.0% of our engagements over the last quarter.

- Board Diversity, Skills and Experience 30.4%
- Board Independence 16.0%
- Executive Remuneration 40.9%
- Shareholder Protection and Rights 10.5%
- Succession Planning 2.2%

Strategy, Risk and Communication

Strategy, Risk and Communication topics featured in 15.9% of our engagements over the last quarter.

- Audit and Accounting 3.8%
- Business Strategy 38.2%
- Cyber Security 2.3%
- Integrated Reporting and Other Disclosure 27.5%
- Risk Management 28.2%

Voting Report, Q4 2021

West Midlands

EOS at Federated Hermes

Over the last quarter we made voting recommendations at 316 meetings (2,424 resolutions). At 167 meetings we recommended opposing one or more resolutions. We recommended voting with management by exception at four meetings We supported management on all resolutions at the remaining 145 meetings.

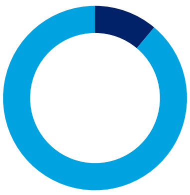
Global

We made voting recommendations at 316 meetings (2,424 resolutions) over the last quarter.

- Total meetings in favour 45.9%
- Meetings against (or against AND abstain) 52.8%
- Meetings with management by exception 1.3%

Australia and New Zealand

We made voting recommendations at 90 meetings (542 resolutions) over the last quarter.



- Total meetings in favour 11.1%
- Meetings against (or against AND abstain) 88.9%

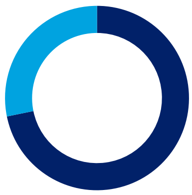
Developed Asia

We made voting recommendations at 44 meetings (288 resolutions) over the last quarter.

- Total meetings in favour 65.9%
- Meetings against (or against AND abstain) 31.8%
- Meetings with management by exception 2.3%

Emerging and Frontier Markets

We made voting recommendations at 39 meetings (180 resolutions) over the last quarter.



- Total meetings in favour 71.8%
- Meetings against (or against AND abstain) 28.2%

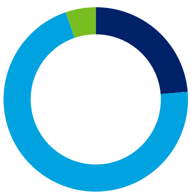
Europe

We made voting recommendations at 46 meetings (328 resolutions) over the last quarter.

- Total meetings in favour 56.5%
- Meetings against (or against AND abstain) 43.5%

North America

We made voting recommendations at 38 meetings (407 resolutions) over the last quarter.



- Total meetings in favour 23.7%
- Meetings against (or against AND abstain) 71.1%
- Meetings with management by exception 5.3%

United Kingdom

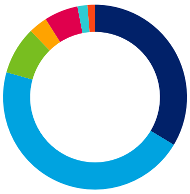
We made voting recommendations at 59 meetings (679 resolutions) over the last quarter.

- Total meetings in favour 72.9%
- Meetings against (or against AND abstain) 25.4%
- Meetings with management by exception 1.7%

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

Global

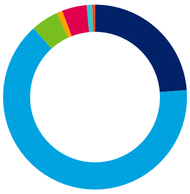
We recommended voting against or abstaining on 455 resolutions over the last quarter.



- Board structure 33.6%
- Remuneration 45.7%
- Shareholder resolution 8.4%
- Capital structure and dividends 3.3%
- Amend articles 5.9%
- Audit and accounts 1.8%
- Other 1.3%

Australia and New Zealand

We recommended voting against or abstaining on 206 resolutions over the last quarter.



- Board structure 23.8%
- Remuneration 64.6%
- Shareholder resolution 4.9%
- Capital structure and dividends 1.0%
- Amend articles 4.4%
- Audit and accounts 1.0%
- Other 0.5%

Developed Asia

We recommended voting against or abstaining on 39 resolutions over the last quarter.

- Board structure 61.5%
- Remuneration 10.3%
- Capital structure and dividends 15.4%
- Amend articles 12.8%

Emerging and Frontier Markets

We recommended voting against or abstaining on 45 resolutions over the last quarter.

- Board structure 42.2%
- Remuneration 24.4%
- Capital structure and dividends 6.7%
- Amend articles 24.4%
- Audit and accounts 2.2%

Europe

We recommended voting against or abstaining on 41 resolutions over the last quarter.

- Board structure 26.8%
- Remuneration 34.1%
- Shareholder resolution 4.9%
- Capital structure and dividends 9.8%
- Amend articles 4.9%
- Audit and accounts 9.8%
- Other 9.8%

North America

We recommended voting against or abstaining on 89 resolutions over the last quarter.

- Board structure 42.7%
- Remuneration 29.2%
- Shareholder resolution 27.0%
- Audit and accounts 1.1%

United Kingdom

We recommended voting against or abstaining on 35 resolutions over the last quarter.

- Board structure 34.3%
- Remuneration 57.1%
- Shareholder resolution 5.7%
- Other 2.9%

Agenda Item No: 14

CITY OF WOLVERHAMPTON COUNCIL	**Pensions Committee** 30 March 2022

Report Title	Pensions Administration Report from 1 October to 31 December 2021	
Originating service	Pension Services	
Accountable employee	Amy Regler Tel Email	Head of Operations 01902 55 5976 Amy.Regler@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 55 1715 Rachel.Brothwood@wolverhampton.gov.uk

Recommendations for decision:

The Pensions Committee is recommended to approve:

1. The 8 applications for admission from employers into the Fund as detailed in section 9 and Appendix E of this report.

2. The write-offs detailed in section 11 of this report.

Recommendations for noting:

The 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.

1.0 Purpose

1.1 To inform Committee of the routine operational work undertaken by the Pensions Administration Service areas during the period 1 October – 31 December 2021.

2.0 Background

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

3.0 Scheme Activity

3.1 Membership Movement – Main Fund

3.1.1 The total number of scheme member records in the Fund at 31 December 2021 stands at 334,953, with an overall increase since September 2021. This reporting period sees an increase in the total number of members. 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.

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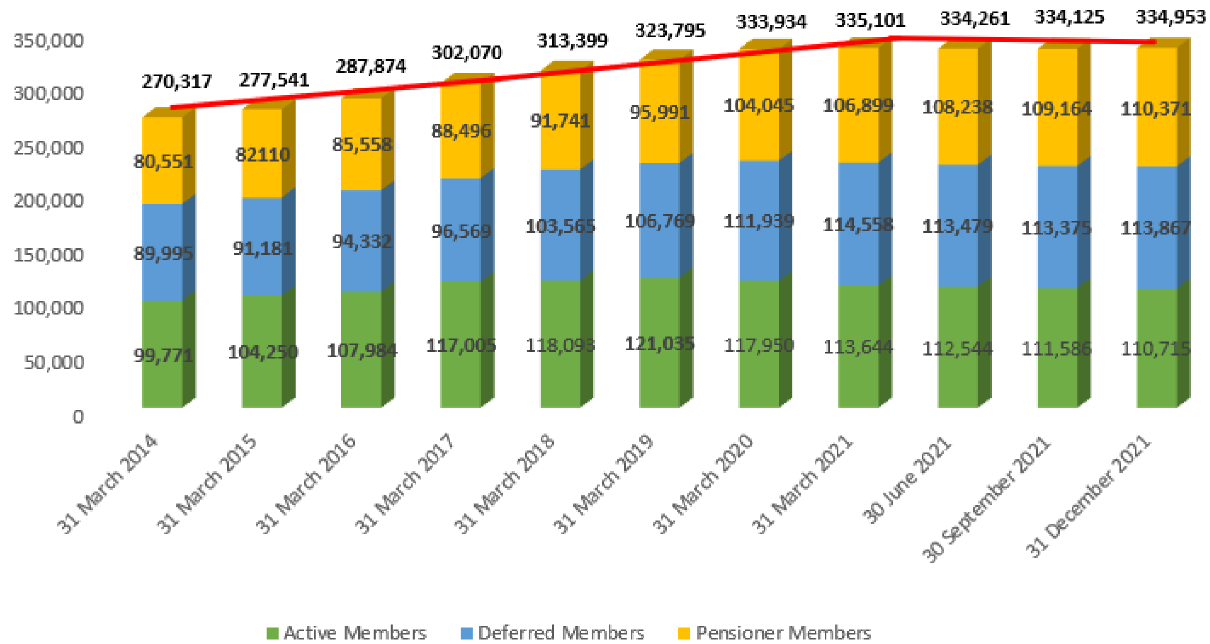
	Membership as at 30 September 2019	Net Movements during the period	Membership as at 31 December 202119
Active Members	111,586	-871	110,715
Deferred Members	113,375	492	113,867
Pensioner Members	109,164	1207	110,371
Total Members	**334,125**	**828**	**334,953**



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 October to 31 December 2021. During the period covered by this report, 38,067 administrative processes were commenced and 40,430 processes were completed.

3.2.2 As we continue to see an increase in member movements, the workload volumes will also naturally remain high. On 31 December 2021 there were 41,659 items of work outstanding. This represents a decrease of 2,192 items outstanding compared to 30 September 2021 (43,851). Of the 41,659 items of work outstanding, 4,949 items were pending as a result of information awaited from a third party e.g. scheme members, employers or transferring authorities and 36,710 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 and increase in deferred and pensioner 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, all KPI year to date are within target, wth two not achieving target in the quarter to 31 December 2021, as follows:

- Notification of Transfer In membership
  - Four cases fell short of the target KPI in November, three of these were due to delays by third parties. Overall, on average, casework was processed within 10 days during the quarter.
- Notifications of Death Benefits Payable
  - In December 2021, the KPI fell short of the target. On average casework was processed in 3 days against the target of 5, with a couple of longstanding cases impacting the overall KPI.

4.3 Further information on achievement of target KPIs by process by month over the reporting period and Scheme year to date 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 two 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 October - December enabling the allocation of time for staff training. We have continued to work closely with Member Services to stagger mailings sent 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 of 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 Overall the number of complaints received by the Fund is proportionally low compared to the number of scheme members, with 99 complaints received for the last quarter. Of those complaints, 20% were upheld and lessons learned incorporated in training and process development.

6.3 Complaint numbers remained higher than average during the last quarter, with a number of complaints received as a result of Guaranteed Minimum Pension (GMP) reconciliation affecting some pensions in payment. The GMP reconciliation process involves comparison of Her Majesty's Revenue and Customs (HMRC) data with the Fund's data, as well as resolving any associated discrepancies in pensions in payment. The reconciliation of GMPs is a statutory exercise and, in accordance with the Local Government Pension Scheme (LGPS) Regulations, the Fund has a legal obligation to pay the correct level of benefits, which is why we have made this adjustment.

6.4 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 (six months prior to adjustment in March 2022) and the Fund has agreed not to seek to recover any overpayments made up until that date.

6.5 The Fund has adhered to guidance produced by the Pension Administration Standards Association and has issued letters and accompanying 'frequently asked questions' to assist members to understand these changes and will continue to respond to individual queries.

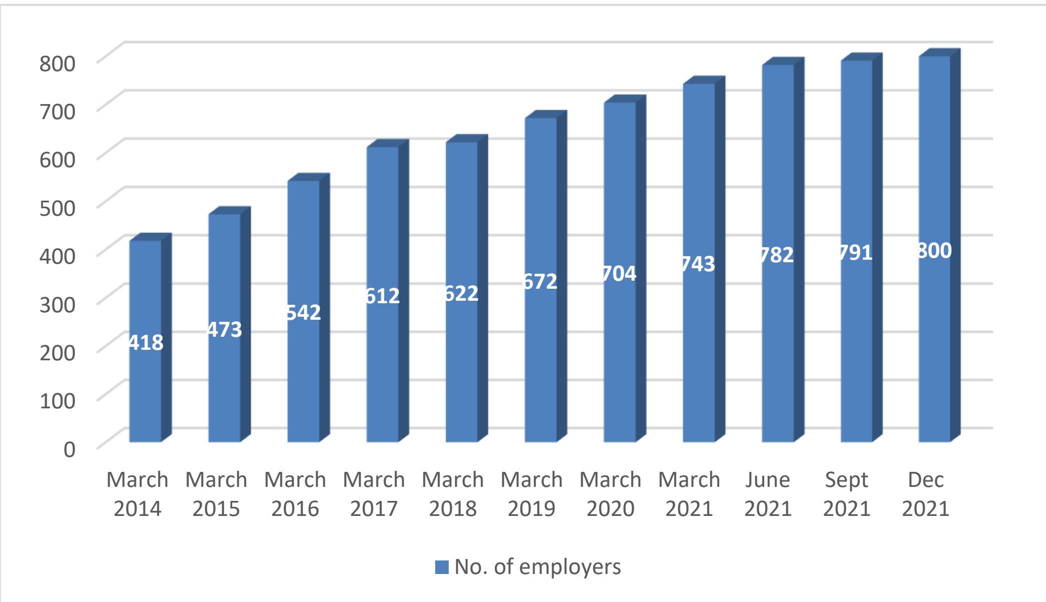
7.0 Internal Dispute Resolution Procedure (IDRP) Casework

7.1 Year to date for 2021/22, ten cases have been referred to Stage one of the procedure on appeal against the Fund, six cases were not upheld, two cases partially up-held and two cases are currently under investigation.

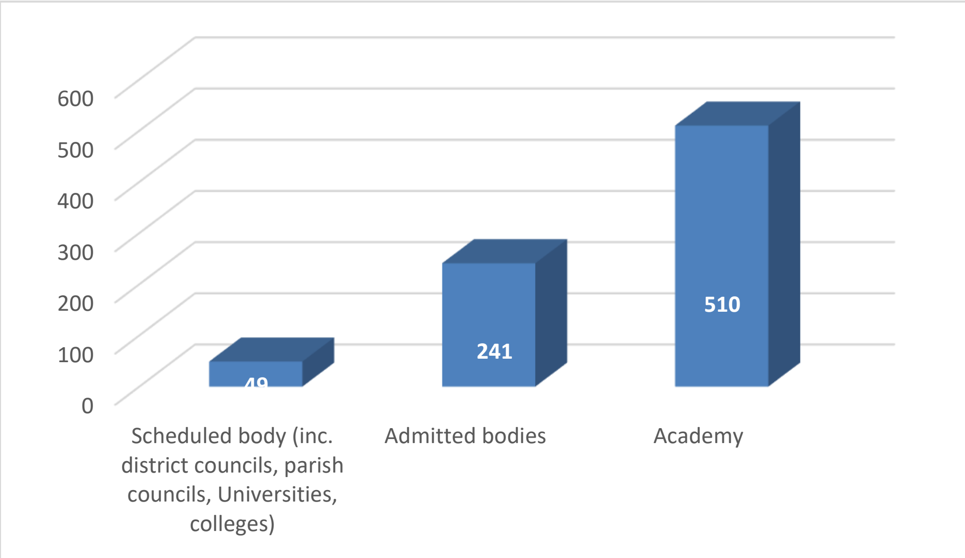
7.2 Five cases have progressed to Stage two of the procedure, four against the Fund which two were not upheld and two are currently under investigation; and one against the employer which was partially upheld.

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 increasing to 800 at 31 December 2021. This is an increase of 1% from the previous period and a 91% 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: -

- 62 admission agreements
- 12 academies
- 41 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 eight approvals requested from Committee in regard to applications for admission to the West Midlands Pension Fund, with 10 overall during the quarter. These are detailed in Appendix E.

10.0 Pensions in Payment

10.1 The gross annual value of pensions in payment to December 2021 was £552.1m, £17.0m 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	89,730	40,895,370
August 2021	90,069	41,141,478
September 2021	100,681	41,901,021

The December 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:

	Write-Off		Write-On	
Individual Value	**Number**	**Total (£)**	**Number**	**Total (£)**
Less than £100	0	0	15	676
£100 - £500	25	3,592	1	138
Over £500	5	47,224	1	1,592
TOTAL	30	**50,816**	17	**2,406**

Of the cases where the overpayment has been written off:

- 21 cases are where the Fund has not received a response or are unable to trace the Next of Kin.
- One case due to a deceased spouse.
- Three cases due to no money left in the estate.
- One case unable to obtain the death certificate to identify who is dealing with the estate.
- Four historical cases which are recommended for write-off following advice from City of Wolverhampton Council legal team.

Of the cases where the overpayment has been written on:

- 16 cases where the Fund has received no response from Next of Kin.
- One case where the Fund are unable to trace the Next of Kin.

12.0 Overseas Existence Checking

12.1 The Fund has in the region of 1,600 overseas pensioner members, noting that overseas members cannot be traced using the same trace tools as those living in the UK, as the data sets typically used will not show information for an overseas person, even if that person is still a UK national. The Fund undertakes an annual Life Certification Process for Overseas pensioners, where we write out to pensioner members who are based overseas to confirm existence and their contact information.

12.2 The Fund engage with their tracing and member verification service provider, Target Professional Services, to utilise their Digital services for our overseas members. This enables members to undertake the process via traditional postal methods or via the mypensionID app.

12.3 This is the second year the Find has undertaken this exercise and has seen an improvement in response rate. The Fund received a 91% verification success rate, with 28% of members utilising the digital app (an increase from 22% last year) across 12 different countries. The age members who utilised the app ranged from 50 to 93 years old. The average age of respondents being 69, indicating broad member interest in engaging with the Fund electronically. In addition the Fund has been able to gather just under 600 new/updated email addresses as a result of the exercise and has identified 6 deceased members mitigating pension overpayment.

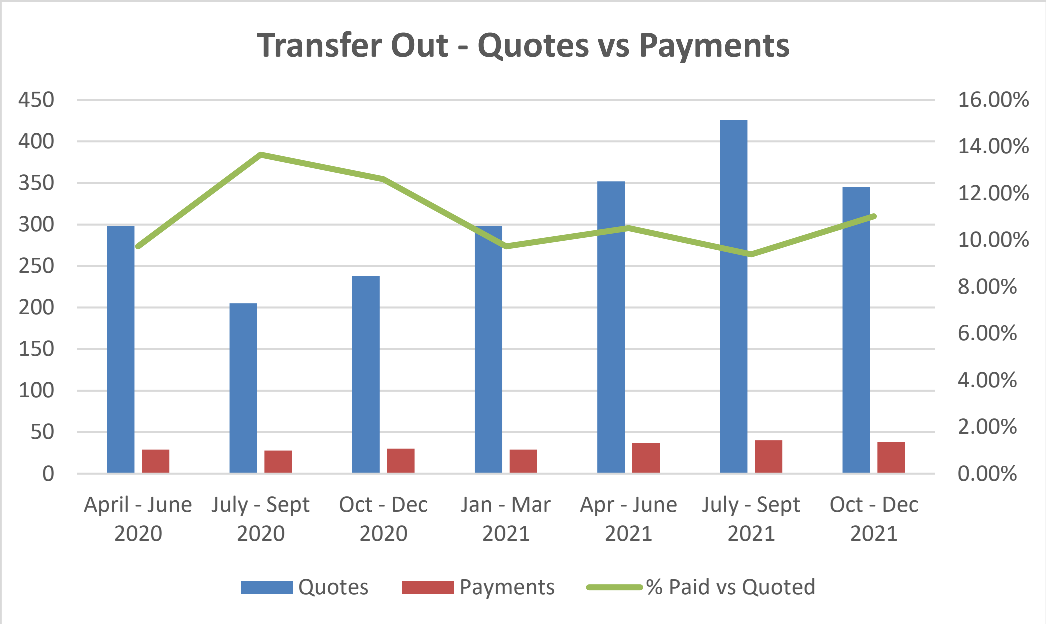
13.0 Transfer Out Cases

13.1 During the period 1 October to 31 December 2021, 357 transfer value quotations were issued to members considering transferring their benefits out of the scheme. The Fund continues to monitor any trends and increases in demands, as part of its programme of work to protect members from potential pension scams.

13.2 In total 38 transfer payments were made during the period 1 October to 31 December 2021 resulting in a total amount transferred of £1.6 million (in the prior year 1 October to 31 December 2020 a total of 30 transfer payments were made totalling £2.9 million). The payments by value and volume break down are as follows:

Value of Transfer Payments	**Number of Transfer Payments**
0 to £30,000	23
£30,001 to £100,000	11
£100,001 to £200,000	2
£200,001 to £300,000	1
£300,001 to £400,000	1
£400,001 to £500,000	0
Above £500,001	0
Total	**38**

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 and stable (c11% 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 October through to December 2021 to review the volume and trends. During the period, of the 38 completed, a total of 19 non-public sector or occupational scheme transfer out payments have been processed, to a total of 12 different receiving schemes. The majority of the transfers were under £30,000 in value, meaning members were able to transfer these payments without a requirement to take financial advice. The average age of members transferring out was 45 years, with the main reason for members transferring out was to consolidate their benefits into one provider.

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 LGPS 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 LGPS 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

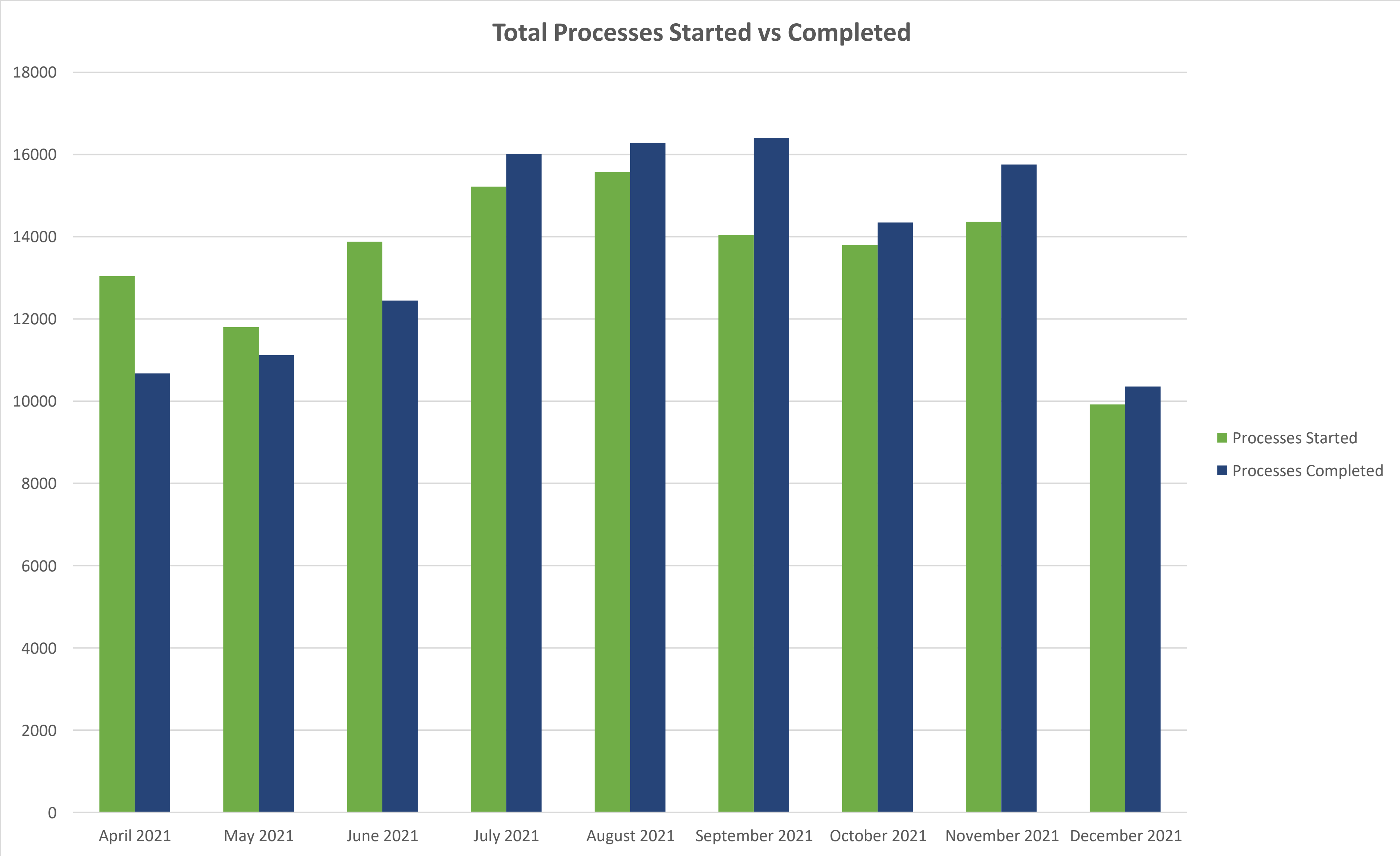
19.2 Appendix B: Detailed Process Analysis

19.3 Appendix C: Key Performance Indicators (KPIs)

19.4 Appendix D: Customer Service Statistics

19.5 Appendix E: Admitted Body Applications

Appendix A



Total Processes Started vs Completed
18000
16000
14000
12000
10000
8000
6000
4000
2000
0
April 2021
May 2021
June 2021
July 2021
August 2021
September 2021
October 2021
November 2021
December 2021
Processes Started
Processes Completed

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Pension Committee Statistical Report
Detailed Process Analysis

APPENDIX B

Active & Deferred members

Process type	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	October	November	December	YTD
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	463	1126	2343	9547
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	368	380	266	3546
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	1013	1104	599	7992
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	178	167	224	1586
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	455	444	450	4115
Deaths of members	295	262	287	285	230	379	399	470	429	441	570	38	41	40	34	30	33	30	30	27	303
Refund										6877	4499	325	328	391	401	507	547	454	520	315	3788
Opt Outs										3585	1228	97	93	92	126	240	95	87	126	58	1014
Amalgamations										11628	8841	545	403	359	556	464	828	490	802	888	5335

Pensioner members

Process type	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	October	November	December	YTD
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	285	239	296	1902
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	235	200	148	2291
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	191	179	124	1626
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	256	300	212	2267

Payroll	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	October	November	December	YTD
Actual number paid	792,724	837,189	870,804	895,018	913,864	888,954	915,275	945,196	979,819	1,019,295	1,093,949	86,596	86,460	95,847	86,791	86,960	96,665	89,730	90,069	98,653	817,771

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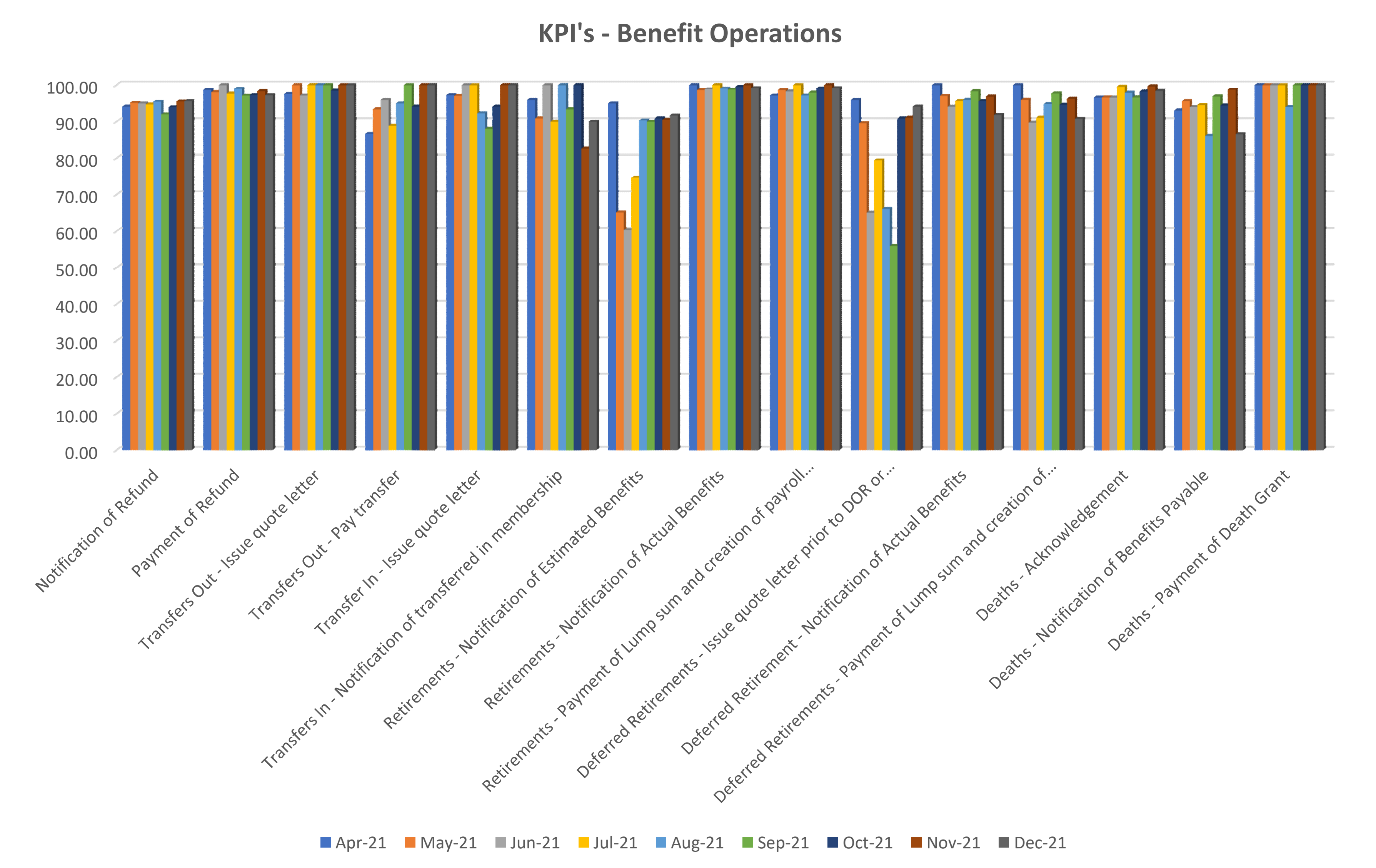
Appendix C


KPI's - Benefit Operations
100.00
90.00
80.00
70.00
60.00
50.00
40.00
30.00
20.00
10.00
0.00
Notification of Refund
Payment of Refund
Transfers Out - Issue quote letter
Transfers Out - Pay transfer
Transfer In - Issue quote letter
Transfers In - Notification of transferred in membership
Retirements - Notification of Estimated Benefits
Retirements - Notification of Actual Benefits
Retirements - Payment of Lump sum and creation of payroll...
Deferred Retirements - Issue quote letter prior to DOR or...
Deferred Retirement - Notification of Actual Benefits
Deferred Retirements - Payment of Lump sum and creation of...
Deaths - Acknowledgement
Deaths - Notification of Benefits Payable
Deaths - Payment of Death Grant
Apr-21
May-21
Jun-21
Jul-21
Aug-21
Sep-21
Oct-21
Nov-21
Dec-21

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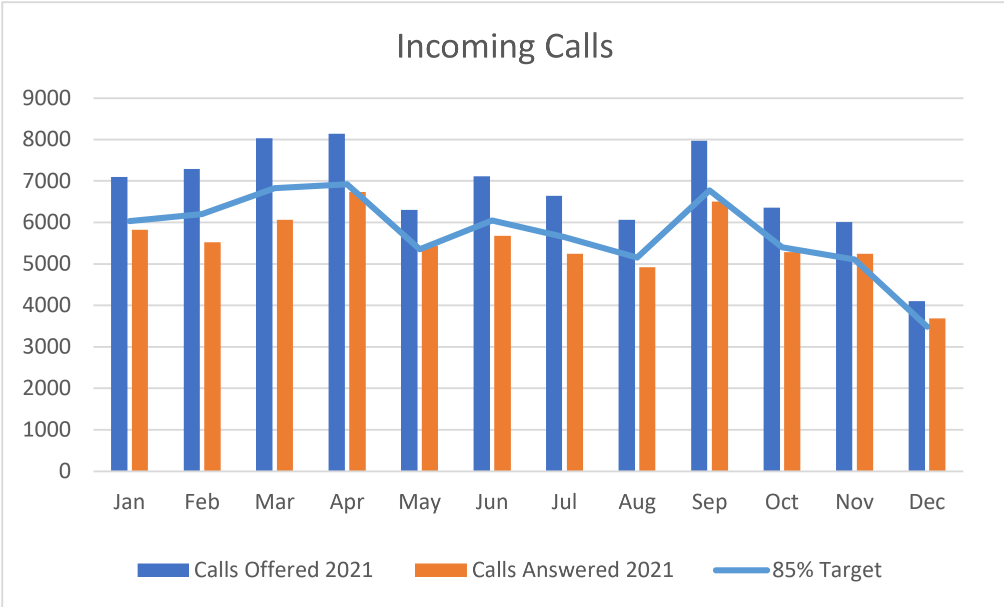
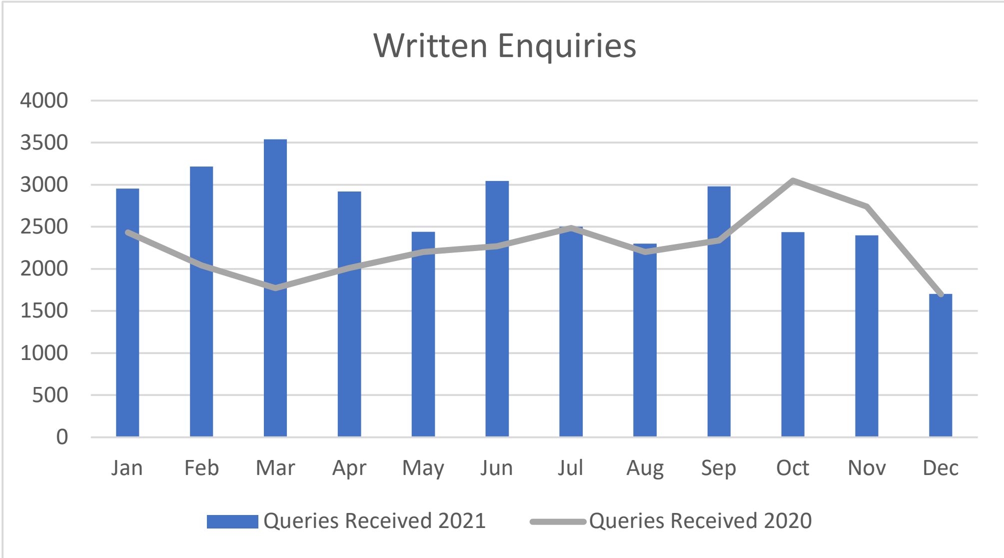
Appendix D: Customer Services Statistics

October - December 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	6355	6009	4102
Calls Answered 2021	5822	5523	6065	6733	5437	5675	5247	4919	6505	5281	5242	3686
Calls Offered 2020	8031	6812	5603	5552	5601	6572	6574	5587	7121	6705	5930	4109
Answer Rate (Target 85%)	82.07%	75.73%	75.56%	82.69%	86.32%	79.77%	78.99%	81.13%	81.64%	83.10%	87.24%	89.86%
Percentage increase	-11.67%	7.06%	43.26%	46.65%	12.46%	8.25%	1.05%	8.52%	11.89%	-5.22%	1.33%	-0.17%

Appendix D: Customer Services Statistics



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Queries Received 2021	2953	3217	3541	2921	2441	3043	2502	2299	2980	2437	2398	1701
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%	-20.07%	-12.51%	0.12%

Appendix E - Application for admission body status

Employer Name	Guarantee Status (Agreement)	No. of Employees (Scheme Members) Agreement Type	Status (Approved/Pending Approval)
Alliance in Partnership Ltd (Netherton Primary)	Diocese of Worcester MAT	2 (2) Closed	Pending approval
Coombs Catering Partnership Ltd (All Saints Multi-Academy Trust)	All Saints Multi-Academy Trust	3 (3) Closed	Pending approval
Miquill Catering Ltd (Waverley School and Waverley Studio College)	The Waverley Education Foundation Ltd	3 (3) Closed	Pending approval
Aspens Services Ltd (Moor Green Primary)	Moor Green Primary - Reach2 MAT	2 (1) Closed	Pending approval
Innovate Services Ltd (Mercian Trust)	Mercian Trust	4 (4) Closed	Pending approval
Engie Regeneration Ltd (BCC)	Birmingham City Council	TBC (130) Closed	Pending approval
ABM Catering Ltd (West Heath Primary School)	Birmingham City Council	1 (1) Closed	Pending approval
Accuro FM Ltd (Leigh Education Trust)	Leigh Education Trust	TBC (TBC) Closed	Pending approval
Compass Contract Services (UK) Ltd (Small Heath Leadership Academy)	Star Academies MAT	11 (11) Closed	Chair approval received
Caterlink (Leigh Trust)	Leigh Trust	12 (10) Closed	Chair approval received

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This report is PUBLIC
NOT PROTECTIVELY MARKED

Agenda Item No: 15

CITY OF WOLVERHAMPTON COUNCIL	**Pensions Committee** 30 March 2022

Report Title	Customer Engagement Update	
Originating service	Pension Services	
Accountable employee	Simon Taylor Tel Email	Assistant Director (Pensions) 01902 554276 Simon.taylor2@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 551715 Rachel.brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Pensions Committee is asked to note:

1. The engagement activity and informed service development.

2. The specific engagement with Prudential regarding Additional Voluntary Contribution (AVC) provision.

1.0 Purpose

1.1 To provide the Committee with an update of the Fund's customer engagement activity from 1 October 2021 to 31 December 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 engagement including that with Prudential on AVC provision.

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 **998** members attended our webinars and workshops. These were followed by **256** 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 are summarised in appendix A**.**

3.2 During this reporting period the team provided **10** satellite support events to **60** 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 **1,292** bringing the total pension portal registrations to **114,705** at the end of December 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 **6,732** people have interacted with our articles which in an increase of **662** compared to the last reporting period.

3.5 During this reporting period the Fund's member video suite, providing on-demand support and guidance to members, has been expanded to include new videos providing information on Additional Pension Contributions, deferred member retirement planning and updating Fund nomination forms.

3.6 A total of **264** Penson Saving Statements were sent to members on the 5 October 2021 who had exceeded the annual allowance limit. The Member Services team followed these statements up with offering high earners the chance to book on Pension Tax Webinars to which we received a record high of **161** registrations.

3.7 The Fund produced its annual "Be Pension Smart newsletter" for our active members. This newsletter was emailed out to **68,649** active members (those we hold email addresses for) during November and put on the Fund's website. The newsletter contained important updates for members including the opportunity for them be part of a new active engagement forum.

3.8 Noting the importance of cleansing data, the Fund wrote out to **4,081** members on the 3rd December 2021 who we believe may have changed their email address. We asked them to update it on the Pensions Portal. The Fund has previously written to **c7,000** members about this and we can report that **c2,900** members have positively engaged with the Fund and updated their email address following the previous letter sent.

3.9 The Fund offers bespoke member support to all its employers; we were approached by one large district council to request support with helping members understand the impacts that mandatory leave could have on benefits and to show members how they buy back pension. The Fund created a bespoke support package which included webinars, a video, and an electronic leaflet.

3.10 Member information leaflets and videos have been updated and are now being uploaded to the Fund's website. There have been **362,000** website views in this quarter.

3.11 Customer feedback is key to understanding our customer's journey, highlighting our strengths and any gaps in the service we deliver so that we can continually improve the services we offer. Some service enhancements made over the period includes:

- Revising a number of telephone logs to increase the information available to the Customer Services Team during calls.
- The procedure for sending outgoing emails to members has been streamlined.

During the quarter, several surveys were issued to members and employers to assess overall satisfaction levels on a wide range of processes. Over the period, our satisfaction levels were measured as 85%, which is slightly below the target set of 90%. This will in part be due to higher-than-average volumes of queries in tandem with the delivery of statutory exercises such as GMP (Guaranteed Minimum Pension) reconciliation and McCloud engagement with employers, which may have resulted in an increase in complaints. As noted in the feedback in appendix A, the Member Services delivery remains popular amongst members, as do the webinars provided for employers, and this serves to offset complaints in the context of overall customer satisfaction.

4.0 Employer engagement

4.1 Employer Peer Group

4.1.1 The third session of the Fund's virtual Employer Peer Group cycle for 2021/2022 took place in December. Eighteen employer representatives were present, with the content for the meeting including:

- 2022 Actuarial Valuation
- Keeping Informed: McCloud and Employer Hub updates
- 2021 Annual Employer Survey - results and feedback
- Technical session – 85-year rule, bulk data files and TUPE requirements

4.1.2 As part of the discussion around the 2022 Actuarial Valuation, the group were provided with a copy of the proposed new provisional results schedule ahead of the meeting for review and comment.

4.1.3 The final meeting of the current group will take place in March 2022, following that, invites will be extended to all employer contacts for the 2022/23 cycle due to commence in June.

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 7 virtual sessions delivered to 92 attendees representing 361 organisations, some of whom provide payroll services for many other employers within the Fund. The sessions are free to attend and provide a useful refresher for existing staff or as an introduction to processes for those who are new to Fund administration.

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

- Employer Discretions
- Ill health Retirement processing for employers
- Early retirement estimates and associated strain costs
- Monthly Data Collection x 2
- Pay and Service x 2
- S4 Retirements, Refunds and Deferred x 6
- TUPE requirements
- LGPS Basics

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 8 feedback and performance meetings with 3 major and 3 smaller employers and had 2 meetings with a third-party payroll provider. Collectively these employers and payroll service providers are responsible for submitting the data for almost 30,000 active members to the Fund.

4.3.3 The work and engagement that has taken place with these employers has contributed towards the increased availability of Annual Benefit Statements for members and ensures data positions are reviewed and cleansed for accuracy ahead of the 2022 actuarial valuation.

4.4 McCloud: Employer Support

4.4.1 Requirements for 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.

4.4.2 An extensive array of comprehensive online McCloud support Tools, including a FAQ's document, sample files, checklists, a file checker, reports, and other resources have been produced by the Fund to assist employers. Two follow up webinars were delivered during the period. These sessions provided a recap of the original sessions delivered earlier in the year and were attended by over 60 individuals representing 267 organisations.

4.4.3 During the period, the employer services team in collaboration with the McCloud project team, held meetings with 8 employers to provide support and guidance with the submission of data. The employer services team continues to support the submission of data files making daily telephone calls to unresponsive employers to provide assistance and arrange support meetings where appropriate.

5.0 Prudential engagement

5.1 The Fund appointed Prudential as our AVC provider over twenty years ago with subsequent independent reviews of the products and services undertaken and reported back to the Committee. Over the year the Fund has sought to actively raise member awareness of the benefits of making Additional Voluntary Contributions (AVCs) and worked closely with the Prudential to provide an information service for members.

5.2 Late in 2020, Prudential undertook a restructure of their business and changed their administration system provider from Capita to Diligenta (a subsidiary of TATA Consultancy Services). The switch of administration systems brought unforeseen challenges and issues, which meant that Prudential were not able to adhere to their usual levels of service and consequently fell short of the Fund and member expectations and the flow of information to the Fund and provision of information for member statements and processing of retirement benefits was also impacted.

5.3 Early in 2021 the Fund raised several concerns with Prudential about the levels of business performance and customer service with a meeting held with the Head of Corporate Pensions to discuss a plan of action. Whilst sympathetic to Prudential’s difficulties and the impact the Covid pandemic had on their staffing levels, it was paramount that member experience should be significantly improved.

5.4 Since this initial meeting we have maintained regular dialogue with our account manager and are pleased to report that retirement claims are now paid on time and back within their KPIs, and call waiting times have reduced by over 80%.

5.5 Nonetheless a handful of concerns remain, including escalated individual queries and the production of member annual statements. This has been escalated by the Fund directly to Prudential, and via collective engagement through the Metropolitan Group of LGPS Pension Funds. Similarly, dialogue and escalation has been undertaken at national level through the LGPS Scheme Advisory Board.

5.6 The position will continue to be monitored, with regular review and dialogue. Where required, further escalation and evidence of demonstrable action from Prudential will be sought.

6.0 Future engagement

6.1 As the government guidance has now been relaxed in relation to covid restrictions, from February 2022 the Member Services team have recommenced provision of a hybrid mix of face-to-face and digital member engagement.

6.2 From the 17 January 2022 to 1 February 2022, the Member Services Team delivered virtual Pension Roadshows across district councils to explain members annual benefit statements and to encourage them to engage with their benefits. The team delivered **16** digital roadshows which attracted **342** members.

6.3 The Member Service Team is now preparing to deliver face-to-face roadshows at depot locations across the West Midlands region. Further information on these events will follow in the June Customer Engagement Update report.

6.4 On the back of the success of the award won by the Fund for “Pensions Marketing Campaign of the Year” we have expanded our retirement planning support to deferred members. This entails notification to all deferred members as they approach age 55, highlighting a member toolkit they can use and inviting them to a new Pre-Retirement

Webinar. Our first invitation was sent out to members on the 28th February 2022, and therefore we aim to provide statistics and feedback in the next report.

6.5 March/April is the time of year where we send out P60s and newsletters to our pensioners. This year the pensioner newsletter contains useful information such as pension pay day dates, pensions increase, explaining members P60s and updates on the Fund combatting climate change and much more (appendix B).

6.6 The Fund is finding that it can be challenging to locate beneficiary pensioners if they move address and do not inform the Fund, or more unfortunately if they pass away. A campaign has been designed to write out to our 13,000 beneficiary pensioners asking them to complete an alternative contact form so if we lose touch with these members, we can contact their registered alterative contact to locate them.

7.0 Financial implications

7.1 There are no financial implications associated with this report.

8.0 Legal implications

8.1 There are no legal implications associated with this report.

9.0 Equalities implications

9.1 The report contains no direct equalities implications.

10.0 Other Potential implications

10.1 This report contains no other potential implications.

11.0 Schedule of Background Papers

11.1 None

12.0 Appendices

12.1 Appendix A – Review of member events

12.2 Appendix B – Pensioner Newsletter

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West Midlands Pension Fund

Appendix A

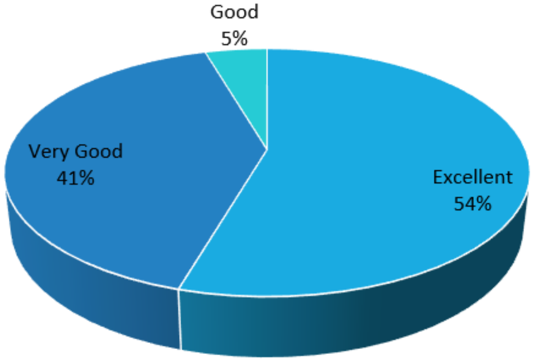
Member Services Webinar Feedback

October – December 2021

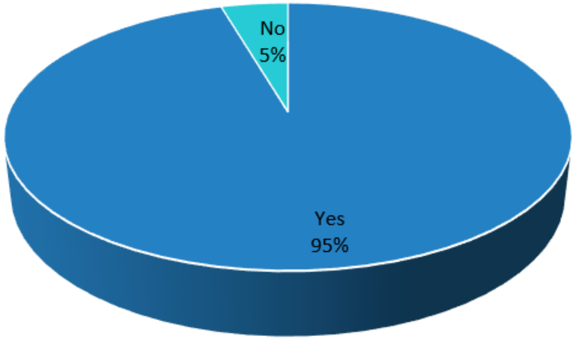
164 consultations delivered; 22 members completed our survey.

Overall, how would you rate the webinar?

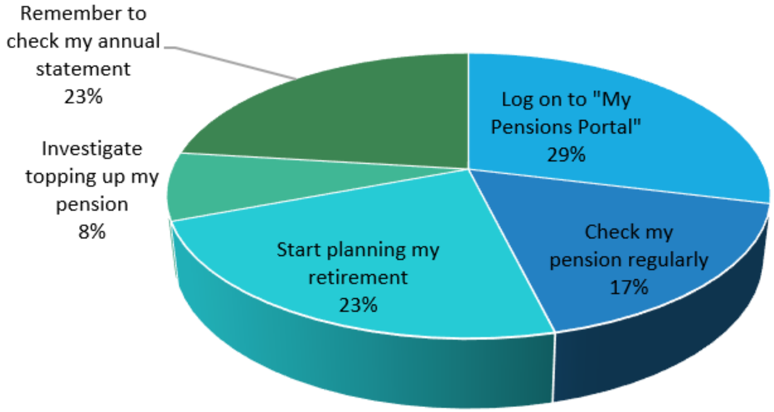
How would you rate the presenters general knowledge and presentation skills?



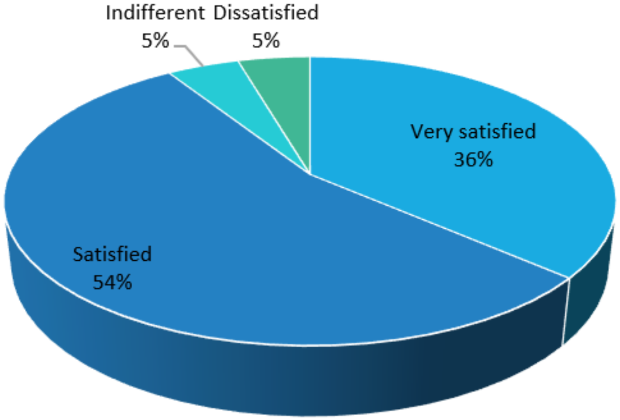
Would you recommend a colleague to attend this type of event?



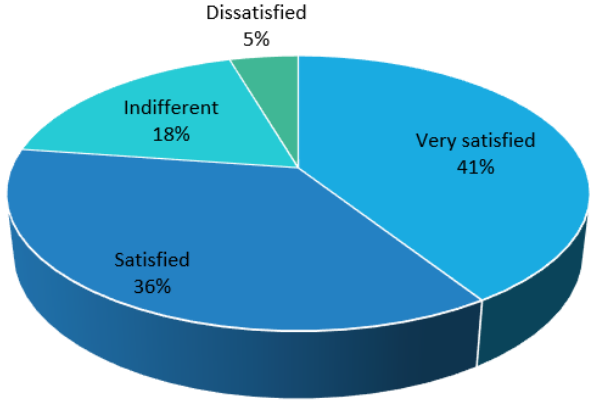
What are you going to do following this webinar?



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



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



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West Midlands Pension Fund

PENSIONER MEMBER

PENSIONSMART

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

WELCOME TO YOUR 2022 PENSIONER MEMBER PENSION SMART NEWSLETTER.

2022/2023 PENSION PAYMENT DATES

- 25 April 2022
- 25 May 2022
- 24 June 2022
- 25 July 2022
- 25 August 2022
- 23 September 2022
- 25 October 2022
- 25 November 2022
- **16 December 2022**
- 25 January 2023
- 24 February 2023
- 24 March 2023

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

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

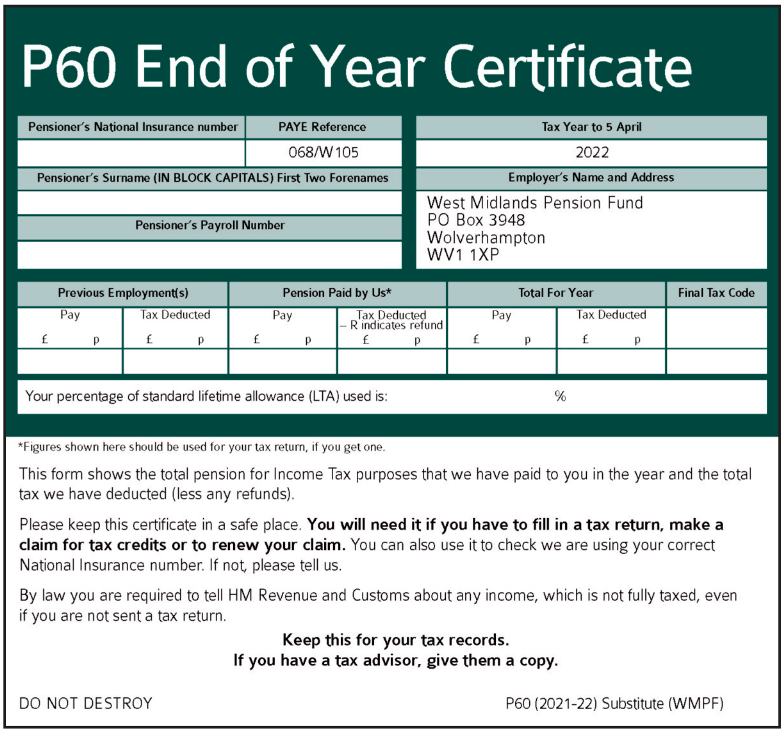
Yearly payments are paid each March. If you are paid quarterly or yearly, you will continue to receive a payslip which is also available online every time you are paid.

YOUR PENSION IS INCREASING – 3.1%

April is the time of year when your local government pension is adjusted to ensure it maintains its value against increases in the cost of living, and we are pleased to announce that from the 11 April 2022 pensions will increase by 3.1% in line with the consumer prices index (CPI). For more information on how the increase will be applied or if you have been receiving your pension for less than a year, please visit **www.wmpfonline.com/increase**.

← Please view our short video which explains pensions increase in more detail at **www.wmpfonline.com/increase.**

Please remember that the 3.1% increase is payable from the 11 April 2022. Therefore, your April payslip will have the first ten days of April (1 April 2022– 10 April 2022) payable at your current rate, and then the remainder of the month (11 April 2022 – 30 April 2022) will receive the 3.1% increase. You will receive the full increase of 3.1% for the whole month in May 2022. However, please note that your pension can be made up of different elements, each of which can be increased differently. Also, if you have retired in the last year, the increase will be pro-rated.



P60 End of Year Certificate

Pensioner's National Insurance number	PAYE Reference	Tax Year to 5 April
	068/W105	2022

Pensioner's Surname (IN BLOCK CAPITALS) First Two Forenames	Employer's Name and Address
	West Midlands Pension Fund PO Box 3948 Wolverhampton WV1 1XP
Pensioner's Payroll Number	

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

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

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

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

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

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

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

DO NOT DESTROY P60 (2021-22) Substitute (WMPF)

IMPORTANT DOCUMENT – P60

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

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

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

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

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

The P60 is your summary of pension and tax paid for the year up to 5 April 2022. You will need to use this – please make sure you keep this document in a safe place as the Fund cannot provide a duplicate. You can also view your P60 on the Pensions Portal.

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

CHANGING YOUR BANK DETAILS?

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

If you have informed the Fund by using your payslip or in writing, please do not close your old account until you have received confirmation from the Fund that the change has been made.

Where a change of bank notification is received direct from the banking industry, the Fund will no longer issue paper notifications of these changes. All changes should have been instructed by our members using the Current Account Switch Guarantee Service and, therefore, you are aware of the change or it may be an internal change by your bank which does not affect your individual account.

NOT SURE IF YOU'RE PAYING THE CORRECT AMOUNT OF TAX?

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

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

Please quote reference number: 068/W105

RETURNED PAYMENTS

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

You can update your bank details on your Pensions Portal account at **//portal2.wmpfonline.com/** or by writing to the Fund at **West Midlands Pension Fund, PO Box 3948, Wolverhampton, WV1 1XP**.

HAVE YOU MOVED ADDRESS?

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

You can update your address on your Pensions Portal account **//portal2.wmpfonline.com/** or by writing to the Fund at **West Midlands Pension Fund, PO Box 3948, Wolverhampton, WV1 1XP**.

ANNUAL LIFE CERTIFICATION – OVERSEAS MEMBERS

The Fund undertakes an annual certification process commencing in the Autumn of each year, typically October, for our overseas Pensioners in partnership with an organisation called Target. Target is a third-party organization who trace and verify scheme members on our behalf, helping to ensure pension scheme data is correct and up to date.

This exercise enables us to engage with an increased number of members and also enhance the opportunities for you to engage with us on this process electronically. As part of this process, you will receive a letter or email from Target, asking you to verify your details which can be done either by traditional postal method or via the app mypensionID

This exercise will be repeated again this year.

mypensionID

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

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

target

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

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

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

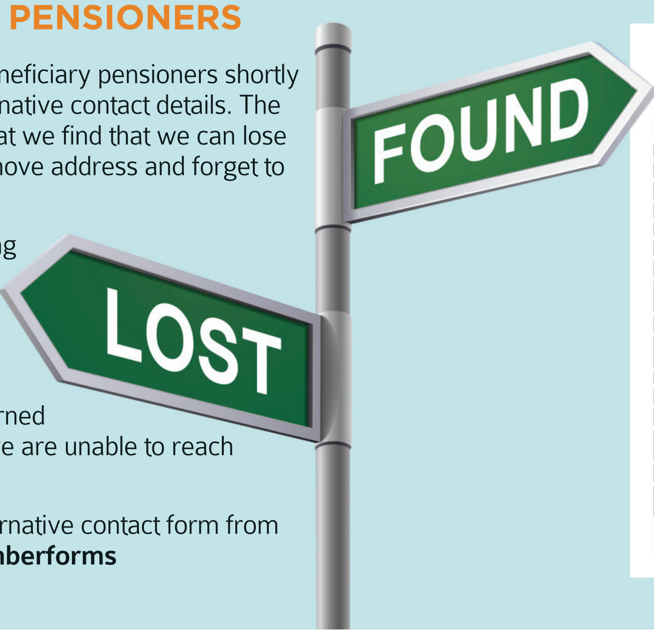
ALTERNATIVE CONTACT FORM FOR BENEFICIARY PENSIONERS

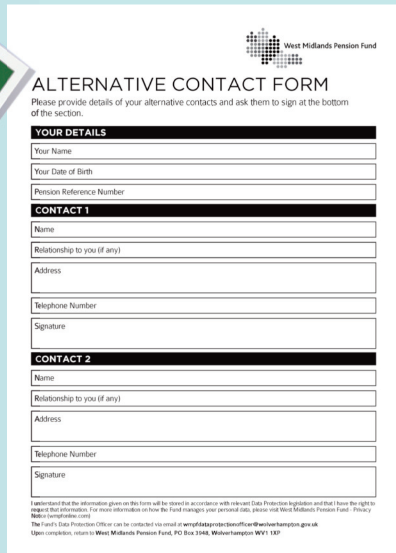
We will be writing to all our beneficiary pensioners shortly to ask you to update your alternative contact details. The reason we are asking this is that we find that we can lose contact with members if you move address and forget to tell us.

To assist with this, we are giving members the opportunity to provide us with an alternative contact.

An alternative contact will only be used if we receive any returned post from your address, and we are unable to reach you by other means.

You can also download an alternative contact form from **www.wmpfonline.com/memberforms**





West Midlands Pension Fund

ALTERNATIVE CONTACT FORM

Please provide details of your alternative contacts and ask them to sign at the bottom of the section.

YOUR DETAILS

Your Name

Your Date of Birth

Pension Reference Number

CONTACT 1

Name

Relationship to you (if any)

Address

Telephone Number

Signature

CONTACT 2

Name

Relationship to you (if any)

Address

Telephone Number

Signature

I understand that the information given on this form will be stored in accordance with relevant Data Protection legislation and that I have the right to request that information. For more information on how the Fund manages your personal data, please visit West Midlands Pension Fund - Privacy Notice (wmpfonline.com)

The Fund's Data Protection Officer can be contacted via email at **wmpfdataprotectionofficer@wolverhampton.gov.uk**

Upon completion, return to **West Midlands Pension Fund, PO Box 3948, Wolverhampton WV1 1XP**

OVERSEAS BANK ACCOUNTS

If you require your pension to be paid overseas, please ensure that you complete the mandate with all required details as our overseas provider will reject payments that are set up incorrectly, and we do not have the facilities to make advance payments to these accounts.

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

Alternatively, you can contact us for a form.

NATIONAL FRAUD INITIATIVE

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

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

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

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

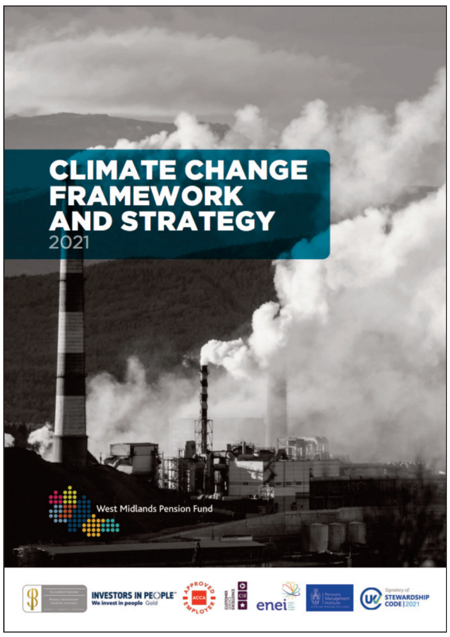
TEA & TEACH

Back in 2019, before the pandemic, the Fund hosted our first 'Tea and Teach' event which was held at Wolverhampton Art Gallery. This was an opportunity for pensioner members to come along and have a cup of tea or coffee and chat with Fund officers about their pension. The event was a success and we were able to sit down and help our members with any pension related questions that they had. With the help of the Pensioner Engagement Forum we planned to roll this out for 2020 at several locations across the region. However, due to the pandemic and restrictions meeting face to face, these events had to be postponed.

We are now looking to deliver these events again in the summer and will be in contact with you with the dates and venues. We hope to see you there!

CLIMATE CHANGE

In Autumn 2021 the Fund launched its latest Climate Change Framework and Strategy and joined the Paris Aligned Investment Initiative's Net Zero Asset Owner Commitment, with a pledge to align with the goals of the Paris Agreement net zero ambition by 2050 or sooner.



Climate change is an existential threat and the defining issue of modern time. It is harming livelihoods and societies, threatening future food security and water availability, and having a detrimental impact upon local and global economies alike. As a Fund we are committed to playing our part in driving down emissions and investing in solutions that directly contribute to and financially benefit from the transition to a net zero future.

Over the next five years to 2026, we will:

- refine metrics to measure progress and alignment towards 2050 net zero and our interim targets;
- further reduce our investment portfolio and operational carbon emissions;
- continue to explore opportunities to invest in aligned products and those focused on climate solutions;
- collect, measure and track our operational and investment portfolio emissions data and look for areas where we can seek to make reductions;

- engage governments, companies and investors to ensure disclosure, action and alignment to net zero pathways throughout value chains; and
- collaborate to influence positive change and drive meaningful action on a global scale.

We have set our targets and written our climate strategy with all of our stakeholders in mind. We know that the journey ahead will not be easy, but the value of the end goal is immense: a liveable climate and planet for all.

You can read more about what this means for the West Midlands Pension Fund on our Fund website and if you would like to discuss this content further, please contact **responsibleinvestment@wolverhampton.gov.uk**

PENSIONER ENGAGEMENT FORUM - YOU SAY, WE DO!

The Fund has a Pensioner Engagement Forum which usually meets annually to evaluate the services we offer to pensioner members, and to enhance the experience a member has when transitioning from work to retirement. In previous years, we have reviewed the different methods of communication we have with pensioners and provided feedback through this newsletter on the new initiatives and improvements that have been made. The group has shaped the way in which we communicate with members and also plays a key role in initiatives such as the Pre-Retirement Workshops, which are now one of our key engagement events for members who are thinking about retirement.

Unfortunately, due to the pandemic, the group couldn't meet face to face for the last two years. However, we are planning the next forum to take place on **Friday 7 October 2022** at our new offices in i9 in Wolverhampton.

We would welcome you to be involved in this event to gather your thoughts on a variety of subjects. The event will run for the morning and close at midday, but we hope you can stay with us for the lunch we will provide.

If you are interested in attending, please email us at **wmpfevents@ wolverhampton.gov.uk** and we will confirm your attendance. Alternatively, you can telephone us on **01902 551869.**

POWER OF ATTORNEY

A power of attorney (POA) is a legal document that lets you give one or more person the power to make decisions and manage your money, property, and/or your health and welfare.

A power of attorney can help you with temporary situations – for example, if you're in hospital or abroad and need help with everyday tasks such as paying bills, as well as longer-term situations. These could be planning for the unexpected, or if you have been diagnosed with dementia and might lose the mental capacity to make your own decisions in the future.

For more information about power of attorney or if you require assistance with setting one up, please contact **Money Helper** on **0800 011 3797** or visit **www.gov.uk/power-of-attorney**

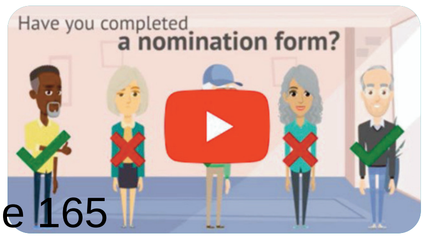
If you already have a financial power of attorney in place which covers dealing with your financial affairs, such as your pension benefits, please can you send the full copy of this document to the Fund. We can then place this on your record and liaise with the chosen legal representative you have appointed.

ARE YOUR NOMINATED BENEFICIARIES UP TO DATE?

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

To check your death grant will be paid to the correct person or to update your nomination form, please log onto Pensions Portal at **https://portal2.wmpfonline.com/**

For more information about death grants, why not view our short video at **www.wmpfonline.com/deathinretirement**



Spring WORDSEARCH

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

Y	F	C	O	H	O	K	A	G	H	Y	L	E	C	H
E	E	L	J	I	C	J	W	Y	X	Q	P	S	A	B
R	H	O	I	I	S	Z	D	L	J	W	V	O	R	D
S	S	V	G	L	O	R	J	N	F	U	L	R	N	R
C	H	R	Y	S	A	N	T	H	E	M	U	M	A	E
P	C	G	L	N	N	C	Y	N	N	D	U	N	T	D
O	W	J	G	I	L	A	O	L	A	S	I	R	I	N
P	F	E	A	M	D	M	P	I	I	S	V	A	O	E
P	A	Y	E	G	E	O	S	D	S	L	I	Y	N	V
Y	Q	V	M	N	E	Y	F	O	R	C	H	I	D	A
Z	Q	R	A	Y	W	V	X	F	B	A	H	R	M	L
R	E	W	O	L	F	N	U	S	A	L	G	X	I	U
T	Q	R	M	W	C	A	Q	F	T	D	G	O	O	U
C	I	M	W	Y	X	N	O	K	C	I	A	P	N	V
J	Q	A	A	U	N	W	I	T	H	U	A	L	D	X

Below is a list of words associated with Spring. See how many you can find. The words can go up, down, diagonally or backwards.

Anemone
Daffodil
Iris
Lily
Rose
Carnation
Daisy
Lavender
Orchid
Snapdragon
Chrysanthemum
Hydrangea
Lilac
Poppy
Sunflower

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

Deadline for all entries is the 30 May 2022.

Full name: ....

Contact number: ....

Email address: ....

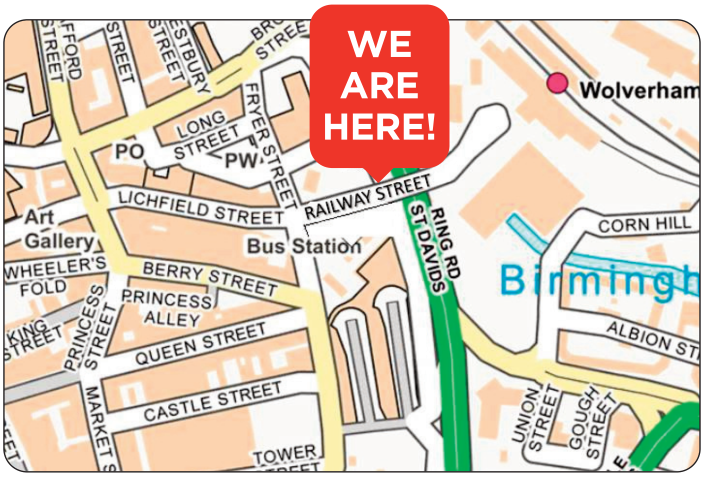
West Midlands Pension Fund

WEST MIDLANDS PENSION FUND IS MOVING OFFICES!

From 1 May 2022 the West Midlands Pension Fund is moving offices from the Mander Centre to the new i9 building on Railway Street in Wolverhampton.

Our new offices are now more accessible with less than a two minute walk from the Train Station and the Bus Station and a five minute walk from St Georges Tram Station.

You can visit our offices at **i9, Wolverhampton Interchange, Railway Street, Wolverhampton, West Midlands, WV1 1LD**



You can write to us at:
West Midlands Pension Fund
PO Box 3948
Wolverhampton
WV1 1XP

MCCLOUD UPDATE

In our previous update, we provided information around the McCloud ruling and provided links to further information.

The Government continues to consider exactly what changes need to be made to remove the discrimination. These changes will result in regulations that are expected to be reviewed in parliament in early 2022. Once these changes have been agreed, they will be implemented at the end of 2023.

Over the past six months, the Fund have been liaising with employers to ensure we have the key information to enable impacted members to be identified and once the regulations have been received, we will be working towards the implementation timescales.

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

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

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ARE YOU MANAGING YOUR PENSION ONLINE?

WIN £50

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

The West Midlands Pension Fund has an online Pensions Portal which enables you to manage your pension account and take control of your payments. If you register for a portal account between 22 March 2022 and 21 May 2022, all registrations will be put into a prize draw to win a £50 high street voucher.

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

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

Register today at **https://portal2.wmpfonline.com/**

IF YOU NEED ADDITIONAL SUPPORT

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

SIGNPOSTING SUPPORT

The West Midlands Pension Fund will help you, however we can, with your pension. However there are several other companies which can also help you with a variety of subjects.

citizens advice
citizensadvice.org.uk
0345 404 0506

unbiased — Connecting millions to great advice
unbiased.co.uk
0333 271 7513

HM Revenue & Customs
hmrc.gov.uk
0845 302 1437

age UK
ageuk.org.uk/care
0800 055 6112

Alzheimer's Society
www.alzheimers.org.uk
0207 605 4200

GOV.UK
gov.uk/browse/working/state-pension

Money Helper
www.moneyhelper.org.uk
0800 011 3797

www.independentage.org
0207 605 4200

IF YOU NEED TO CONTACT US, WE ARE HERE TO HELP...

https://portal2.wmpfonline.com/

www.wmpfonline.com/contactus

www.wmpfonline.com

Dedicated member helpline:
0300 1111665

Be Pension Smart!

and take control of your pension today

[This report is PUBLIC]

Agenda Item No: 16

CITY OF WOLVERHAMPTON COUNCIL	**Pensions Committee** 30 March 2022

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 Fund's Key Performance Indicators.
2. The latest strategic risk-register and areas being closely monitored in the current environment.
3. The compliance monitoring activity undertaken during the quarter.
4. 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 Key Performance Indicators

2.1 Attached at Appendix A are the Fund's Key Performance Indicators (KPIs).

2.2 There has been marginal movement across the Fund's Operational KPIs, covered in more detail in the Pension Administration Report, the team continue to flex resource to support increases in work volumes.

2.3 Engagement with the Fund from our customer base continues to be high as a result of increased awareness from members about their pensions. This is demonstrated by the high volume of calls and emails received into the Fund's customer contact centre, which alongside capacity constraints within the team and communications issued on adjustments to pensions following Guaranteed Minimum Pension (GMP) reconciliation, have impacted on the number of complaints received and the Fund's performance in respect of response times to those complaints.

2.4 Member web portal registrations have seen further increase but remain slightly lower than target for the quarter. As reported previously it is envisaged that this will increase following the re-establishment of face-to-face delivery of events which have been on hold due to restrictions in place because of the pandemic. Further information relating to these events is contained within the Customer Engagement Report.

2.5 There has been a reduction in the KPI for the response times to statutory deadlines, this is due to the increasing number and complexity of the requests received. Further details are included in the compliance monitoring section of this report.

3.0 Risk Management

3.1 Strategic Risk Register

3.1 The Fund's Strategic Risk Register is attached at appendix B.

3.2 The Fund continues to operate within an ever-changing environment which places increased pull on the Fund's resource and service delivery. While noted as individual areas of concern, the risks included in the attached risk register are interconnected in their impacts across the Fund.

3.3 We continue to see an ongoing challenge to recruit and retain to a variety of roles against a backdrop of a competitive employment market, made more challenging by the increased mobility remote and agile working has afforded across sectors. The ongoing promotion of pensions saving and awareness (through media campaigns such as Pension Wise) and the forthcoming pension dashboards, places increased demands on the Fund's and employers' data, requiring resource and skill to manage and update pension records in response to statutory changes including the McCloud remedy.

3.4 Linked to this is the increased risk in maintaining effective governance in context of pending change and ongoing delay in the publication of new regulations and guidance applicable to the Fund. Over the last 18 months, there has been an increasing set of guidance expected to inform Administering Authorities of the requirements and expectations for managing a Fund within the Local Government Pension Scheme (LGPS). The Fund continues to await the publication of statutory guidance, including the Pension Regulator's Single Code of Practice, updated guidance on investment strategy (including pooling and climate change) and requirements to demonstrate "Good Governance" within the LGPS following review by the Department for Levelling Up, Housing and Communities (DLUHC). It is anticipated that regulatory change will be forthcoming over the next 3 – 6 months, with many new requirements and consultations landing late or with short notice to implementation which may place further pull on the Fund's resources as processes, systems and operational protocols are developed and enhanced to comply with evolving expectations.

3.5 Service delivery remains a high risk this quarter, in conjunction with the external impacts detailed above, the Fund is going through a period of service development with a change in its supplier for pension administration software limiting the ability to deliver system enhancements during this time.

3.6 We have added one new risk this quarter relating to Investment Risk which reflects market uncertainty and ongoing volatility resulting from current geopolitical and economic events. Further details will be provided in the Investment Strategy and Activity Update.

4.0 Compliance Monitoring

4.1 Data Protection
This quarter the Fund is reporting six data breaches. As per the previous quarter all of the breaches were minor and involved minimal amounts of low-risk data. The Governance Team continue to identify actions in order to improve procedures and make recommendations to enhance controls.

4.2 Freedom of Information (FOI) Requests
FOI requests are administered by City of Wolverhampton Council (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 with efficiently in accordance with prescribed guidelines and timescales.

The number and complexity of FOI requests received by the Fund continues to increase. This quarter the Fund responded to nine FOI requests, eight requests were dealt with in accordance with the deadlines set by CWC, with one being granted an extension to internal deadlines to allow validation checks on the information provided. All requests were responded to within statutory timescales.

4.3 Subject Access Requests (SARs)
This quarter the Fund has received eight Subject Access Requests, this is in line with the number received during the previous quarter. As reported previously, the majority of requests continue to be from third parties seeking information in connection with a member's decision to transfer out their pension to another provider. It is noted that authority from the member is also sought prior to providing information to any third party with the Fund maintaining enhanced controls on processing transfers in line with its pledge to the Pension Regulator (tPR) to combat pension scams.

As with freedom of information requests, SAR requests are administered by CWC who are responsible for responding to requests and setting internal deadlines to ensure compliance with statutory timescales. Of the eight requests received during this quarter seven were responded to in accordance with deadlines set by CWC and the statutory deadline.

5.0 Governing Body Training

5.1 Governing Body training events undertaken during the previous quarter included the following, with training hours being recorded and reported in the Fund's KPIs;

- Longevity analysis and trends training, provided to Committee members in December 2021, ahead of the Fund's 2022 actuarial valuation.
- Attendance at the 2021 Local Authority Pension Fund Forum (LAPFF) conference in December 2021.
- The Fund's spring training event in March 2021 which included a market update, an update on the Fund's Climate Strategy, a round up on regulatory change impacting the LGPS, introduction to the actuarial valuation 2022 and case studies from the Fund's direct property and sustainable infrastructure portfolios.

5.2 The online learning library for Governing Body members continues to be updated and provides a variety of training materials (including those from recent events) and relevant information for Governing Body members.

6.0 Financial implications

6.1 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.

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

7.0 Legal implications

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

8.0 Equalities implications

8.1 There are no direct equalities implications.

9.0 Other potential implications

9.1 There are no other potential implications.

10.0 Schedule of background papers

10.1 There are no background papers associated with this report

11.0 Schedule of appendices

11.1 Appendix A: KPI’s Quarter Two

11.2 Appendix B: Strategic Risk Register

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West Midlands Pension Fund - Key Performance Indicators (KPIs)

West Midlands Pension Fund

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 Q2 Trend	21/22 Q3 % Hit	21/22 Q3 Trend
Refund Notification	Notify member of Refund within 10 days of receiving required information	Monthly	90%	94.77%	94.05%	↓	94.94%	↑
Refund Payment	Refund payments processed within 5 days of receiving required information	Monthly	90%	98.88%	97.91%	↓	97.65%	↓
Retirement Quote	Notification of Estimated Benefits within 15 days of retirement date	Monthly	90%	98.89%	99.25%	↑	99.66%	↑
Retirement Notification	Notification of the actual benefits within 5 days of receiving member option form (Retirement Notification)	Monthly	90%	66.73%	85.71%	↑	90.98%	↑
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%	↓	99.49%	↑
Deferred Retirement Quote	Issue quote letter within 30 days of the members eligible payment date or receipt of request from member	Monthly	90%	77.30%	64.58%	↓	91.83%	↑
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%	↑	95.15%	↓
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%	↑	94.31%	↓
Transfer In Quote	Transfer in quotations processed within 10 days of receiving all the required information	Monthly	90%	98.10%	93.59%	↓	96.49%	↑
Transfer In Payment	Transfer notification of transferred in membership to be notified to the scheme member within 10 days of receiving payment	Monthly	90%	94.92%	94.25%	↓	87.72%	↓
Transfer Out Quote	Transfer out quotations processed within 20 days of receiving required information	Monthly	90%	98.30%	100.00%	↑	99.53%	↓
Transfer Out Payment	Transfer out payments processed within 20 days of receiving required information	Monthly	90%	92.73%	95.24%	↑	98.18%	↑
Deaths Acknowledgement	Acknowledgement of a death within 5 days of receiving the notification	Monthly	90%	96.60%	97.95%	↑	88.53%	↓
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%	↓	95.49%	↑
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%	↓	100.00%	↑

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 Q2 Trend	21/22 Q3 % Hit	21/22 Q3 Trend
Customer Satisfaction	Customer satisfaction	Quarterly	90%	85.23%	81.00%	↓	84.70%	↑

Pension Services - Complaints Monitoring

KPI Summary	KPI Description	Frequency	KPI Target	21/22 Q1 % Hit	21/22 Q2 % Hit	21/22 Q2 Trend	21/22 Q3 % Hit	21/22 Q3 Trend
Member Complaints	All member complaints to be responded to within 20 working days of receipt	Monthly	100%	98.15%	98.73%	↑	84.38%	↓
Employer Complaints	All employer complaints to be responded to within 20 working days of receipt	Monthly	100%	100.00%	100.00%	→	100.00%	→

Pension Services - Complaints Monitoring

KPI Summary	KPI Description	Frequency	KPI Target	21/22 Q1	21/22 Q2	21/22 Q3
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 Q2 Trend	21/22 Q3 % Hit	21/22 Q3 Trend
Customer Services Calls	Call answer rate of the customer helpline	Monthly	85%	82.93%	80.63%	↓	86.29%	↑
Employer Services Calls	Call answer rate of the employer helpline	Monthly	85%	96.43%	94.33%	↓	95.36%	↑

Pension Services - Web Portal Registrations

KPI Summary	KPI Description	Frequency	KPI Target	21/22 Q1	21/22 Q2	21/22 Q3
Web Portal Registrations	Web Portal Registrations	Monthly	3000 increase per quarter	2875	2405	2145

Operations - Web Portal Availability

KPI Summary	KPI Description	Frequency	KPI Target	21/22 Q1 %	21/22 Q2 %	21/22 Q2 Trend	21/22 Q3 %	21/22 Q3 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%	↓	99.60%	↑
Employer Portal Availability	Employer Portal to be available 95% of the time (based on working hours as monitored)	Monthly	95%	99.86%	100.00%	↑	100.00%	→

Governance and Risk

Governance - Effective Decision Making

KPI Summary	KPI Description	Frequency	KPI Target	21/22 Half Year
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

KPI Summary	KPI Description	Frequency	KPI Target	21/22 Half Year
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

KPI Summary	KPI Description	Frequency	KPI Target	21/22 Q1 % Hit	21/22 Q2 % Hit	21/22 Q2 Trend	21/22 Q3 % Hit	21/22 Q3 Trend
Combined Statutory Timeliness	All Fund responses to be submitted in line with service standard set to CWC	Monthly	100%	100.00%	94.44%	↓	91.67%	↓

Data Management and Reporting

Governance - Data Quality

KPI Summary	KPI Description	Frequency	KPI Target	21/22 Q1 %	21/22 Q2 %	21/22 Q2 Trend	21/22 Q3 %	21/22 Q3 Trend
Common Data	Common Data	Monthly	99%	97.57%	97.60%	↑	97.60%	↑

Operations - Data Improvement

KPI Summary	KPI Description	Frequency	KPI Target	21/22
ABS	ABS produced for 100% of active member records	Annually	100%	93.00%
DBS	DBS produced for 100% of deferred member records	Annually	100%	99.00%

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West Midlands Pension Fund Strategic Risk Register
Quarter 3 2021/22

	Risk Issue	Area of Concern	Current Driver	Rating	Risk ID (from operational risk map)	Responsible officer (driver)
1	Data and Information Reporting	Increased demands on the quality of Data 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.		G1, F7, OP1, INV2, INV7	Head of Operations
			Increased oversight on investment governance (and Pools) and the performance of LGPS Assets.			Assistant Director Investment Management and Stewardship
			Ongoing ehancements to manage and process high volumes of business data in response to reporting requirements			Head of Governance
2	Effective Governance	Ongoing resource constraints which have the potential to impact service delivery become exarcerbated by change in regulation which limit the Fund's ability to effectively plan and manage Service Enhancements.	Key vacancies in key service areas and across senior roles following resource reviews which are pending recruitment against a competitive market.		G1, G2, F2, F3, OP2, F4, F8, OP8, PS1, PS2, PS4, INV1, INV2	Director of Pensions
			Ongoing reliance on third party suppliers/stakeholders and the collective agreement of partners on common deliverables			Head of Operations
			The changing pace of the regulated environment in which we operate, noting the delayed publication of statutory guidance over the last 18 months which has the potential to be forthcoming in the next quarter			Head of Governance
			Ongoing resource constraints in key areas with a reliance on temporary support			Head of Governance
3	Business Continuity and Cyber Risk	The Fund is unable to perform its functions due to an external threat	Global concern on increasing Cyber risk and evolving practices required to mitigate in light of current global environment			Head of Operations
			Potential delays in move to future space could prolong the transition and period between office moves		G3, G4, F11, OP5	Head of Governance
4	Resourcing	People as a resource risk, with recruitment 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 which has opened significantly post Covid resulting in increasing employee mobility offering reducing potential for job seekers.			Head of Governance
			Number of key priorities for the organisation as it builds operational resilience and transformational change in key service areas requiring additional/interim support with some reliance on existing resource			Director of Pensions
			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 inidivdual roles to support service delivery may be needed for medium to long term		G5, F1, OP4, OP7, PS7, PS8, INV6	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.		F2, F4, F6, F10, F12, F13, PS6, OP6,PS1, INV1, INV2, INV3	Head of Operations
			Changes to system and processes will require a refresh to compliance monitoring program.			Head of Governance
			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 system change and adequate resourcing or focus on other areas in response to regulatory change.	Pending system change over, there is a halt on system development resulting in some processes remaining inefficiently manual for the short to medium term			Head of Operations
			Key vacancies across service areas following resource reviews which are pending recruitment against a competitive market.			Director of Pensions
			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
			Increased member awareness and wider focus upon retirement planning, combined with growing complexity in scheme rules (and constrained capacity amongst employers) resulting in increased demands for front line services.			Assistant Director, Pensions
			Multitude of regulatory change in the operational and reporting requirements of Funds		F9, PS3, PS5, INV3	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			Head of Operations
			Employer capacity, particularly in the provision of data, limits ability to deliver requirements for the Fund		OP3, F5, PS4	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			Assistant Director, Investment Strategy
			Uncertainty/volatility may have a direct impact upon contribution outcomes for employers in the near term and wider risk management over the longer-term. Increased level of employer interest in risk management options and/or exit from the LGPS combined with broader affordability considerations		INV4,	Assistant Director pensions
9	Investment Risk	Market uncertainty and ongoing volatility	Current actions by the Russian state having the potential to disrupt markets for the medium to long term.		INV4,	Assistant Director Investment Management and Stewardship
			Current volatility in Markets creating increased oversight and pressure on the Fund's strategy and management arrangements			Assistant Director Investment Strategy

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Agenda Item No: 17

CITY OF WOLVERHAMPTON COUNCIL	**Pensions Committee** 30 March 2022

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

Recommendations for noting:

The Pensions Committee is asked to note

1. The forthcoming regulatory changes across the Local Government Pension Scheme environment and the Fund's response to them.

1.0 Purpose

1.1 To provide Committee with an update on the regulatory environment in which the Fund is operating and the work being done to stay informed and prepared for change.

2.0 McCloud

2.1 As previously reported, in 2014 LGPS regulations were amended, and the scheme transitioned from a final salary scheme to career average revalued earnings (CARE). The new regulations contained provisions to protect older members closer to their retirement age (within 10 years of normal pension age) from a reduction in benefit, this protection is known as the final salary underpin.

2.2 However, in 2018 legal challenges (in relation to McCloud and Sargeant) from the Judges and Firefighters schemes were successful at the court of appeal, ruling that the protections put in place were age discriminatory. In 2019 the Government stated that it would make amendments to all Public Sector Pension Schemes to remove the discrimination, a consultation on the proposed changes was issued in July 2020.

2.3 In May 2021 the Government issued a statement with regards to the LGPS and McCloud ruling confirming that changes to the key elements of protection as outlined in the consultation would be made in due course, it is envisaged that these changes to LGPS regulations will come into force following a period of consultation with LGPS Funds noting the work needed to develop administration processes and systems. Amendments to the Public Sector Pensions Act 2013 are being made through the Public Service Pensions and Judicial Offices (PSPJO) Bill (discussed in more detail later in this paper), with changes to LGPS Regulations expected to be published by the Department (DLUHC) and consulted on once the Act is passed and currently not expected to be effective until April 2023.

2.4 The proposed remedy for the LGPS (in line with the PSPJO Bill) involves the removal of the age-related criteria for the underpin and would apply to members in service on or before 31 March 2021 who also have service after 31 March 2012. Implementation requires a significant data collection, with request for employers who were not required to provide certain data following the introduction of CARE in 2014, now required to supply historic pay and working hours data to enable the LGPS underpin to be recalculated.

2.5 The Fund has recruited a project team who are responsible for the management and implementation of the McCloud remedy. Collection of additional data began in October 2021 and will be completed in stages with a dedicated team in place to analyse data and rectify errors. At the time of reporting, approximately 66% of employers had submitted data relating to 22% members. A programme of support for employers has been developed and is being rolled out. In addition, engagement with the Fund’s pension administration system provider is underway to understand and develop the system changes required to implement the remedy as efficiently as possible.

3.0 Pensions Dashboards

3.1 The Government's consultation on the draft regulations detailing how pension dashboards will come into effect closed on 13 March 2022, the Fund having submitted a response. It is envisaged that public service pension schemes will onboard onto dashboards by April 2024, with concerns raised across the industry and sector and the tight timescales for implementation in context of unknown requirements and material challenges to address including, data protection, security and liability. The introduction of pension dashboards will mean that all members that are not in receipt of benefits (i.e. non pensioner members) will be able to access information about their retirement savings and benefits across pensions schemes in one place, in order to support improved retirement planning and engagement.

3.2 Whilst not all of the requirements for pension dashboard are known at this time with work ongoing to build the data specification, significant work will be required by the Fund for the preparation and introduction of dashboards. Preparatory work is already underway to support the Fund's interaction with pension dashboards which includes, data cleansing, member tracing and engagement with key stakeholders. The cost of pension dashboards will be met by the Pensions Industry itself; it is also anticipated that their introduction will increase demand on pension funds' customer service teams and contact centres as members will be encouraged and enabled to more easily make contact with schemes with whom they hold retirement benefits and with whom they may have lost contact due to the passage of time.

3.3 Dashboard delivery will require significant cross-industry and provider co-ordination, with an extensive programme of work underway. The Fund continues to engage through industry forum and with its own peers, advisers and providers to aid implementation and positive outcomes for pension members.

4.0 Pension Regulator Code of Practice

4.1 The Pensions Regulator consulted on the implementation of their single code of practice during March 2021, the consultation proposed combining their 15 existing codes into one singe online code covering the following five areas;

- Administration
- Communication and Disclosure
- Reporting to TPR
- Funding and Investment
- The Governing Body

4.2 The proposed single code will cover all pension funds, however, not all areas would be directly applicable to the LGPS (but may provide examples of good practice). An interim response to the consultation was published in August 2021 and it is currently envisaged that the final version of the code will be published during summer 2022. Whilst the code is not a fundamental change from the regulator's current public service pension scheme code, it does include a number of new areas where additional work will be required to meet requirements.

4.3 The Fund have undertaken a gap analysis of all 51 modules to current working practises and RAG rated compliance to identify areas that will require improvements. Whilst the Fund's overall level of compliance is high, ongoing development will be required to demonstrate compliance in all areas and maintain strong governance at the Fund.

5.0 Public Service Pensions and Judicial Offices Bill (PSPJO Bill)

5.1 The Public Service Pensions and Judicial Offices Bill aims to bring together a number of legislative changes which seeks to ensure consistency and reform in the application of pension legislation following cases such as McCloud and the Supreme Court Judgment on LGPS investment Guidance. Whilst originally focused on amendments to address implications of the rulings on age discrimination across the Public Sector Pension Schemes (noted earlier in this paper), the proposed changes in relation to LGPS investment matters have come into the Bill through amendments tabled through the Commons in February 2022.

5.2 In April 2020 the Supreme Court ruled that Local Government Pension Schemes could not be guided in setting their investment strategy where that guidance sought to specifically exclude certain types of investments. Currently, Law Commission guidance states that LGPS Funds may take into account Environment, Social and Governance factors when determining investment decisions, provided they have good reason to believe their scheme members share the same concern and there is no material risk of financial detriment.

5.3 On 23 February 2022 a proposed amendment to the wording in the Bill was tabled which would enable the Secretary of State to issue *guidance* to LGPS Funds that they *"may not make investment decisions that conflict with the UK's foreign and defence policy".* This followed an announcement in the Queen's speech in May 2021 that the government's legislative programme would include a Boycotts, Divestment and Sanctions (BDS) Bill to prevent public bodies from imposing their own approach and views on international relations against foreign countries. The LGPS amendment was debated and accepted by the Lords on 9 March, with a wider BDS Bill still expected to develop at a later stage.

5.4 Prior to the Lord's debate representations were made by both the Scheme Advisory Board for the LGPS and the industry body the Pensions Lifetime Savings Association (PLSA). During the debate it was noted that regulations and guidance are already in place to require pensions schemes to consider environmental, social and governance (ESG) risks; pension funds have fiduciary responsibilities; and that there are many employers and members participating in the Local Government Pension Scheme that are not part of Local Government. It was noted that the amendment would place no immediate duty on scheme managers to take investment or divestment decisions and that any guidance subsequentially issued by the responsible authority (DLUHC) would be subject to formal 12-week consultation. Reference was also made to the established Law Commission's test for investment decision in relation to non-financial considerations, with an expectation that guidance would be aimed at decisions which appeared not to meet this test. Further information including initial Q&A and the letter issued to Pension Committee Chairs by the Secretary of State on 9 March can be found on the Scheme Advisory Board website, referenced in the background papers to this report.

5.5 The PSPJO Bill is expected to gain Royal Assent this month, with (as noted above) any guidance expected to be subject to a period of consultation with the LGPS.

6.0 Levelling up white paper

6.1 On 2 February 2022 the Department (DLUHC) published its Levelling Up for the UK whitepaper. This set out the Government's vision for ending geographical inequality in the UK, focusing on six key drivers of capital and noting that monies held by the LGPS was a potentially underutilised source of capital. This included ambition for the LGPS to invest 5% of assets into projects supporting local areas. We currently await further information to understand how the Government will work with LGPS Funds to develop these plans. In the meantime, the Scheme Advisory Board has noted on its website that it understands "local area" to refer to "UK" rather than local to the LGPS Fund. We await further clarification with further details expected to emerge over the summer, alongside the long-awaited guidance on climate risk reporting and regulations and pooling within the LGPS.

7.0 Financial implications

7.1 Failure by the Fund to meet statutory requirements of effective governance and administration could result in fines imposed by Regulators

8.0 Legal implications

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

9.0 Equalities implications

9.1 There are no direct equalities implications.

10.0 Other Potential implications

10.1 There are no other potential implications.

11.0 Schedule of background papers

11.1 LGPS Scheme Advisory Board - BDS (lgpsboard.org)

11.2 SoS_DLUHC_to_Committee_Chairs9Mar22.pdf (lgpsboard.org)

12.0 Appendices

12.1 None

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