

Pensions Board

19 October 2021

Time 2.00 pm **Public Meeting?** YES **Type of meeting** Pensions
Venue Committee Room 3 - 3rd Floor - Civic Centre, St Peter's Square, Wolverhampton, WV1 1SH

Membership

Employer Representatives

Jacqueline Carman
Paul Johnson (Vice Chair)
Ian Martin
Joe McCormick
Mark Smith
Cllr John Reynolds

Member Representatives

Sharon Campion (Unison)
Terry Dingley (GMB)
Julian Allum (Unite)
Adrian Turner (Unison) (Chair)
Stand Ruddock (Unite)
Cllr Rupinderjit Kaur

Quorum for this meeting is four (minimum of two member and two employer representatives and include either the Chair or the Vice Chair)

Information for the Public

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

Contact Fabrica Hastings
Tel/Email FabricaHastings2@wolverhampton.gov.uk 01902 552699
Address Democratic Services, Civic Centre, 1st floor, St Peter's Square, Wolverhampton WV1 1RL

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

Agenda

Part 1 – items open to the press and public

<i>Item No.</i>	<i>Title</i>
1	Apologies for Absence
2	Declaration of Interests
3	Minutes Approval (Pages 3 - 8) [For approval.]
4	Matters Arising
5	Annual Report and Accounts 2020 - 2021 (Pages 9 - 42) [To update the Board on the preparation, approval and audit 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.]
6	Governance and Assurance (Pages 43 - 52) [To provide Board with an update on the work of the Fund to deliver a well governed scheme.]
7	Corporate Plan Monitoring (Pages 53 - 56) [To provide Board with an update on the work of the Fund in achieving its deliverables and targets set out in the Corporate Plan.]
8	Customer Engagement Update (Pages 57 - 72) [To provide Board with an update of the Fund's customer engagement activity from 1 April 2021 to 30 June 2021 and to cover future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy.]
9	Pensions Administration Report to 30 June 2021 (Pages 73 - 90) [To inform Board of the routine operational work undertaken by the pensions administration service areas during the period 1 April to 30 June 2021.]
10	Investment Governance and Climate Change (Pages 91 - 124) [To provide an update on investment related matters, including the review of the Fund's Climate Change Framework and Strategy for 2021-2026 and an update on responsible investment activities, together with the ongoing development of LGPS Central Investment Pool.]

Attendance

Members of the Pensions Board

Employer Representatives

Joe McCormick
Paul Johnson (Vice Chair)
Ian Martin
Mark Smith
Cllr John Reynolds

Member Representatives

Adrian Turner (Chair)
Stan Ruddock
Sharon Campion
Julian Allam
Terry Dingley

Employees

Rachel Brothwood	Director of Pensions - West Midlands Pension Fund
Simon Taylor	Assistant Director, Pensions – West Midlands Pension Fund
Tom Davies	Assistant Director - Investment Strategy – West Midlands Pension Fund
Rachel Howe	Head of Governance and Corporate Services - West Midlands Pension Fund
Amy Regler	Head of Operations – West Midlands Pension Fund
Lauren Pote	Governance Support Officer – West Midlands Pension Fund
Darshan Singh	Head of Finance – West Midlands Pension Fund
Hayley Reid	Regulatory Governance Manager – West Midlands Pension Fund
Fabrica Hastings	Democratic Services Officer – City of Wolverhampton Council
Jacob Stokes	Democratic Services Assistant – City of Wolverhampton Council
Jennifer Pearce	Senior Auditor – City of Wolverhampton Council

Part 1 – items open to the press and public

Item No. *Title*

- 1 **Election of Chair**
Rachel Brothwood, Director of Pensions, welcomed Board members to the first meeting of the municipal year and requested nominations for the election of the Chair of the Pensions Board, for the remainder of the municipal year. Sharon Campion, proposed Adrian Turner, Member Representative to be elected as Chair, which was

seconded by Stan Ruddock, Member Representative. This is in line with the Fund's representation policy of alternate representatives retaining the position as chair.

The Board welcomed Joe McCormick back to the Board as Member Representative following the recruitment process and thanked him for his service as the Pensions Board Chair from 2019-21, particularly for his support and commitment during the Covid-19 pandemic.

Resolved:

1. That it be agreed that Adrian Turner, Member Representative be elected as Chair of the Pensions Board for the remainder of the municipal year 2021-22.

2 **Election of Vice Chair**

Adrian Turner, Chair of the Pensions Board requested nominations from members of the Board for the election of Vice-Chair for the remainder of the municipal year.

As the position of Chair is now held by a member representative, it was acknowledged that in accordance with the Terms of Reference an employer representative was preferred for the role of Vice-Chair.

Paul Johnson, Employer Representative nominated himself as Vice Chair of the Pensions Board, which was seconded by Joe McCormick, Employer Representative.

Resolved:

1. That it be agreed that Paul Johnson, Employer Representative be elected as Vice Chair of the Pensions Board.

3 **Apologies for Absence**

Apologies were received from Councillor Rupinderjit Kaur.

4 **Declaration of Interests**

There were no declarations of interest made.

5 **Minutes Approval**

That the minutes of the previous meeting be approved as a correct record.

6 **Matters Arising**

There were no matters arising.

7 **Local Pensions Board Annual Governance Report**

Rachel Howe, Head of Governance and Corporate Services, presented the report on the Annual Governance matters of Local Pensions Board in line with the good governance requirements of the Pensions Regulator (tPR) and the Scheme Advisory Board (SAB).

The report outlined the changes to the Board's membership for the 2021-22 municipal year, in accordance with the Local Pension Board Appointments Policy, the proposed amendments to the terms of reference which had been made to reflect recommended changes to statutory guidance from the SAB and TPR and the Local Pension Board Work Plan for the 2021-22 municipal year.

Resolved:

1. That the revised Terms of Reference for the Local Pensions Board be approved.
2. That the appointment of employer representative and observer identified by the Appointment Panel be approved.
3. That the nominations from the GMB Trade Union for the vacant member representative seat be approved.
4. That the Local Pension Board work-plan for the 2021-2022 municipal year be approved.
5. That the Local Pension Board Appointments policy be approved.
6. That the appointments from the City of Wolverhampton Council to the elected member seats be noted. The following dates and time of the meetings of the Local Pension Board confirmed as (14:00):
 - i. 20 July 2021
 - ii. 19 October 2021
 - iii. 25 January 2022
 - iv. 26 April 2022
7. That the Governing Body Member Training Policy developed for members of the Fund's Governing Bodies which was approved by the Pensions Committee on 23 June 2021 be noted.
8. That the publication of the national Scheme Advisory Board (SAB)'s annual report be noted.

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

The Board acknowledged the Fund's continued development of its risk management practices including risk reporting. The Fund had continued to monitor potential risks, in line with the risk management framework, with focus on the changing regulatory environment and the Fund's ability to recruit and resource to key roles.

Resolved:

1. That the latest strategic risk-register and areas being closely monitored in the current environment be noted.
2. That the compliance monitoring activity undertaken during the quarter be noted.
3. That the Fund's Key Performance Indicators and action taken to support service delivery be noted.
4. That the updates on potential regulatory changes and statutory guidance emerging from the LGPS and wider pensions industry be noted.
5. That the Governance and Compliance Statement, approved by the Pensions Committee 23 June 2021 be noted.
6. That the Fund's Representation Policy, approved by the Pensions Committee 23 June 2021 be noted.

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

Rachel Howe, Head of Governance and Corporate Services, presented the report on the outcome of the work programme for internal audit for 2020 – 2021.

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

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

Resolved:

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

10 **Customer Engagement Update**

Simon Taylor, Assistant Director, Pensions, presented the Fund's customer engagement activity from 1 January 2021 to 31 March 2021 and to cover future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy.

The Board were advised that the draft Pension Administration Strategy and the Employer Roadmap were under consultation with employers and would be approved by the Chair and Vice Chair of the Pensions Committee along with the Director of Pensions following the close of the consultation.

The Board were further advised that the Funding Strategy Statement was now available on the Fund's website.

The Fund continued to provide members with on-demand support and guidance through digital channels, that were well attended and received positive feedback.

Resolved:

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

11 **Pensions Administration Report to 31 December 2020**

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

The quarterly report detailed the roll-out of the Employer Hub facility and illustrated an improvement against the previous year within the Workload Analysis for 2017-2021.

It was noted that the Fund's overall membership growth resulted in a natural workload increase. The Fund would continue to monitor volumes of incoming work, adapt working practices and reallocate services where required.

The Board were advised that the Fund had seen an increase in some pensions processes during the period which had impacted KPI's. Two indicators relating to the production of retirement quotations for active and deferred members had contributed to the Fund falling slightly short of the 90% target for the year, but that the overall KPI performance had remained strong despite the challenges faced during 2020-2021.

In response to a query from Stan Ruddock , Member Representative, regarding the increase in death notifications received to the Fund, the Head of Operations advised that the increase in death notifications related to all causes, including Covid-19.

Resolved:

1. That the performance and workloads of the key pension administration functions be noted.
2. That the development of the Fund's membership and participating employers be noted.
3. The ongoing work to improve efficiency and ensure consistency of processing and record keeping be noted.
4. That the Administering Authority Policy Statement 2021, confirming the discretions policy for the Fund, approved by Committee, 23 June 2021 be noted.

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Statement of Accounts 2020-2021

Darshan Singh, Head of Finance, presented the report on the preparation, approval and audit of the Statement of Accounts and the Annual Report for the year ending 31 March 2021.

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

The Board were advised that the deadline for completion of the audit was the end of September 2021, with a deadline for publication of the Fund Annual Report of 1 December 2021.

Following a question from Stan Ruddock, Member Representative, regarding credit ratings based on the value of the Fund's assets, the Assistant Director, Investment Strategy, advised that the Fund conducted quarterly stress testing of the Fund's assets to monitor and assess the impact of potential market shocks on the investment portfolio.

Resolved:

1. That the West Midlands Pension Fund Draft Statement of Accounts for the year ending 31 March 2021, prepared and certified by the Section 151 Officer as required by regulations be noted.
2. That the draft Statement of Accounts (and the Annual Report), subject to audit by the Fund's external auditors, Grant Thornton, with the final versions, including their audit opinion, to be reported to Pensions Committee in September 2021 and Local Pensions Board in October 2021 be noted.
3. That the Accounts and Audit (amendment) Regulations 2021 (SI no 2021/263), extending the statutory accounting deadlines for completion of the draft and final Statement of Accounts for 2020/21 and 2021/22 be noted.

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Investment Governance

Tom Davies, Assistant Director, Investment Strategy, presented the report on investment related matters, including the publication of the Fund's Annual Stewardship Report and an update on responsible investment activities, together with the ongoing development of LGPS Central Investment Pool.

The report provided an overview of the Fund's approach as part of its overall investment management arrangements and active responsible investment framework.

The Board were advised that the Fund were pleased with the outcomes following the submission of its first Annual Stewardship Report in April 2021, that demonstrated active stewardship within the Fund's operations and investment chain towards building sustainable futures for all.

The Board were advised that the Joint Committee for LGPS Central took place on the 18 June 2021 and was attended by the Chair of the Pensions Committee, Malcom Cantello – Trade Union Representative and the Director of Pensions. A link was provided within the background papers of the report for further details.

Resolved:

1. That the update on investment governance matters including those in relation to responsible investment and investment pooling be noted.
2. That the publication of the Fund's Annual Stewardship Report be noted.

CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 19 October 2021
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Report title	Annual Report and Accounts 2020/2021	
Originating service	Pension Services	
Accountable employee	Darshan Singh	Head of Finance
	Tel	01902 55 5768
	Email	darshan.singh@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 55 1715
	Email	rachel.brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Pensions Board is recommended to note:

1. The Statement of Accounts for West Midlands Pension Fund (WMPF) for the year ending 31 March 2021 was audited and completed alongside the finalisation of the City of Wolverhampton Council Statement of Accounts in the week commencing 11 October.
2. Grant Thornton's Audit Findings Report for West Midlands Pension Fund (WMPF).
3. The draft Annual Report for WMPF is being considered by Pensions Committee and will then be subject to audit by the Fund's external auditor, Grant Thornton.

1.0 Purpose

- 1.1 The purpose of this report is to update the Board on the preparation, approval and audit of the Statement of Accounts and the Annual Report for the year ending 31 March 2021 and the latter's publication on the Fund's website.

2.0 Background

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

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

- 2.2 The draft Statement of Accounts which was published on 21 June and approved by Pensions Committee on 23 June has since been audited by the Fund's external auditor, Grant Thornton.

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

- 2.3 As well as being published in the Fund's own Annual Report, its accounts must be included in the Statement of Accounts of the Administering Authority (in this case, the City of Wolverhampton Council). It is important to note that the transactions and balances of the Fund remain completely separate and are not combined with those of the Administering Authority.
- 2.4 As at 30 September 2021, the Administering Authority's external auditor, Grant Thornton UK LLP, had not yet concluded the audit of the Statement of Accounts for City of Wolverhampton Council. A notice of delayed audit was published by the Council in accordance with Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015.

3.0 Audit Findings

- 3.1 Having completed the audit of the West Midlands Pension Fund Statement of Accounts, Grant Thornton will issue an unqualified audit opinion for the Fund upon the finalisation of the audit of the City of Wolverhampton Council Statement of Accounts in the week commencing 11 October..

Grant Thornton carried out additional work again this year to test the Fund's processes and controls in preparing and providing information for IAS19 disclosures and issued their annual assurance letters to relevant employers' external auditors on 30 September 2021.

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

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

4.0 Draft Annual Report 2020/21

- 4.1 The draft Annual Report has been issued to all Local Pensions Board and Pensions Committee members. The contents of the Annual Report are as follows:

- Introduction
- Management and Financial Performance
- Investment Policy and Performance
- Scheme Administration Report
- Actuarial Report
- Governance Arrangements
- Statement of Accounts
- Pensions Administration Strategy
- Funding Strategy Statement
- Investment Strategy Statement
- Communications Policy Statement
- Further Information

- 4.2 The Annual Report provides a thorough review of the Fund's activities during the year and notes some particular successes including:
- Winning the UK Pensions Age Pensions Marketing Campaign of the Year award in July 2021.
 - Being shortlisted for awards in governance, investment and administration at the Local Authority Pension Fund awards in Autumn 2021.
 - Becoming the first LGPS fund in England & Wales to attain accredited member status with the Pensions Administration Standards Association (PASA).
 - Ending the year with an annual return of 20.6% to more than recover the falls seen in March 2020 despite challenging market conditions.
 - Providing business as usual services and evolving working practices through an extended period of remote working; retaining services including customer services fully and safely open off site.

- Playing a key role in launching the Asset Owner Diversity Charter seeking to promote greater diversity and inclusion in the investment management industry.

5.0 Financial implications

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

6.0 Legal implications

- 6.1 The Statement of Accounts of the Administering Authority (of which the Fund's accounts form part) must be prepared in accordance with the statutory framework established by the Accounts and Audit Regulations 2015. The audit of the financial statements is undertaken in accordance with the statutory framework established by sections 3 and 20 of the Local Audit and Accountability Act 2014.
- 6.2 The Accounts and Audit (amendment) Regulations 2021 came into force on 31 March and extend the publication date for local authority audited accounts to 30 September 2021 with the public inspection period starting on the first working day of August 2021.
- 6.3 A notice of delayed audit was published by the Council in accordance with Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015, reflecting Grant Thornton's ongoing audit as at 30 September 2021.
- 6.4 Under LGPS Regulations, Administering Authorities are required to produce and publish a pension fund annual report, including information about the management and financial performance of the Fund by 1 December each year.

7.0 Equalities implications

- 7.1 This report has no direct equalities implications.

8.0 All Other implications

- 8.1 This report has no other implications.

9.0 Schedule of background papers

- 9.1 None.

10.0 Schedule of appendices

- 10.1 Appendix A – Grant Thornton Audit Findings Report, WMPF

The Audit Findings for West Midlands Pension Fund

Year ended 31 March 2021

West Midlands Pension Fund
September 2021

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Your key Grant Thornton team members are:

Grant Patterson

Key Audit Partner

T 0121 232 5296

E grant.b.patterson@uk.gt.com

David Rowley

Audit manager

T 0121 232 5225

E david.m.rowley@uk.gt.com

Elliot Baker

Audit In-charge

T 0121 232 5171

E elliot.a.baker@uk.gt.com

Section

1. Headlines
2. Financial statements
3. Independence and ethics

Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees
- E. Audit opinions

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of West Midlands Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2021 for those charged with governance.

Under the Council's governance arrangements the Audit and Risk Committee are determined to be 'Those Charged with Governance' but we have determined to communicate with the Pensions Committee given its role in oversight of the production of the Pension Fund Annual Report (including the financial statements).

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Our audit work was completed remotely during June-September. Our findings are summarised on pages 4 to 14. As outlined in Appendix C, we have proposed no adjusting entries as a result of our audit work. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is now substantially complete and there are no matters of which we are aware that would require modification of our audit opinions [Appendix E] or further material changes to the financial statements, subject to completion of the matters the following outstanding matters:

- receipt of management representation letter;
- completion of audit procedures in a small number of non-material areas (such as investment management expenses);
- resolution of final internal quality review issues on key estimate areas (Level 3 investments); and
- review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

We have identified £90m of valuation differences (£79m extrapolated uncertainty in Level 3 assets and £11m quantifiable timing difference in Level 3 assets managed by LGPS Central) between the accounts and final fund manager statements (pages 7, 9 and 10).

The sums are not material individually or in aggregate. Management are proposing not to adjust for the valuation differences on the basis that they do not materially affect the financial statements. The extrapolated uncertainty cannot be adjusted for and is also not material.

In addition, we identified some minor changes to disclosure notes and clarifications of critical judgments.

The Audit and Risk Committee will be asked to confirm its agreement with management's proposal not to adjust through the Letter of Representation. The Pensions Committee is asked to confirm its agreement as part of its reporting to the Audit and Risk Committee.

We have made two recommendations for improvement in Appendix A in respect of:

- putting in place formal Terms of Engagement with the Fund's direct property valuer, and,
- working better with ourselves and investment managers so that we can obtain independent confirmation of year end investor statements.

Our anticipated audit report opinion at this stage will be unmodified.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ("the Code"). Its contents have been discussed with management and the chair of the Pensions Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks
- Use of auditor's experts to provide assurances in areas relating to significant estimates such as direct property holdings and the insurance buy in.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Risk Committee meeting on 29 September 2021. These outstanding items include:

- receipt of management representation letter;
- completion of audit procedures in a small number of non-material areas (such as investment management expenses);
- resolution of final internal quality review queries on key estimate areas (Level 3 investments); and
- review of the final set of financial statements.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. As highlighted within our audit plan presented to the Audit and Pensions Committees earlier in the year, the impact of the pandemic has meant that both your finance team and our audit team faced audit challenges again this year, such as remote access to financial systems, video calling, verification of the completeness and accuracy of information provided remotely produced by the entity and similar challenges relating to pandemic working conditions.

In particular, the Fund provided significant support in helping to obtain a large quantity of investment confirmations.

2. Financial Statements



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan on 25 March 2021.

We detail in the table below our determination of materiality for West Midlands Pension Fund.

	Pension Fund Amount (£m)	Qualitative factors considered
Materiality for the financial statements	165.0	Per the audit plan, we set materiality based on a proportion of net assets as at 31 December 2020. We have continued to update our assessment of materiality at the final accounts stage, however we determined that the this benchmark remained appropriate.
Performance materiality	115.5	Based on the internal control environment at the Fund we determined that 70% of headline materiality would be an appropriate benchmark.
Trivial matters	8.25	We deem matters below 5% of materiality to be sufficiently trivial not to warrant drawing to the attention of the Committee



2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that management override of controls is present in all entities. The Pension Fund faces external scrutiny of its spending and stewardship of funds and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of controls, in particular journals, management estimates and transactions outside of the course of normal business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness <p>Our audit work has not identified any issues in respect of management override of controls.</p>
<p>The revenue cycle includes fraudulent transactions (rebutted)</p> <p>Under ISA (UK) 240, there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>As external auditors in the public sector, we are also required to give regard to Practise Note 10, which interprets the ISA in a public sector context and directs us to consider whether the assumption also applies to expenditure.</p>	<p>Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue and expenditure recognition can be rebutted, because:</p> <ul style="list-style-type: none"> - there is little incentive to manipulate revenue and expenditure recognition - opportunities to manipulate revenue and expenditure recognition are very limited; and - the culture and ethical frameworks of local authorities, including the administering authority for the Fund, City of Wolverhampton Council means that all forms of fraud are seen as unacceptable. <p>Therefore we do not consider this to be a significant risk for West Midlands Pension Fund.</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Valuation of Level 3 Investments (Annual revaluation)

The Fund revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statement date.

By their nature, Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.

Management utilise the services of investment managers as valuation experts to estimate the fair values of these assets.

We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.

Commentary

We have:

- evaluated management's processes for valuing Level 3 investments
- reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investment to ensure that the requirements of the Code are met;
- independently requested year-end confirmations from investment managers, with an additional focus on ensuring use of appropriate International Private Equity and Venture Capital Valuation (IPEV) Guidelines (or equivalent) methodology in their valuation books, updated for most recent available guidance in relation to Covid 19;
- for a sample of investments, tested the valuation by comparing the valuation per the General Ledger (typically based on an investor statement as at the reporting date or, in the case of harder to value assets, the latest capital statement available adjusted for known cash movements in the final quarter of the year) to direct confirmation of capital balance from Investment Managers and, where available, latest audited financial statements;
- completed sample testing of purchases and sales to prime documentation across the period to support our reconciliation of opening and closing balances;
- engaged the Firm's internal Actuary to provide assurance over the ITA Pension Fund insurance buy-in (see page 10).

As a result of a lag in the valuations process for hard to value investments, we estimate a £79m understatement of the value of Level 3 assets (alongside a similar £11m quantifiable understatement on L3 assets managed by LGPS Central to give a total variance of £90m). This is a function of the reporting process as opposed to a control weakness on the Fund's part and is not an unusual finding in pension fund audits. The size of the variance noted this year is indicative of bullish markets following a significant decrease in the value of investment assets in response to the pandemic in the prior period.

Furthermore, we experienced some difficulty in obtaining independent investment confirmations for approximately 1.5% of our level 3 sample (approximately £36m in value). We do not deem this to be a material risk and with the assistance of staff at the Fund have now been able to perform alternative procedures over the balance. We have provided further context and made a recommendation in respect of potential improvements in Appendices C and A respectively. Furthermore, it should also be contextualised that this represents 3 confirmations from a sample size of over 100.

Our work in this area is substantially complete, pending completion of the Firm's internal quality reviews.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Valuation of Directly Held Property (Level 3 investment) (Annual revaluation)

The Fund revalues its directly held property on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (approximately £1bn) and the sensitivity of this estimate to changes in key assumptions.

Management engage the services of a valuer to estimate the value at the balance sheet date as well as an investment manager for the portfolio.

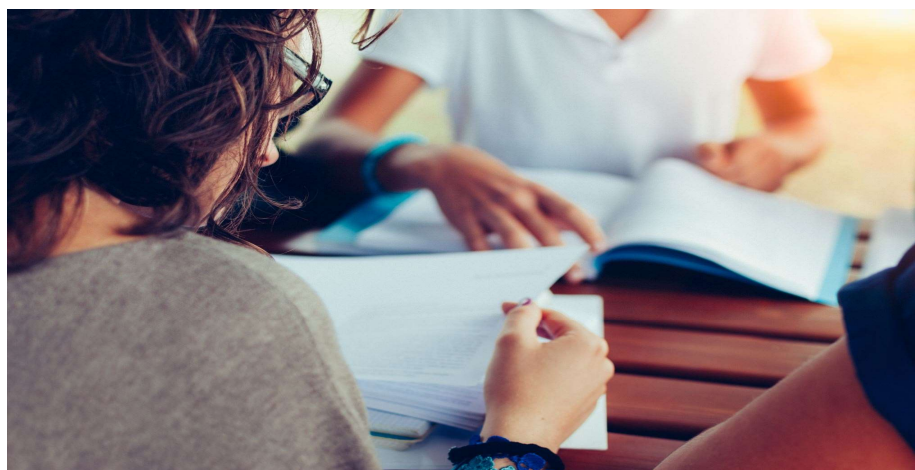
We have therefore identified valuation of directly held property assets, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatements.

Commentary

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- independently requested year-end confirmations/valuations from the investment manager;
- evaluated the competence, capabilities and objectivity of the valuation expert, engaging an auditor's expert to assist;
- written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA Code are met;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding.

Our work in this area is complete and we have no material issues to report to the Committees. We have made a recommendation in relation to putting in place a formal Terms of Engagement with the external valuer at Appendix A.



2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Level 3 Investments (net of direct property holdings and insurance buy in, which are discussed separately) – £2,706m</p> <p>This investments, typically relating to unquoted investments and pooled investment vehicles, are not traded on an open exchange and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management rely on the valuations provided by experts employed by the private equity funds or similar vehicles in which the Fund invests.</p>	<p>These investments are not traded on an open exchange and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management typically rely on the valuations expertise of investment managers, supported by the Fund's own advisors and analysis of performance against the market and expectations. The value of the investment has increased by £95m in 2020/21, largely due to the improvement of market conditions following a significant fall in value in response to the pandemic in 2019/20.</p>	<p>As detailed in the previous section, we noted an estimated £79m (2.9% of Level 3 assets and 0.41% of total investment assets) understatement of assets in this area and a quantifiable £11m variance in relation to assets managed by LGPS Central stemming from the timing differences between valuation of assets and accounts production. This is not an unusual finding in relation to pension funds and the size of this is in relation to the market volatility which has occurred over last two accounting periods.</p> <p>However, our review of management's process for arriving at and accounting for the estimate did not suggest any control or process weaknesses and we are satisfied that the process is appropriate and assumptions not subject to undue optimism or management bias.</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>
<p>Direct property holdings – £1,014m</p> <p>As above, the Fund has investments in direct property totalling over £1bn in 2020/21. These assets are hard to value and are therefore held at level 3 in the Fair Value hierarchy, representing a significant estimate for the Fund.</p>	<p>Management forms its estimates of the valuation by placing reliance on the valuations expertise of its external valuer. The valuer provides quarterly investor statements which provide a valuation of the full portfolio held by the Fund.</p> <p>Management acknowledges the possibility of other appropriate valuations by providing a sensitivity analysis within its financial instrument disclosures. The value of the investment has increased by approximately £50m in year, largely due to additional acquisitions and a slight recovery of the market following the impact of the Covid 19 pandemic on the wider property and specifically retail markets.</p>	<p>In response to the risk of material misstatement stemming from this estimate, Grant Thornton has engaged an independent auditor's expert to assess the methodology and assumptions used by managements expert as well as performing our own review of the capabilities and competence of the expert and consideration of the results of their work against national indices to look for any unusual movements, which were then subject to further detailed audit testing.</p> <p>Our work is complete in this area and we have no issues we wish to bring to the attention of the Committee.</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Level 2 Investments – £4,204m</p> <p>The Pension Fund have investments in unquoted bonds and pooled investments that cannot easily be reconciled to valuations recorded on an open exchange as the valuation of the investments involves some subjectivity. In order to determine the value, management rely on the information which they are given from the various fund managers.</p>	<p>As with Level 3 investments, management typically relies on valuation information provided by expertise proved by its fund managers, supported by assessment against the market and expectations by its advisors. This area of the accounts has experienced a significant (approximately £800m) uplift in valuation as a result of the bullish markets following a significant decrease in value in the previous year as a result of the pandemic.</p>	<p>Management's processes here are in line with our expectations and we are satisfied that their process for arriving at and accounting for the estimate is appropriate and not subject to undue optimism or bias.</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>
<p>Insurance buy-in</p> <p>A bulk annuity insurance buy-in was put in place in 2012/13 as part of the ITA Pension Fund's risk strategy. This has now transferred to the West Midlands Pension Fund following the merger.</p>	<p>This cover means that the insurer underwrites the risk of meeting the future liabilities relating to West Midlands Travel Ltd. Pensioners on the payroll at 11 August 2011 in return for a one-off premium. This buy-in is valued within the financial statements at £200m. The balance is highly subjective due to a lack of observable inputs. In order to determine the value, management have engaged their Actuary, Barnett Waddingham. The value of this asset has declined by £29m in 2020/21 as a result of changes in demographic and actuarial assumptions in year.</p>	<p>Management's process for arriving at this value is based around usage of an external expert to determine the value. Grant Thornton have performed an assessment of the competence and capabilities of the expert, as well as engaging our own expert to calculate an independent estimate of the valuation as well as review the methodology and assumptions employed by management's expert.</p> <p>Our auditor's expert arrived at a very similar (within all trivial aspects) position as the Fund's expert and determined that the methodology and assumptions employed were reasonable and appropriate. On that basis we are satisfied that management's processes for calculating and accounting for the estimate are appropriate and free from undue optimism or management bias.</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Actuarial present value of promised retirement benefits - £29,968m</p> <p>West Midlands Pension Fund</p>	<p>The Pension Fund's net pension liability at 31 March 2021 is £29,968m (PY £23,092m). The Pension Fund uses Barnett Waddingham to provide actuarial valuations of the Fund's assets and liabilities. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p> <p>IAS 26 requires the actuarial present value of promised retirement benefits to be disclosed. However, it gives three options for disclosure:</p> <p>Option A – in the net assets statement, in which case it requires the statement to disclose the resulting surplus or deficit</p> <p>Option B – in the notes to the accounts</p> <p>Option C – by reference to this information in an accompanying actuarial report.</p> <p>In the case of West Midlands Pension Fund, Option B has been adopted and disclosed accordingly in Note s P5 and P6.</p>	<ul style="list-style-type: none"> We are satisfied that management's expert, Barnett Waddingham is competent, capable and objective Underlying information used to determine the estimate has been appropriately rolled forward from the latest triennial valuation The actuarial methodology applied in calculating the estimate is reasonable and in line with industry practice and peers An overall increase in the estimate of the net defined benefit liability is in line with the expectations of our auditor's expert and we have confirmed that the assumptions used by management's expert underpinning this are within ranges deemed reasonable by our auditor's expert Sensitivities disclosed in the note to the financial statements are reasonable The estimate has been appropriately included in the key areas of estimation uncertainty disclosure The estimate is adequately disclosed in the financial statements 	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

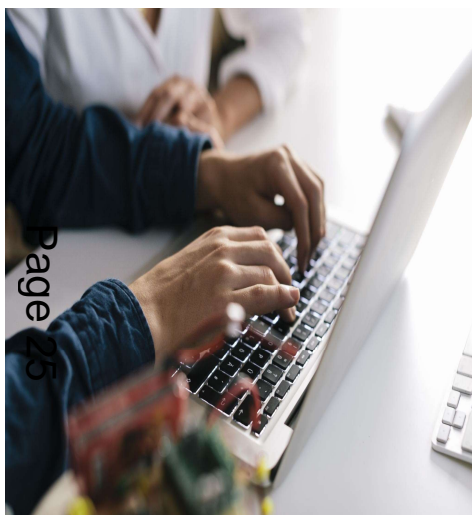
2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

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Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Pensions and Audit and Risk Committees. We have not been made aware of any instances of material fraud in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Pension Fund, which is included in the Pensions Committee papers. Specific representations have been requested from management in respect of the outstanding investment confirmations referred to in Appendices A and C.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Fund's banking and investment management partners. This permission was granted and the requests were sent. The vast majority of these requests were independently returned to us with positive confirmation, however a small number of requests were not received so we undertook alternative procedures, including a review of online portals to confirm evidence of balances as at the balance sheet date. Further details of this are provided later in the report and a recommendation is made at Appendix A.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statement. A small number of disclosure changes have been discussed with management – this is not deemed a material issue and further details are provided in the report.
Audit evidence and explanations/ significant difficulties	Aside from the investment confirmations referred to above, all information and explanations requested from management was provided.

2. Financial Statements - other communication requirements



Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

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Issue	Commentary
Going concern	<p data-bbox="871 464 2051 603">In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p data-bbox="871 619 2013 671">Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul data-bbox="871 687 2074 927" style="list-style-type: none"> • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. <p data-bbox="871 943 2040 1082">Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul data-bbox="871 1098 2029 1241" style="list-style-type: none"> • the nature of the Pension Fund and the environment in which it operates • the Pension Fund's financial reporting framework • the Pension Fund's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. <p data-bbox="871 1257 2051 1279">On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul data-bbox="871 1295 2051 1385" style="list-style-type: none"> • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Disclosures	No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. Due to statutory deadlines the Pension Fund Annual Report is not required to be published until 1 December 2021 and therefore this report has not yet been finalised. We have therefore not given this separate opinion at this time (but have included a draft at Appendix F).



3. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. The following non-audit services were identified which were charged from the beginning of the financial year to the report date, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

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Service	Fees £	Threats identified	Safeguards
Non-audit Related			
AS19 procedures for other bodies admitted to the pension fund.	9,250	Self-interest	This is a recurring fee and therefore poses a potential self-interest threat. However, the level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work of £9,250, in comparison to the total fee for the audit and in particular to Grant Thornton UK's overall turnover. Furthermore, the work is on audit related services, which the Fund's auditor would typically be best placed to provide. It is a fixed fee with no contingent element. These factors all mitigate the perceived self interest threat to an acceptable level.

These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors. All services have been approved by the Pensions Committee. None of the services provided are subject to contingent fees.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

Appendices

A. Action plan – Audit of Financial Statements

We have identified 2 recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<div>● Low – Best practice</div>	<p>Our auditor's external expert noted that there is no formal Terms of Engagement between the Fund and its external property Valuer.</p>	<p>We recommend that a formal Terms of Engagement with the Fund's external property valuer is introduced in future periods.</p> <p>Management response</p> <p>There is a contract for services currently in place between the Fund and its property valuer under the Local Authority Frameworks arrangement however, the Fund will work to agree a more specific Terms of Engagement with the provider for future periods.</p>
<div>● Medium – Limited Effect on financial statements</div>	<p>We struggled to independently obtain direct investment confirmations from a small number of investment managers representing around 1.5% of our level 3 sample (approximately £36m in value). The Fund holds copies of the statements sent to them but auditing standards require us to independently obtain confirmations to help mitigate the potential risk of fraudulent reporting. The Fund has also put considerable time and effort in looking to help us resolve this matter and we have been able to perform alternative procedures in this area. However, independent verifications will remain an on-going audit requirement in future years.</p> <p>Controls</p> <ul style="list-style-type: none"> ● High – Significant effect on financial statements ● Medium – Limited Effect on financial statements ● Low – Best practice 	<p>We wish to work with the Fund to put in place improved arrangements for future years. As part of this we would ask the fund to:</p> <ul style="list-style-type: none"> consider making the independent provision of statements to external auditors in a timely manner part of future contracts or investment manager agreements so that it can be part of KPIs, and either engage directly or through its advisers with relationship managers at their Investment Managers to ensure they are aware of the importance to the audit process of providing independent investment confirmations in future periods. <p>Management response</p> <p>The Fund understands the importance for the audit process of obtaining independent confirmations from its appointed investment managers and has worked proactively in recent years to improve the response rate and procure such confirmations on behalf of the external audit team.</p> <p>As part of future investment management agreements, the Fund will seek to agree KPIs for the independent provision of statements to external auditors in a timely manner and highlight the importance to the audit process of providing investment confirmations.</p> <p>To reaffirm the independence of this audit procedure, enhance monitoring and control over receipt and content and align with normal practice, the Fund recommends requests to investment managers for independent confirmations in future periods are made directly by the external auditor.</p>

B. Follow up of prior year recommendations

We identified the following issues in the audit of West Midlands Pension Fund's 2019/20 financial statements, which resulted in 3 recommendations being reported in our 2019/20 Audit findings report. We are pleased to report that management have implemented all of our recommendations.

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Assessment

- ✓ Action completed
- X Not yet addressed

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>During the audit we noted a number of cases where employers used an incorrect Future Service Rate to calculate employer's contributions. In total employers had applied a lower FSR rate which amounted to a net £150k overpayment of contributions.</p> <p>We recommended that the Fund look into ways to build in controls to UPM to notify employers of the error at the point of remittance.</p>	<p>Management have investigated and resolved instances of this occurring. We noted no such instances during our 2020/21 audit.</p>
✓	<p>As a result of the option to pre-pay Future and Past Service Contributions, this now results in frequent, substantial year on year variances on contributions receivable which present a challenge to the auditor in assessing completeness of the population.</p> <p>We recommended that the Fund enhance procedures around reconciling notional contribution values (based on expected values in real time per actual pensionable pay) to actual cash received and extend this concept to third party confirmations from member employers.</p>	<p>Despite being the first year of a new three-year cycle following a triennial valuation and therefore including a significant uplift in contributions receivable, we noted no issues in obtaining reconciliation documents from the client and third party confirmation procedures were considerably improved.</p>
✓	<p>Audit procedures performed in relation to cash balances identified a small cash balance being held in a Fund bank account (and accounted for using the Fund's General Ledger system) which does not form part of the Fund's financial structure.</p> <p>We recommended that the Fund set up a separate bank account and sub ledger accounting system to monitor the cash balance in question.</p>	<p>We note that the entity in question now has a separate bank account. The WMPF ledger system still contains transactions relating to third party entities, however we were able to obtain a WMPF only Trial Balance and exclusion of cost centres relating to third parties for completeness purposes was not an onerous task.</p>

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

There are no adjusting entries arising from our audit procedures.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Minor adjustments to the Financial Instruments note to ensure inclusion of narrative required by the Code.	Fund finance staff should ensure they regularly review draft accounts against the Code to ensure compliance.	Yes
Further clarification required on critical judgements note.	Fund finance staff should amend wording to make clearer what judgements have been made in each case.	Yes

C. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit which have not been made within the final set of financial statements. The Pensions and Audit Committees are required to approve management's proposed treatment of all items recorded within the table below.

Detail	Pension Fund Account £m	Net Asset Statement £m	Impact on total net assets £m	Reason for not adjusting
The extrapolated outcome of sample testing on Level 3 investment assets suggests a £79m understatement of the value in the accounts due to timing differences in the valuation process (further detail provided at the estimates section of this report). There was a further quantifiable £11m variance noted on Level 3 assets managed by LGPS Central, related to a similar timing issue.	(90)	90	90	Not a material misstatement. Nature of valuations means there is always a time delay in some assets.
Overall impact	(90)	90	90	

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2019/20 financial statements

Detail	Pension Fund Account £m	Net Asset Statement £m	Impact on total net assets £m	Reason for not adjusting
A similar issue was noted in the prior period resulting in a £33m understatement on Level 3 assets. Owing to the time delay in valuations, these valuations were updated in Q1 20/21 and therefore there is no cumulative impact of this in the current year.	33	(33).	(33)	Reason for not adjusting in 2019/20 as above.
Overall impact	33	(33)	(33)	



D. 2020/21 Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

	Proposed Fee 2020/21	Final Fee 2020/21
West Midlands Pension Fund Audit PSAA Scale Fee	£37,436	£37,436
Ongoing increases to scale first identified in 2019/20 (price adjusted)		
Raising the Bar/Regulatory Factors	£3,500	
Valuation of Level 3 Financial Investments	£2,750	
Additional Procedures on Direct Property Investments	£2,750	
Appointment of Property Valuation Specialist	£1,500	
Insurance Buy-in – use of auditor’s valuation expert	£1,400	
Ongoing 2019/20 Fee Variation	£11,900	£11,900
New Issues for 2020/21		
Impact of ISA 540 on PSAA Scale Fee	£8,000	£8,000
Impact of ISA 240/700 on PSAA Scale Fee	£3,000	£3,000
Local risk factors – auditor’s derivatives valuation expert	£800	£800
Total audit fees for Pension Fund Audit (excluding VAT)	£61,136	£61,136
Non-audit fees for other services		
Proposed fee	Final fee	
Audit Related Services	0	0
Other [IAS19 letters to auditors in 2020/21]	£9,250	£9,250
Total non-audit fees (excluding VAT)	£9,250	£9,250
Total audit fees	£70,386	£70,386

Details of variations in final fees from the financial statements;

The fees reconcile to the financial statements as follows:

- Fees per financial statements: £68,980
- Less 2019/20 Covid 19 surcharge (£7,295)
- Additional £8,701 variance between estimated fee and final fee (per scoping letter)
- total fees £70,386 per table.

D. Confirmation of 2019/20 Fees

We confirm below our final fees charged for the prior year audit and provision of non-audit services.

Statutory Audit Fee	Planned Fee 2019/20	Final Fee 2019/20
West Midlands Pension Fund Audit PSAA Scale Fee	£37,436	£37,436
Raising the Bar/Regulatory Factors	£3,500	
Valuation of Level 3 Financial Investments	£2,750	
Additional Procedures on Direct Property Investments	£2,750	
Insurance Buy-in	£1,400	
Planned for IFRS 16 work but used for GT expert on Derivative Valuations	£800	£11,200
Proposed 2019/20 Fee Variation	£48,636	£48,636
Additional 2019/20 Variations		
Appointment of Auditor's Property Valuation Expert		£1,250
Impact of Covid-19		£7,295
Total audit fees for Pension Fund Audit (excluding VAT)	£48,636	£57,181
Non-audit fees for other services	Planned Fee 2019/20	Final Fee 2019/20
Audit Related Services (Review of Unitisation of ITA Pension Fund)	£5,000	£5,000
Other [IAS19 letters to auditors in 2019/20]	£9,250	£9,250
Total non-audit fees (excluding VAT)	£14,250	£14,250
Total audit fees	£62,886	£71,431

Details of variations in final fees from our audit plan

We set out our expectation that there would be an additional fee requirement for the 2019/20 audit, compared to the scale fee published by PSAA, of £11,200 to a total of £48,636 (an increase of 30% based on a scale fee of £37,436). This was reflected in our Audit Plan dated March 2020.

The subsequent COVID 19 pandemic had a further significant impact on the cost of us as auditors discharging our responsibilities. As a result of the additional work a further uplift to the fee was proposed resulting in a proposed fee for 2019/20 of £7,295 (a variation to our proposed fee of 15%).

Subsequently, we concluded the audit on 30 November 2020. We proposed a final fee of £57,181 which included the adjustments noted above and an additional charge of £1,250 in relation to the appointment of an auditor's expert in respect of our work on the Fund's direct property holdings.

The main reasons for the further variation relate to the disruption caused by COVID - 19, impacting both on your closedown procedures and our ability to audit remotely; as well as the additional audit considerations including in respect of asset valuations. These meant that like you, we incurred considerable extra costs. Across all firms, only 45% of local government audits were signed off by the target date of 30 November, which indicates the scale of the challenge involved.

E. Audit opinion

Our draft audit opinion is included below. We anticipate we will provide the Pension Fund with an unmodified audit report

Independent auditor's report to the members of City of Wolverhampton Council on the pension fund financial statements of West Midlands Pension Fund

Opinion

We have audited the financial statements of West Midlands Pension Fund (the 'Pension Fund') administered by City of Wolverhampton Council (the 'Authority') for the year ended 31 March 2021 which comprise the Pension Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local authority Accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2021 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Finance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Director of Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

E. Audit opinion

Our draft audit opinion is included below. We anticipate we will provide the Pension Fund with an unmodified audit report

In auditing the financial statements, we have concluded that the Director of Finance's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

The responsibilities of the Director of Finance with respect to going concern are described in the 'Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements' section of this report.

Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the **Statement of Accounts**, other than the Pension Fund's financial statements, our auditor's report thereon, and our auditor's report on the Authority's and group's financial statements. Our opinion on the Pension Fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Pension Fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund's financial statements or our knowledge of the Pension Fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Pension Fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements and our knowledge of the Pension Fund, the other information published together with the Pension Fund's financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

E. Audit opinion

Our draft audit opinion is included below. We anticipate we will provide the Pension Fund with an unmodified audit report

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Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page XX the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance. The Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Director of Finance is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Pension Fund will no longer be provided.

The Audit and Risk Committee is Those Charged with Governance for the Pension Fund. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- We enquired of senior officers and the Pensions Committee, concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers and the Pensions Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

E. Audit opinion

Our draft audit opinion is included below. We anticipate we will provide the Pension Fund with an unmodified audit report

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- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and any other fraud risks identified for the audit. We determined that the principal risks were in relation to:
 - journal entries posted by senior officers, with no description and post year end;
 - the valuation of level 3 investments
 - Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Director of Finance has in place to prevent and detect fraud;
 - journal entry testing;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 3 investments;
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
 - These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
 - The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition,
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government pensions sector
 - understanding of the legal and regulatory requirements specific to the Pension Fund including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA, LASAAC and SOLACE
 - the applicable statutory provisions.
 - In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

E. Audit opinion

Our draft audit opinion is included below. We anticipate we will provide the Pension Fund with an unmodified audit report

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Grant Patterson, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

September 2021

F. Annual Report Audit opinion

Our draft audit opinion on the consistency of the pension fund accounts in the Council's financial statements with those in the Annual is included below. We anticipate we will provide the Pension Fund with an unmodified audit report

Independent auditor's report to the members of City of Wolverhampton Council on the consistency of the pension fund financial statements of West Midlands Pension Fund included in the Pension Fund Annual Report

Opinion

The pension fund financial statements of West Midlands Pension Fund (the 'pension fund') administered by City of Wolverhampton Council (the "Authority") for the year ended 31 March 2021 which comprise the Fund Account, the Net Assets Statement and the notes to the pension fund financial statements, including a summary of significant accounting policies are derived from the audited pension fund financial statements for the year ended 31 March 2021 included in the Authority's Statement of Accounts (the "Statement of Accounts").

In our opinion, the accompanying pension fund financial statements are consistent, in all material respects, with the audited financial statements, in accordance with proper practices as defined in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 and applicable law.

Pension Fund Annual Report – Pension fund financial statements

The Pension Fund Annual Report and the pension fund financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements and the auditor's report thereon is not a substitute for reading the audited Statement of Accounts and the auditor's report thereon.

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated XX September 2021.

Director of Finance's responsibilities for the pension fund financial statements in the Pension Fund Annual Report

Under the Local Government Pension Scheme Regulations 2013 the Director of Finance of the Authority is responsible for the preparation of the pension fund financial statements, which must include the Fund Account, the Net Asset Statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Statement of Accounts and the Pension Fund Annual Report are set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 20120/21.

Auditor's responsibility

Our responsibility is to express an opinion on whether the pension fund financial statements in the Pension Fund Annual Report are consistent, in all material respects, with the audited pension fund financial statements in the Statement of Accounts based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), Engagements to Report on Summary Financial Statements.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Patterson, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Birmingham

 CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 19 October 2021
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Report title	Governance and Assurance	
Originating service	Pension Services	
Accountable employee	Rachel Howe	Head of Governance and Corporate Services
	Tel	01902 55 2091
	Email	Rachel.Howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 55 1715
	Email	Rachel.Brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Pensions Board is asked to note:

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

1.0 Purpose

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

2.0 Risk Management

2.1 Strategic Risk Register

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

3.0 Compliance Monitoring

3.1 Data Protection

This quarter the Fund is reporting seven data breaches, a slight decrease from the nine reported during the previous quarter. As per the previous quarter all of the breaches were minor and involved minimal amounts of data with the majority providing an indication of areas with scope to strengthen controls in processes, rather than true breaches. The Governance Team continue to identify actions in order to improve procedures and prevent further instances, and work with colleagues across operational teams to enhance data management processes.

3.2 Freedom of Information (FOI) Requests

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

3.3 Subject Access Requests (SARs)

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

4.0 Key Performance Indicators

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

5.0 Data Management

- 5.1 In accordance with statutory requirements the Fund has undertaken the production of Annual Benefit Statements for 2021 and is reporting 93% production of annual benefit statements for members who are active members and 99% production of deferred benefit statements. (Accounting for membership movement, the total number of statements produced as an actual figure has increased by just over half a percent). A further run of Annual Benefits statements will be undertaken in December and the details will be reported to a future meeting of the Board.
- 5.2 All statements were published live on member pensions portal in advance of the statutory deadline of 31 August 2021. For those members for whom the Fund was unable to produce a statement, a “NILABS” letter has been produced confirming the reasons for non-production. The Fund is undertaking detailed analysis of the reasons for non-production and is working with employers as part of the Data Management Strategy to cleanse any data queries. As queries are resolved, statements may be produced on an individual basis.
- 5.3 The Fund continues to develop its Data Management Strategy and data cleansing programme, supported by the appointment of a new Data Manager during September. Work with employers through regular data feedback to enhance data quality and the timely production of information to members in order to facilitate retirement planning is ongoing with further detailed outlined in the Customer Engagement Report.

6.0 Regulator Activity

6.1 The Pensions Regulators (TPR) Single Code of Practice

- 6.1.1 TPR have released an interim response to their consultation on the single code of practice, which is available on their website. Board will recall that TPR are reviewing their 15 codes with the intention of creating one single code of practice covering all pension schemes, including public sector and the LGPS. The interim response noted high levels of engagement during the consultation and that these responses are currently being analysed and reviewed. TPR have stated they envisage the new code is unlikely to become effective before summer 2022. Whilst there is a delay in implementation, market commentators are encouraging schemes to continue to prepare for the changes and step-up in governance standards expected.
- 6.1.2 In preparation for the launch of the new code, work to assess the Fund’s compliance via a gap analysis is underway and some policies have been reviewed and updated to reflect forthcoming change. An update on the work being undertaken by the Fund in preparation for the new code of practice will be presented to a future meeting of the Board.

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

- 6.2.1 CIPFA have released updated versions of their LGPS Knowledge and Skills Code of Practice and Framework, which sets expectations on knowledge and understanding for both LGPS Governing Body (Pensions Committee and Local Pensions Board) members and senior officers. This version updates the knowledge and skills requirements first published by CIPFA in 2011.
- 6.2.2 The updated framework seeks to reflect the changes within the LGPS, at both national and local levels and includes clearer expectations regarding the levels knowledge and understanding. The framework is expected to progress further (to include knowledge on Climate risk management and reporting), as regulatory requirements develop the recommendations from the Scheme Advisory Board's Good Governance review.
- 6.2.3 CIPFA have highlighted eight core areas with knowledge and understanding requirements which are detailed below;
- pensions legislation and guidance
 - pensions governance
 - funding strategy and actuarial methods
 - pensions administration and communications
 - pensions financial strategy, management, accounting, reporting and audit standards
 - investment strategy, asset allocation, pooling, performance and risk management
 - financial markets and products
 - pension services procurement, contract management and relationship management.
- 6.2.4 Board will recall that the Fund's Governing Body Training Policy was approved at the Committee meeting in June and highlighted at the July Board meeting. This policy outlines how the Fund will support members to meet the expectations set out by CIPFA. In addition, the Fund's training plan is regularly mapped across to the areas of knowledge and understanding included in CIPFA's framework to ensure that training provided is in accordance with requirements and to identify any potential gaps in training provision.

7.0 Financial implications

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

8.0 Legal implications

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

9.0 Equalities implications

- 9.1 There are no direct equalities implications.

10.0 All other potential implications

- 10.1 There are no other potential implications.

11.0 Schedule of background papers

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

12.0 Schedule of appendices

- 12.1 Appendix A: Strategic Risk Register
- 12.2 Appendix B: KPI's Quarter One

West Midlands Pension Fund Strategic Risk Register Quarter 2 2021					
	Risk Issue	Area of Concern	Current Driver	Rating	Risk ID (from operational risk map)
1	Data and Information Reporting	Data Quality and the ability of the Fund to produce statutory requirements for reporting together with meeting current legislative drivers.	McCloud data cleansing is an ongoing project which will require additional data cleansing work by both the Fund and Employers		G1, F7, OP1, INV2, INV7
			Increased oversight on investment governance (and Pools) and the performance of LGPS Assets.		
			Ongoing challenge to manage and process high volumes of investment and financial data.		
2	Effective Governance	The Fund is not able to update and effect its processes to ensure ongoing compliance	Forthcoming regulatory change and statutory guidance redefining reporting requirements for the Fund		G1, G2, F2, F3, OP2, F4, F8, OP8, PS1, PS2, PS4, INV1, INV2
			Ongoing reliance on third party suppliers/stakeholders and the collective agreement of partners on common deliverables		
			Ongoing resource constraints in key areas with a reliance on interim support		
3	Business Continuity and Cyber Risk	The Fund is unable to perform its functions	Global concern on increasing Cyber risk and evolving practices required to mitigate		G3, G4, F11, OP5
4	Resourcing	Systems and current processes ability to cope with workload demands and the impact of manual processes pending automation enhancements.	Competition in the market for skilled and specialist roles. Increasing employee mobility offering reducing potential for job seekers.		G5, F1, OP4, OP7, PS7, PS8, INV6
		People resource risk and the ability to recruit to vacant roles with required skills	Ongoing medium term reliance on interim and individual roles to support service delivery.		
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
			Manual processes for monitoring compliance create challenges to effect appropriate controls and assurance		
			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		
6	Service Delivery - Fund	The Fund is unable to deliver its services due to the impact of adequate resourcing or focus on other areas in response to regulatory change.	A number of processes remain manual pending system updates and/or automation		F9, PS3, PS5, INV3
			Growing complexity in scheme rules creating confusion for Fund stakeholders resulting in increased demands for front line services.		
			Multitude of regulatory change in the operational and reporting requirements of Funds		
7	Service Delivery - Third Parties	The Fund is unable to deliver its services due to the reliance on third parties	Software updates to support automation and process efficiencies are dependent on the software provider		OP3, F5, PS4
			Employers own resource risk limits ability to deliver requirements for the Fund		
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		INV4,
			Increased level of employer interest in exit from the LGPS		

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West Midlands Pension Fund - Key Performance Indicators (KPIs)



Customer Engagement and Communication	Operations - Benefit Operations Processes				
					T Yr 21/22 Q1 % Hit
	KPI Summary	KPI Description	Frequency	KPI Target	
	Refund Notification	Notify member of Refund within 10 days of receiving required information	Monthly	90%	94.77%
	Refund Payment	Refund payments processed within 5 days of receiving required information	Monthly	90%	98.88%
	Retirement Quote	Notification of Estimated Benefits within 15 days of retirement date	Monthly	90%	98.89%
	Retirement Notification	Notification of the actual benefits within 5 days of receiving member option form (Retirement Notification)	Monthly	90%	66.73%
	Retirement Payment	Payment of lump sum and creation of payroll record within 5 days of receiving election form (Retirement)	Monthly	90%	98.44%
	Deferred Retirement Quote	Issue quote letter within 30 days of the members eligible payment date or receipt of request from member	Monthly	90%	77.30%
	Deferred Retirement Notification	Notification of the actual benefits within 5 days of receiving member option form (Deferred Retirement Notification)	Monthly	90%	94.27%
	Deferred Retirement Payment	Payment of lump sum and creation of payroll record within 5 days of receiving election form (Deferred Retirement)	Monthly	90%	92.21%
	Transfer In Quote	Transfer in quotations processed within 10 days of receiving all the required information	Monthly	90%	98.10%
	Transfer In Payment	Transfer notification of transferred in membership to be notified to the scheme member within 10 days of receiving payment	Monthly	90%	94.92%
	Transfer Out Quote	Transfer out quotations processed within 20 days of receiving required information	Monthly	90%	98.30%
	Transfer Out Payment	Transfer out payments processed within 20 days of receiving required information	Monthly	90%	92.73%
	Deaths Acknowledgement	Acknowledgement of a death within 5 days of receiving the notification	Monthly	90%	96.60%
	Deaths Notification of Benefits Payable	Notification of benefits payable to dependents will be issued within 5 days of receiving the required information	Monthly	90%	94.24%
	Deaths Payment	Payment of death lump sum will be made within 10 days of receipt of all the required information	Monthly	90%	100.00%
Customer Engagement and Communication	Pension Services - Service Calls				
					T Yr 21/22 Q1 % Hit
	KPI Summary	KPI Description	Frequency	KPI Target	
	Customer Services Calls	Calls received to the customer helpline to be answered	Monthly	85%	82.93%
	Employer Services Calls	Calls received to the employer helpline to be answered	Monthly	85%	96.43%
	Pension Services - Customer Satisfaction				
					T Yr 21/22 Q1 % Hit
	KPI Summary	KPI Description	Frequency	KPI Target	
	Customer Satisfaction	Customer satisfaction	Quarterly	90%	85.23%
	Pension Services - Web Portal Registrations				
Customer Engagement and Communication					T Yr 21/22 Q1
	Sum of Difference				
	KPI Summary	KPI Description	Frequency	KPI Target	
	Web Portal Registrations	Web Portal Registrations	Monthly	3000 increase per quarter	2875
	Operations - Web Portal Availability				
					T Yr 21/22 Q1 %
	KPI Summary	KPI Description	Frequency	KPI Target	
	Web Portal Availability	Pensions Portal to be available 95% of the time (based on working hours as monitored)	Monthly	95%	98.53%
	Employer Portal Availability	Employer Portal to be available 95% of the time (based on working hours as monitored)	Monthly	95%	99.86%
	Pension Services - Complaints Monitoring				
Customer Engagement and Communication					T Yr 21/22 Q1 % Hit
	KPI Summary	KPI Description	Frequency	KPI Target	
	Member Complaints	All member complaints to be responded to within 20 working days of receipt	Monthly	100%	98.15%
	Employer Complaints	All employer complaints to be responded to within 20 working days of receipt	Monthly	100%	100.00%
	Pension Services - Complaints Monitoring				
					T Yr 21/22 Q1
	KPI Summary	KPI Description	Frequency	KPI Target	<1 %?
	Member Complaints less than 1%	No of member complaints to be less than 1% of total membership	Monthly	<1%	✓
	Employer Complaints less than 1%	No of employer complaints to be less than 1% of total employer membership	Monthly	<1%	✓
	Governance - Statutory Response Timeliness				
Governance and Risk					T Yr 21/22 Q1 % Hit
	KPI Summary	KPI Description	Frequency	KPI Target	
Data Management and Reporting	Combined Statutory Timeliness	Overall statutory response timeliness	Monthly	100%	100.00%
	Governance - Data Quality				
					T Yr 21/22 Q1 %
	KPI Summary	KPI Description	Frequency	KPI Target	
Data Management and Reporting	Common Data	Common Data	Monthly	99%	97.57%
	Operations - Data Improvement				
					T Yr 21/22 Run 1 %
	KPI Summary	KPI Description	Frequency	KPI Target	
	ABS	ABS produced for 100% of active member records	Annually	100%	93.00%
	DBS	DBS produced for 100% of deferred member records	Annually	100%	99.00%

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 19 October 2021
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Report title	Corporate Plan Monitoring	
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

Recommendation for noting:

The Pensions Board is asked to note:

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

1.0 Purpose

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

2.0 Corporate Plan 2021 – 2026

- 2.1 The Fund adopted its corporate plan in March 2021 following a period of engagement with our Governing Bodies, employees, and customers which helped shape the focus of our service delivery and goals and ambitions for the next five years including;
- Providing accessible information and support to our members and employers
 - Continuing to scan and plan for regulatory and sector changes which may impact our employers and their interaction with the Scheme
 - Ensuring the Fund continues developing activity as a responsible investor and employer
 - Providing a place of opportunity to collaborate and create training and skills within the region
 - Active participation in policy development and enhanced data and information management to support effective decision making
 - Effectively resourcing the Fund to deliver services and enable agility in working and service delivery arrangements to continue to build an inclusive and sustainable future for the Fund and its stakeholders.
- 2.2 During the first quarter of 2021/22, the Fund remained committed to supporting its people and servicing members as we continued to work and evolve in response to the Covid pandemic and restrictions in place. The Fund's pension services team saw increases in call volumes from members seeking support and information about their pension benefits and with potential for financial and operational challenges post Covid, there has been ongoing engagement with employers. The Fund has also reviewed and responded to relevant consultations on changing guidance and regulation.
- 2.3 In response, the Fund focussed its delivery on ensuring *Accessible Information and Support* through evolving its customer engagement offerings and launching bespoke campaigns relevant to the member journey. An achievement recognised in the Fund's award winning Retirement Planning Campaign focussing support and information to members aged 55 and over, offering individual support and bespoke webinars enabling our members to take *Informed Action* and plan for their retirement. Our digital transformation programme continued to enhance self service offerings for members through the roll out of retire online for deferred members.
- 2.4 In conjunction with this, our *Active Participation* in industry discussion and response to the Pension Regulator's Single Code of Practice, Academy Transfer and the proposed changes to the public sector pensions and cost management process, together with the consultation with our employers on our updated Funding Strategy following the introduction of enabling employer flexibility regulations, has enabled the Fund to *Instil Confidence Through our Transparent Engagement*.

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

3.0 Looking Ahead

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

4.0 Financial implications

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

5.0 Legal implications

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

6.0 Equalities implications

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

7.0 All other implications

- 7.1 There are no other implications in this report.

8.0 Schedule of background papers

- 8.1 [Corporate Plan 2021 – 2026](#)

9.0 Schedule of appendices

- 9.1 None.

CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 19 October 2021
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Report Title	Customer Engagement Update	
Originating service	Pension Services	
Accountable employee	Simon Taylor	Assistant Director (Pensions)
	Tel	01902 55 4276
	Email	Simon.taylor2@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 55 1715
	Email	Rachel.brothwood@wolverhampton.gov.uk

Recommendation for noting:

The Pensions Board is asked to note:

1. The engagement activity and informed service development.

1.0 Purpose

- 1.1 To provide Board with an update of the Fund's customer engagement activity from 1 April 2021 to 30 June 2021 and to cover future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy.
- 1.2 To also cover more specific elements of employer and member engagement including consultation on the, Pensions Administration Strategy.

2.0 Background

- 2.1 One of the Fund's key objectives is to engage to improve outcomes for our customers. In line with this objective, the Fund has published, and keeps under review, a Customer Engagement Strategy, to review satisfaction and help inform improvements to its pension services.

3.0 Member engagement & communication

- 3.1 The Member Services team continues to deliver member support via digital channels including member webinars and followed up with individual telephone consultations as required. The webinars mirror our normal suite of member presentations and during this reporting period **50** webinars/workshops were delivered to **727** attendees. These were followed by **124** individual member telephone consultations. Webinars have been scheduled to enable "real-time" interaction with Fund Officers, at various times throughout the day to accommodate attendance around member work commitments. This delivery and the associated feedback is summarised in appendix A.
- 3.2 During this reporting period, the team provided **17** satellite support events to **189** hard to reach members who may not normally be able to access our services due to the nature of their work and location, which might include access to web-based delivery (i.e. computer facilities), working hours or 'satellite' locations.
- 3.3 Through the "Be Pension Smart & Take Control of your benefits" campaign the Fund continues to encourage members to view and manage their pension record online using the pensions portal. During this reporting period registrations increased by **2,875** bringing the total pension portal registrations to **111,008** at the end of June 2021.
- 3.4 The Fund continues to promote aspects of our work via the social media platform LinkedIn. Since the last reporting period a further **7,735** people have interacted with our articles.
- 3.5 During this reporting period the Fund's member video suite, providing on-demand support and guidance, has been expanded to include four new videos 1.) to raise encourage members complete a nomination form, 2.) understanding Additional Pension Contributions, 3.) understanding your 2021 deferred benefits statement and 4.) understanding your 2021 annual benefits statements.

- 3.6 Following the Fund's commitment to raise member awareness on the importance of Retirement Planning, earlier this year we launched our new pre-retirement planning campaign, reaching out to members on their 55th birthday in order to provide them with a toolkit they can use to plan for their retirement. In June 2021 this campaign was awarded the winner of the Pension Age - Pensions Marketing Campaign of the Year award.
- 3.7 **99,940** Deferred Benefit Statements have been produced. To raise member awareness and encourage members to engage with their benefits, the Fund produced a bulk mailing notifying **51,000** deferred members whose email address we hold that their Annual Benefit Statement is now on the Pensions Portal.
- 3.8 The Fund produced its annual "Be Pension Smart newsletter" for our deferred members. This newsletter was emailed out to all our deferred members who we hold email addresses for and put on the Fund's website. The newsletter contained important updates for members including the opportunity for them to join a deferred webinar and also to be part of a new deferred engagement forum.
- 3.9 Member information leaflets and videos have been updated and are now being uploaded to the Fund's website. There have been **371,000** web page views in this quarter.
- 3.10 Customer feedback is key to understanding our customer's journey, highlighting our strengths and any gaps in the service we deliver so that we can continually improve the services we offer. Some service enhancements made over the period includes:
- Improving the training suite for the Customer Services Team
 - Procedure for 'case review' processes has been reviewed

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

During the quarter, a number of surveys were issued to members and employers to assess overall satisfaction levels on a wide range of processes. Over the period, our satisfaction levels were measured as **85%**.

4.0 Employer engagement

4.1 Employer Peer Group

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

- 2021 Health Check update and progress

4.2 Employer Webinars

- 4.2.1 The Employer Services team has continued to deliver its new programme of employer education over the quarter with a further 16 virtual sessions delivered to over 195 attendees from 100 organisations, some of whom provide payroll services for many other employers within the Fund. The sessions are free to attend and provide a useful refresher for existing staff or as an introduction to processes for those who are new to Fund administration.
- 4.2.2 Sessions delivered over the quarter are set out below and will continue to be rolled out over the course of the year. An increased suite of webinars is now available each month and employers are able to easily sign up for via the Fund's website.
- LGPS basics for Employers
 - Pay and service
 - Monthly data collection
 - Refunds
 - Deferments
 - Retirements
 - Early retirement estimates and associated strain costs
 - Ill health processing for employers
 - Employer Hub refresher demonstrations

4.3 Employer Performance

- 4.3.1 Utilising the virtual working arrangements currently in place, the Employer Services team have continued to hold performance meetings with various employers throughout the period. Employer performance is assessed in line with the Fund's Pension Administration Strategy (PAS).
- 4.3.2 During the period the Fund held 13 feedback and performance meetings with 8 major and 2 smaller employers plus one third party payroll provider servicing 21 employers. Collectively these employers and payroll providers are responsible for submitting the data for over 56,000 active members to the Fund.
- 4.3.3 The work and engagement that has taken place with these employers in collaboration with colleagues from the Fund's finance, data and operation teams has contributed towards the increased availability of Annual Benefit Statements for members and ensures data positions are reviewed and cleansed for accuracy ahead of 2022 Actuarial Valuation preparations commencing later in the year.

4.4 Employer System Developments: Hub and Webtrays

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

4.5 McCloud: Employer Support

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

4.6 Employer Annual Health Check

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

4.7 Pensions Administration Strategy (PAS)

- 4.7.1 The Fund consulted on proposed changes to the PAS between 21 June 2021 and 16 July 2021. The consultation process involved an open consultation session as part of our Mid-Year Review event, to which all employers were invited.
- 4.7.2 The Fund received some detailed and helpful responses, which have resulted in wording changes or additional clarification being provided within the PAS.
- 4.7.3 The revised PAS was approved by the Chair and Vice Chair of Pensions Committee in conjunction with the Director of Pensions, with further ratification provided by Pensions Committee as part of the 29 September 2021 meeting. As such, the revised PAS has now been published on the Fund's website with an effective date of 1 July 2021.

5.0 Internal engagement

- 5.1 Recognising the importance of ensuring internal stakeholders are kept up to date on the Fund's progress and associated developments during the Covid-19 outbreak, particularly with increased remote working, the Fund continues to promote more signposting for Fund staff to wellbeing support which is available for employees across the City via our monthly employee catch up.
- 5.2 To increase internal communication across the Fund and provide insight on the wider pensions industry, the Summer edition of the "Pensions Post" was issued to employees in July to raise awareness to topical issues in the wider pensions industry and to highlight key projects and achievement across the Fund.

6.0 Large Fund Events

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

7.0 Future engagement

- 7.1 Following positive feedback received from our members and wider recognition across the industry, to include the success of the Pensions Age award for "Pensions Marketing Campaign of the Year" award, we will now be expanding our retirement planning support to deferred members which will entail notifying all deferred members as they approach

age 55. This incorporates a member toolkit they can use and also inviting them to a new Pre-Retirement Webinar for deferred members.

- 7.2 Pension Saving Statements have been sent to members from 5 October 2021 for those exceeding the annual allowance limit. The Member Services team will be following these up with offering high earners the chance to book on Pension Tax Webinars.
- 7.3 **81,746** Active Benefit Statements have been produced. To raise member awareness and encourage members to engage with their benefits, the Fund produced a bulk mailing notifying **57,000** active members whose email address we hold that their Annual Benefit Statement is now on the Pensions Portal.
- 7.4 The Fund has produced letters to members who we have been unable to produce an annual benefits statement to explain the reasons why.
- 7.5 The Fund will be designing its Active member “Be Pension Smart” newsletter which will contact a variety of important information for members. These newsletters are due to be sent to members in November 2021 and will be also placed on the Fund’s website.
- 7.6 As a result of Covid, the Member Services Team had postponed our face to face support over the last 18 months and designed a digital equivalent, however following revised government guidelines we have begun trialling face to face member events from the end of September 2021. The intention is that these events are hosted by employers at ‘Covid-safe’ environments.
- 7.7 In line with the above, the Member Services Team intend to cover Pension Roadshows across the region’s seven metropolitan district councils in November and December 2021 with a ‘drop-in’ style format, to explain members’ annual benefit statements and to encourage engagement with retirement saving and planning.

8.0 Financial implications

- 8.1 The service provision and development associated with customer engagement covered in this report is included in the budget approved for 2021/22.

9.0 Legal implications

- 9.1 Following the introduction of the new state pension, Government required all Public Sector Pension Schemes to reconcile data held for members against data held by Her Majesty’s Revenue and Customs (HMRC), centred around ensuring the correct amount of Guaranteed Minimum Pension (GMP). Under the LGPS Regulations 2013, LGPS funds must only pay the correct amount of pension and where the GMP reconciliation exercise identifies a difference, that differential needs to be addressed.

10.0 Equalities implications

- 10.1 The report contains no direct equalities implications.

11.0 All other implications

11.1 The report contains no other implications.

12.0 Schedule of background papers

12.1 None.

13.0 Schedule of appendices

13.1 Appendix A: Summary of member events feedback

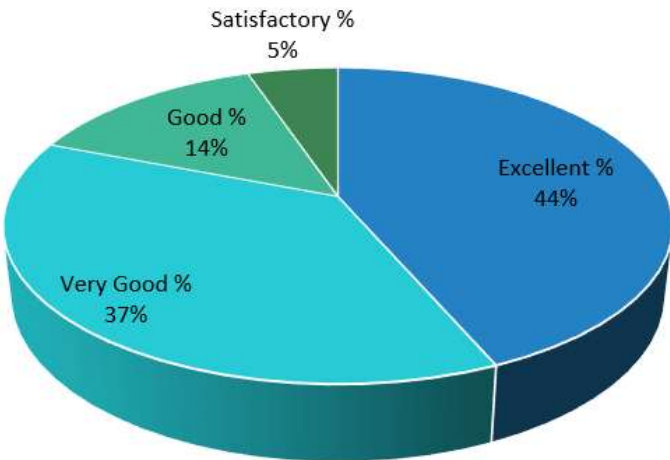
13.2 Appendix B: Mid-Year Review feedback

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

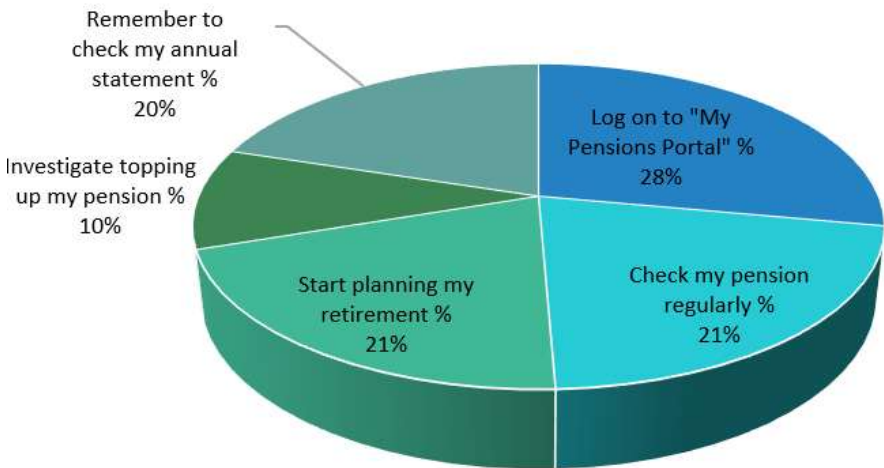
Members feedback on the following areas:

Members surveyed in April - June 2021

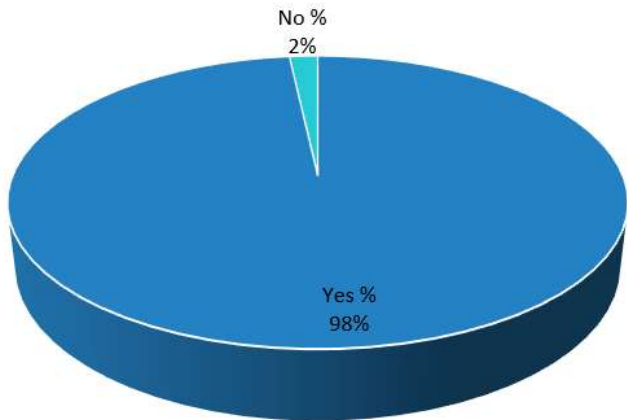
Overall, how would you rate the webinar?



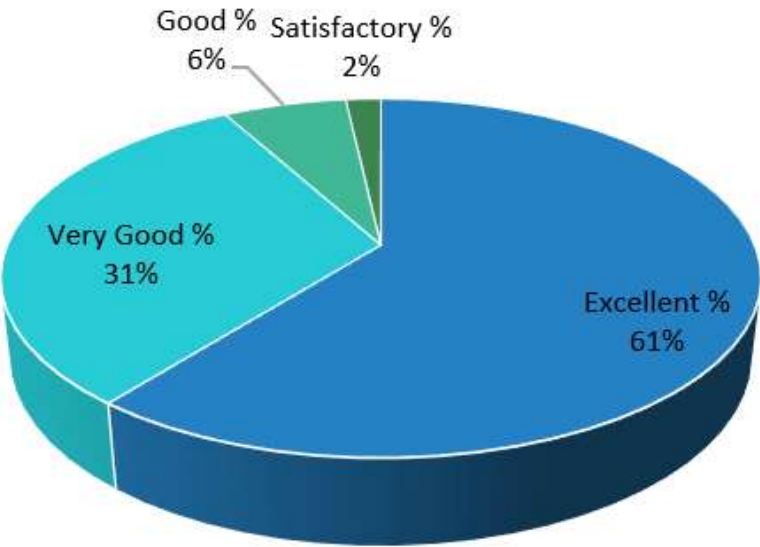
What are you going to do following this webinar?



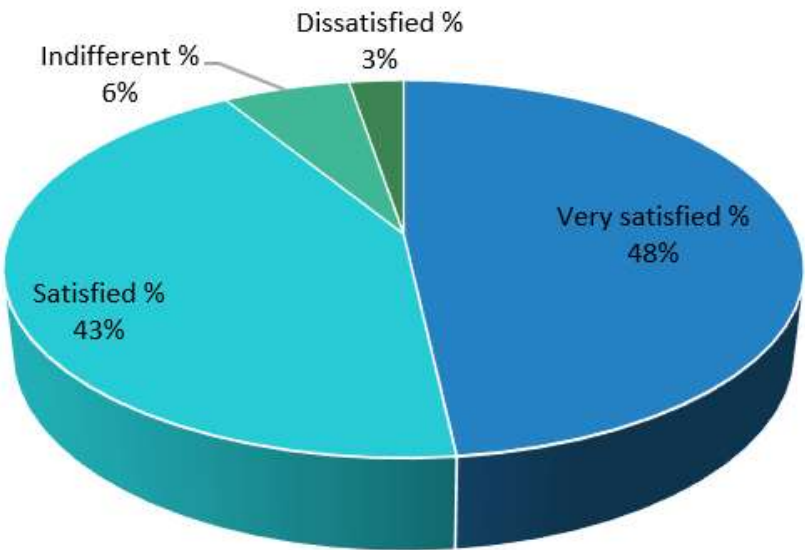
Would you recommend a colleague to attend this type of event?



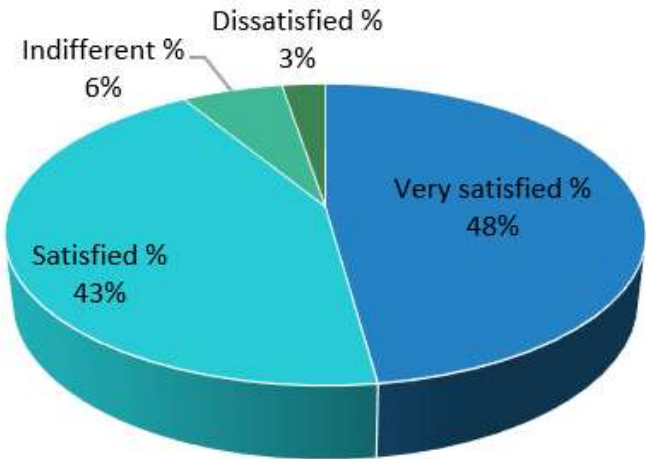
How would you rate the presenters general knowledge and presentation skills?



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

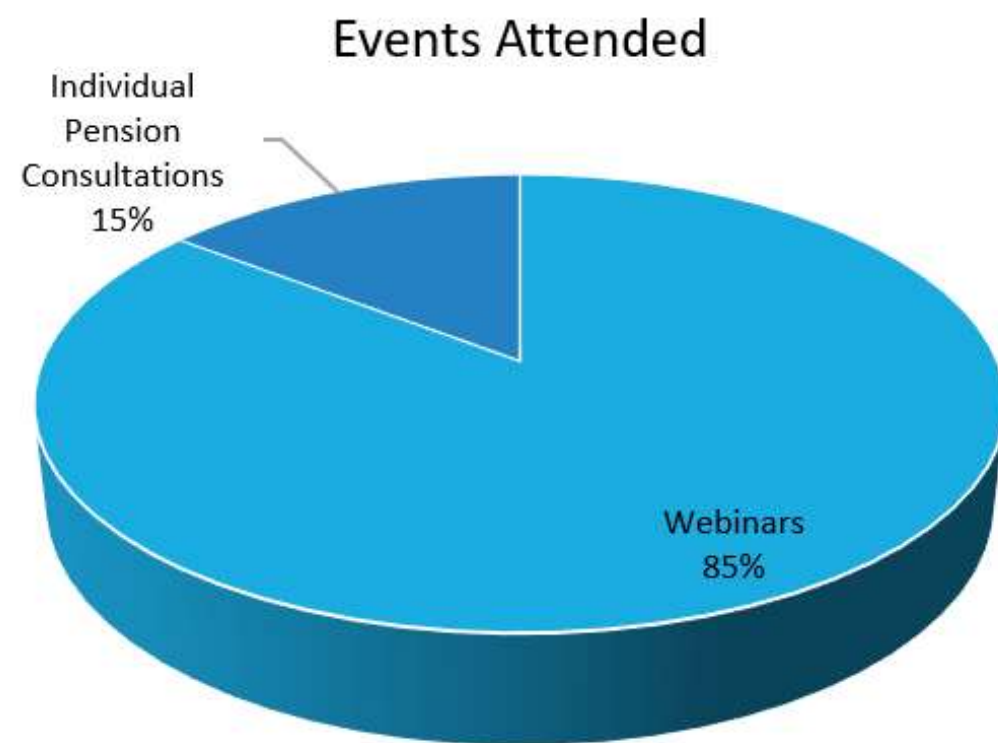


How satisfied are you with the overall service you have received from the West Midlands Pension Fund?



Member Services Team – Events Attended

1st April– 30th June 2021



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

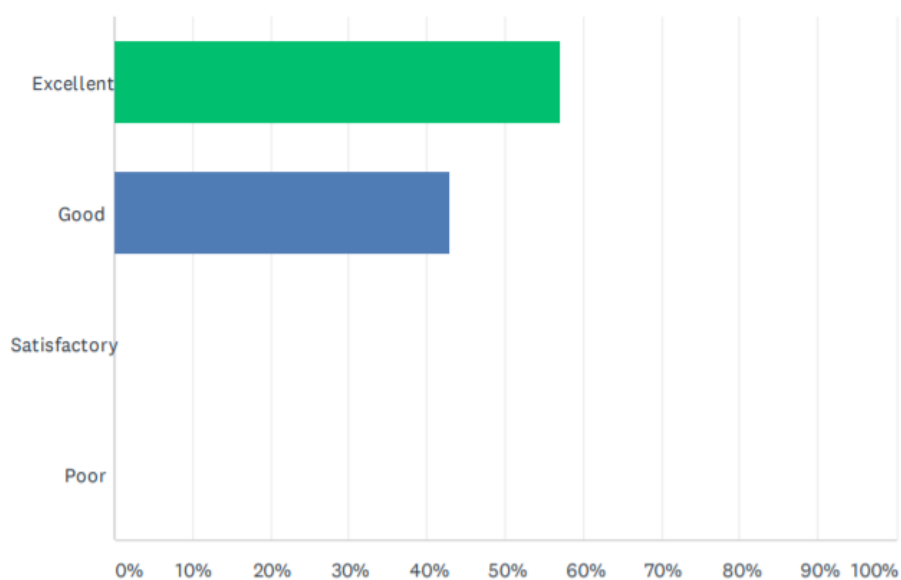
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West Midlands Pension Fund's 2021 Mid-Year Review (MYR)

Q1 How would you rate the employers' virtual MYR?

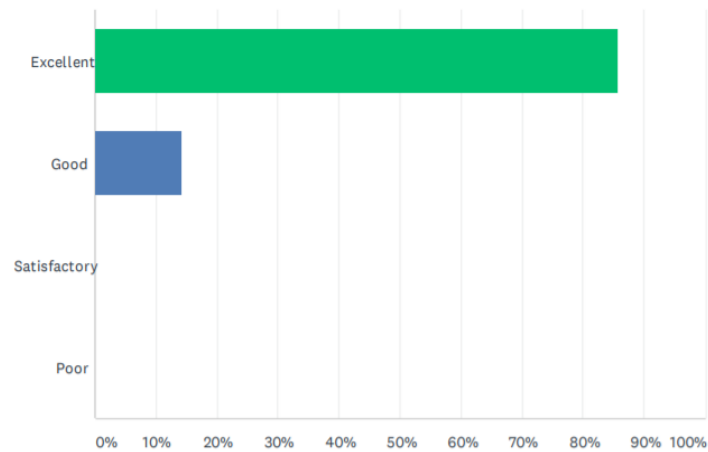
Answered: 7 Skipped: 0



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

Q2 Please rate the ease of registration of the event.

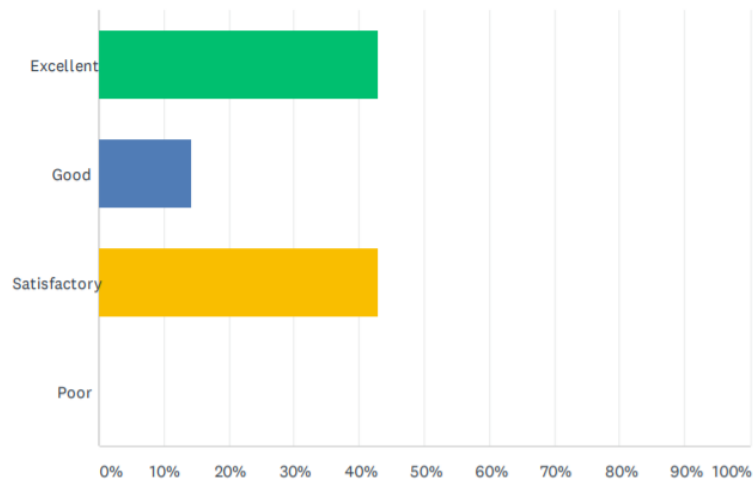
Answered: 7 Skipped: 0



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

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

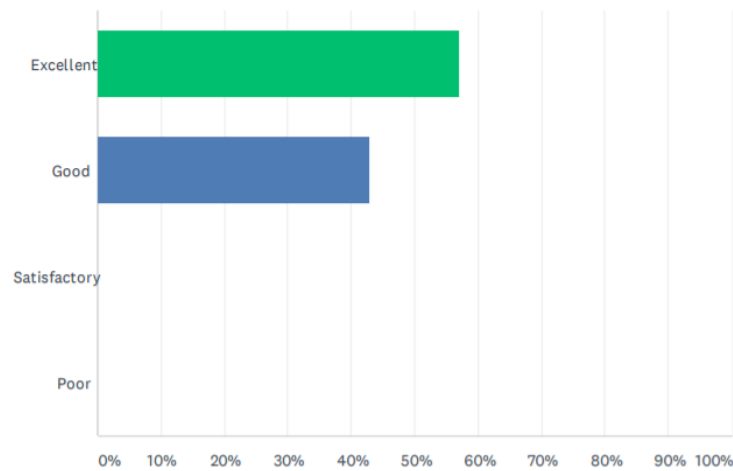
Answered: 7 Skipped: 0



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

Q4 Please rate the presenters and pace of the event.

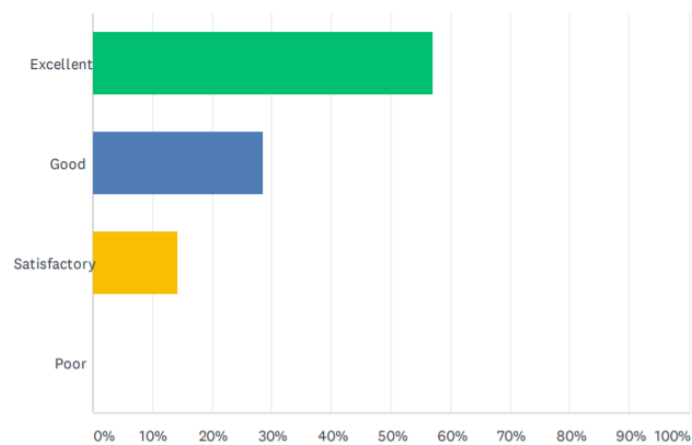
Answered: 7 Skipped: 0



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

Q5 Please rate the quality of information provided?

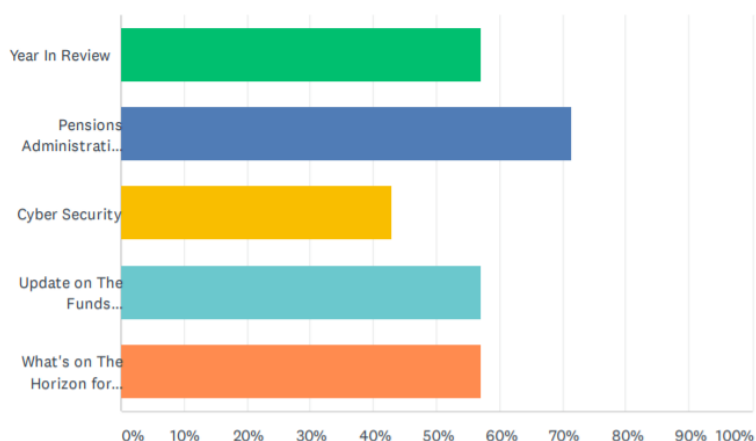
Answered: 7 Skipped: 0



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

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

Answered: 7 Skipped: 0



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

Any other feedback/comments

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

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

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

CITY OF WOLVERHAMPTON C O U N C I L	Pensions Board 19 October 2021
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Report Title	Pensions Administration Report from 1 April to 30 June 2021	
Originating service	Pension Services	
Accountable employee	Amy Regler Tel Email	Head of Operations 01902 55 5976 Amy.Regler@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 55 1715 Rachel.Brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Pensions Board is asked to note:

1. Performance and workloads of the key pension administration functions.
2. Development of the Fund's membership and participating employers.
3. The enhanced due diligence on transfer out requests, protecting members against pension scams.

1.0 Purpose

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

2.0 Background

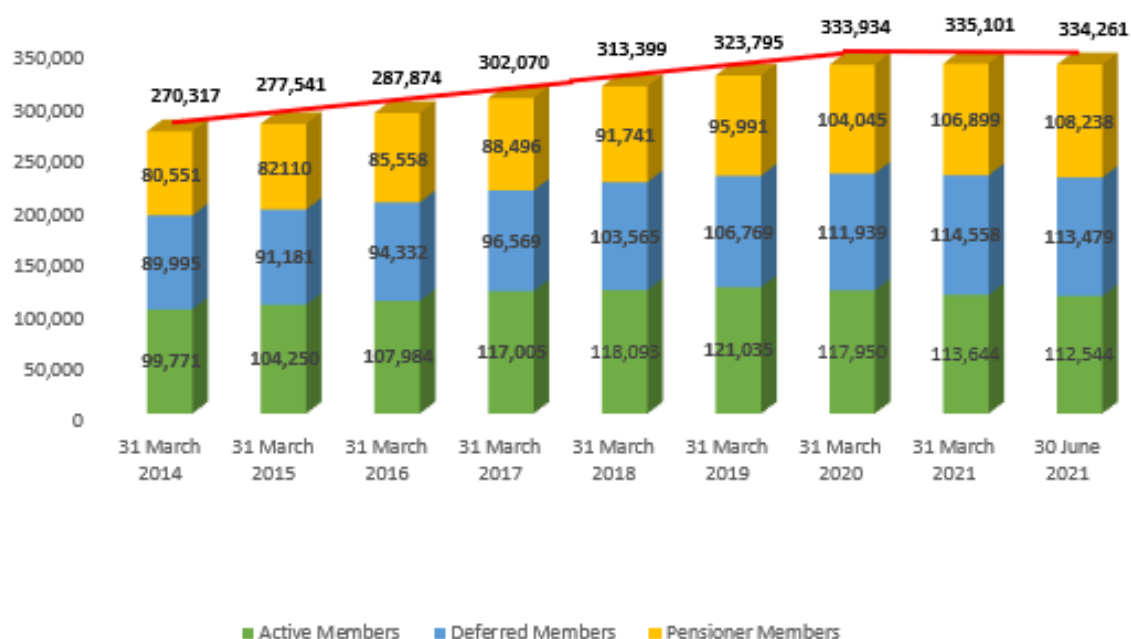
- 2.1 The Fund provides a pension administration service covering employer, customer and member services, data processing, benefit operations, payroll and systems/technical support. A report is provided to Board on a quarterly basis to assist monitoring of the activity and performance of these functions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

3.0 Scheme Activity

3.1 Membership Movement – Main Fund

- 3.1.1 The total number of scheme member records in the Fund at 30 June 2021 stands at 334,261, with an overall decrease since March 2021. The longer-term trend over a 12 year period in membership continues to illustrate both an ongoing increase and a move towards a more mature profile whereby, in general, pensioners and deferred memberships continue to rise.

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



3.2 Workflow Statistics

- 3.2.1 The process analysis statistics (Appendix A) show details of overall workflow within the Pensions Administration Service during the period 1 April to 30 June 2021. During the period covered by this report, 38,781 administrative processes were commenced, and 34,237 processes were completed.
- 3.2.2 As the Fund's overall membership continues to have an upward trend and we continue to see increasing member movements, the workload volumes will also naturally increase. On 30 June 2021 there were 47,286 items of work outstanding. This represents an increase of 656 items outstanding compared to 31 March 2021 (46,630). Of the 47,286 items of work outstanding, 6,638 items were pending as a result of information awaited from a third-party e.g. scheme members, employers or transferring authorities and 40,648 processes are now either proceeding to the next stage of the process or through to final completion.
- 3.2.3 In response to Scheme changes and increased member activity, the Fund's administration practices have developed and evolved to ensure effective management in changing and increasing work volumes. Over the last 5 years the Fund has seen an increase in casework under management. During this period the working practices have been adapted to incorporate 24 additional processes, this includes, for example, processing member requests for deferred retirement quotes and increased member tracing which aid retirement planning and record keeping. Overall, additional process types have added 20-25% to the total casework.
- 3.2.4 Recent years have seen workload peak following transition to monthly employer data submissions and targeted data cleansing activity. These Fund-led activities have improved member records through earlier receipt of leaver notifications and resolution of historic outstanding leaver information. Increased member movements, concurrent employment and Scheme change on member options to amalgamate records have been key drivers to member-led process increases, with an expectation that the higher rate of ongoing activity will persist in the absence of further Scheme change.
- 3.2.5 The Fund continues to review the volumes of incoming work and put in place plans to monitor and address high volume areas. Opportunities for bulk processing and streamlining the management of queries back to employers continue to be explored to increase efficiency in processing.
- 3.2.6 A summary of the key processes completed by volume across benefit operational functions e.g. calculating benefits for retirements, pensioner member data changes as well as the maintenance of updating membership details is shown in Appendix B.

4.0 Key Performance Indicators (KPIs)

- 4.1 The Fund uses a number of KPIs to measure performance when processing items such as Transfers In and Out, Retirements and Deferred Retirements.
- 4.2 During the period, the Fund performance fell slightly short of the cumulative KPI target for the following:
- Retirements, notification of estimated benefits
 - Due to a higher volume of casework (c43%) compared to the same period in 2020, the overall cumulative performance did not achieve the target, however was an improvement on Qtr 1 2020. On average, casework was processed in 16 days against a target of 15.
 - Deferred Retirements, Issue Quote
 - Due to a higher volume of casework (c17%) compared to the same period in 2020, the overall cumulative performance of 84%. On average, days to process casework were within 5 days of the target.

All other KPIs have been achieved across the period.

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

5.0 Customer Services

- 5.1 An overview of our front-line customer contact activity is shown in Appendix D. This outlines the variety and volume of support provided by the Fund to address members' pension queries. An indication of the statistics for the previous year are included within the charts as a comparative measure.
- 5.2 The most popular queries to our contact centre remain as follows:
- Customers following up on an existing Fund process
 - Requests for Pensions Portal support
 - Enquires about accessing pension benefits
 - Request for support with a Fund letter/form
 - Members updating their personal details
- 5.3 There have, unfortunately, during 2021 to date, been absence and vacancies emerging within the Customer Services Team which have affected our call handling performance during the year. New staff have been recruited and training is progressing alongside delivery of services.
- 5.4 Calls have continued at a higher than usual for the period, in addition, our written enquiries have increased. Written responses take longer to process and are more resource intensive. However, the team continue to see the benefit of the automated email import functionality developed through our digital transformation programme. We continue to explore ways in which efficiencies can be identified to manage the customer contact received, including adding quick links to the website to aid self-service for our members.

6.0 Complaints

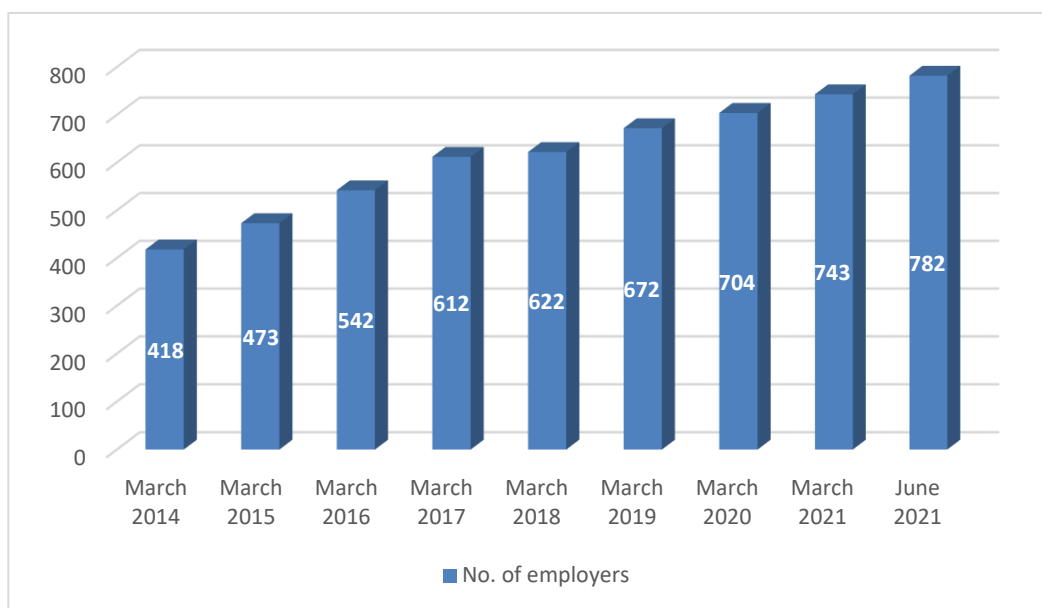
- 6.1 The Fund has a complaint monitoring framework, which enables regular monitoring and review of trends impacting performance. Where a complaint highlights an improvement area, this is investigated and monitored to help shape future services and improve overall customer satisfaction going forward. This mirrors the process undertaken for general customer feedback as outlined within the Customer Engagement Update.
- 6.2 The number of complaints received by the Fund is proportionally low compared to the number of scheme members, with 54 complaints received for the last quarter (less than 1%). Of those complaints, 61% were upheld and lessons learned incorporated in training and process development.
- 6.3 A slight increase in complaints year on year has been observed linked to an increase in processing timescales for casework. Resources were reallocated to front line services to return processing timescales to business as usual, and as a result, complaint volumes have since reduced. When each complaint is received, any lessons learned are shared and logged, and this in turn improves our service delivery and prevents further occurrences. Complaints and actions in response are reviewed by the Fund's Senior Management Team on a monthly basis.

7.0 IDRP Casework

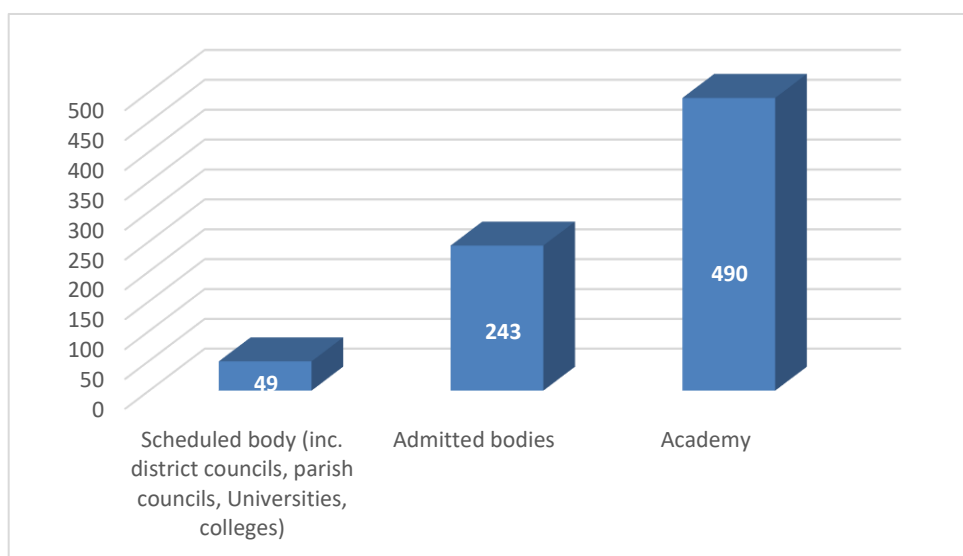
- 7.1 The outstanding case from 2019/20 has now been completed. The case related to a historical medical appeal against the employer, which has required considerable engagement with third party medical practitioners, the employer and the member. The case was partially upheld and deferred benefits were paid early on ill health grounds as opposed to ill health retirement.
- 7.2 For the 2021/22 year to date, two cases have been referred to Stage one of the procedure on appeal against the Fund and one case has progressed to Stage two with all cases currently being investigated.

8.0 Employer Membership

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



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



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

- 73 admission agreements
- 13 academies
- 45 employer terminations

9.0 Pensions in Payment

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

9.2 Monthly payroll details were:

Month	Number	Value (£)
April 2021	88,199	40,083,322
May 2021	88,422	40,362,560
June 2021	98,653	41,297,820

The June figure includes pensioners paid on a quarterly basis.

10.0 DWP Consultation on pension scams

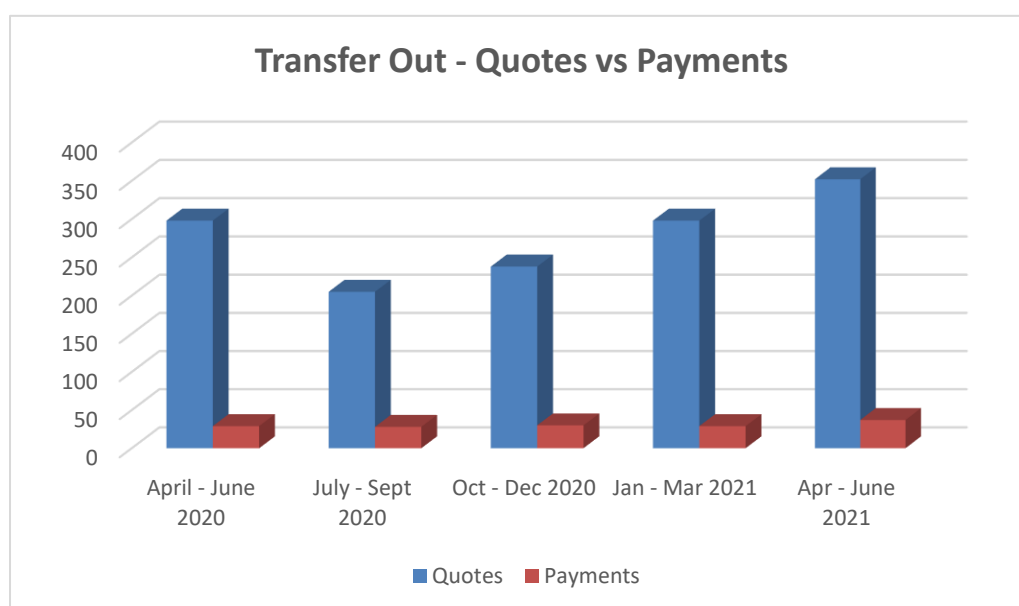
- 10.1 On 14 May 2021, the DWP launched a consultation on pension scams: empowering trustees and protecting members. The consultation proposes new requirements are placed on trustees and scheme managers to conduct further due diligence and checks before a pension transfer can be completed. The new requirements introduce conditions tests, based on the type of scheme and the risks the receiving scheme is likely to present to the member.
- 10.2 If the transferring scheme does not fall into any of the conditions, then the Fund will have to determine whether there are any red flags (i.e. if the member has experienced unsolicited contact or the advisor does not have the regulator permission etc) and if so, whether the transfer should be allowed to proceed or be subject to any further conditions. The Fund fed into the LGA response to the consultation, alongside other Funds. The details of the consultation can be found on the [Department of Work and Pensions website](#).
- 10.3 The Fund currently undertakes due diligence on all transfer payments in line with our undertaking to the Pensions Regulator to take action to protect members from scams, anticipates prior updates to process would capture the proposed regulatory requirements. Ongoing compliance will be reviewed, ahead of new regulation and on issuance of emerging guidance and templates for the LGPS, expected for issue by LGA, in due course.

11.0 Transfer Out Cases

- 11.1 During the period 1 April to 30 June 2021, 352 transfer values were issued to members considering transferring their benefits out of the scheme (previous period, 1 April to 30 June 2020, 298 transfer values were issued to members).
- 11.2 In total 37 transfer payments made during the period 1 April to 30 June 2021 resulting in a total amount transferred of £1,448,654 (previous 1 April to 30 June 2020 a total of 29 transfer payments were made (£1,588,166 was transferred out). This amount is broken down as follows:

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

- 11.3 Analysis has been undertaken of the transfer out payments to non-public sector or occupational schemes over the period of April to June 2021, to review the volume and trends. During the period, of the 37 completed, a total of 21 non-public sector or occupational scheme transfer out payments have been processed, to a total of 13 different receiving schemes. The average age of members transferring out was 47 years, with the main reason for members transferring out was to consolidate their benefits.
- 11.4 The Fund has seen a gradual increase in the number of requests from members for transfer out values, however the number of members electing to progress with the transfer of their benefits out of the Fund remains fairly low (c11% of the quotations requested). This is shown in the graph below.



13.0 Financial implications

- 13.1 The report contains financial information which should be noted.
- 13.2 Employees of organisations who become members of the Local Government Pension Scheme will contribute the percentage of their pensionable pay as specified in the Regulations. The Fund's actuary will initially, and at each triennial valuation or on joining intervaluation, set an appropriate employer's contribution rate based on the pension assets and liabilities of the individual employer.

14.0 Legal implications

- 14.1 The Fund on behalf of the Council will enter into a legally binding contract with organisations applying to join the Local Government Pension Scheme under an admission agreement.

15.0 Equalities implications

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

16.0 All other implications

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

17.0 Schedule of background papers

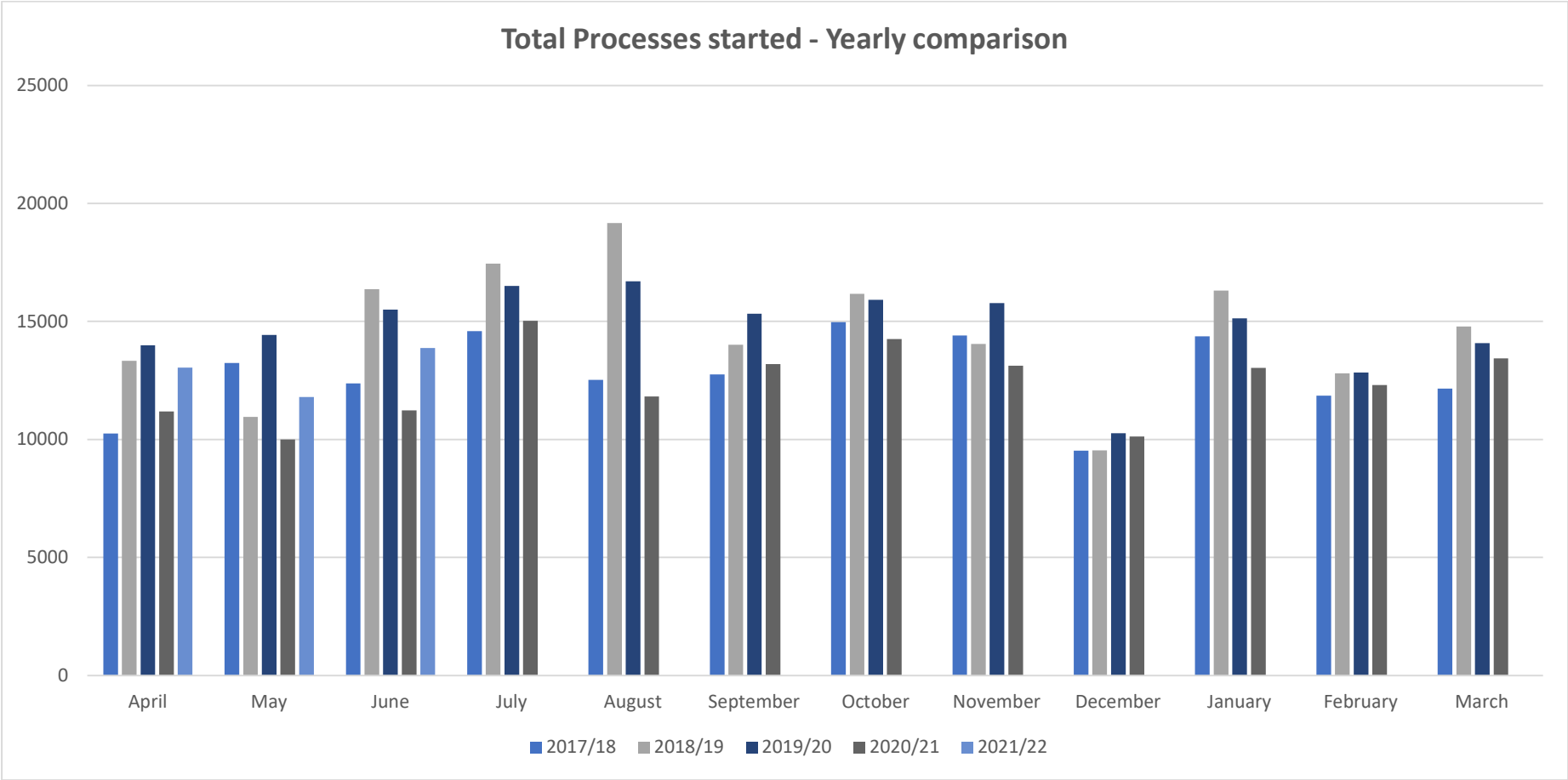
- 17.1 None.

18.0 Schedule of appendices

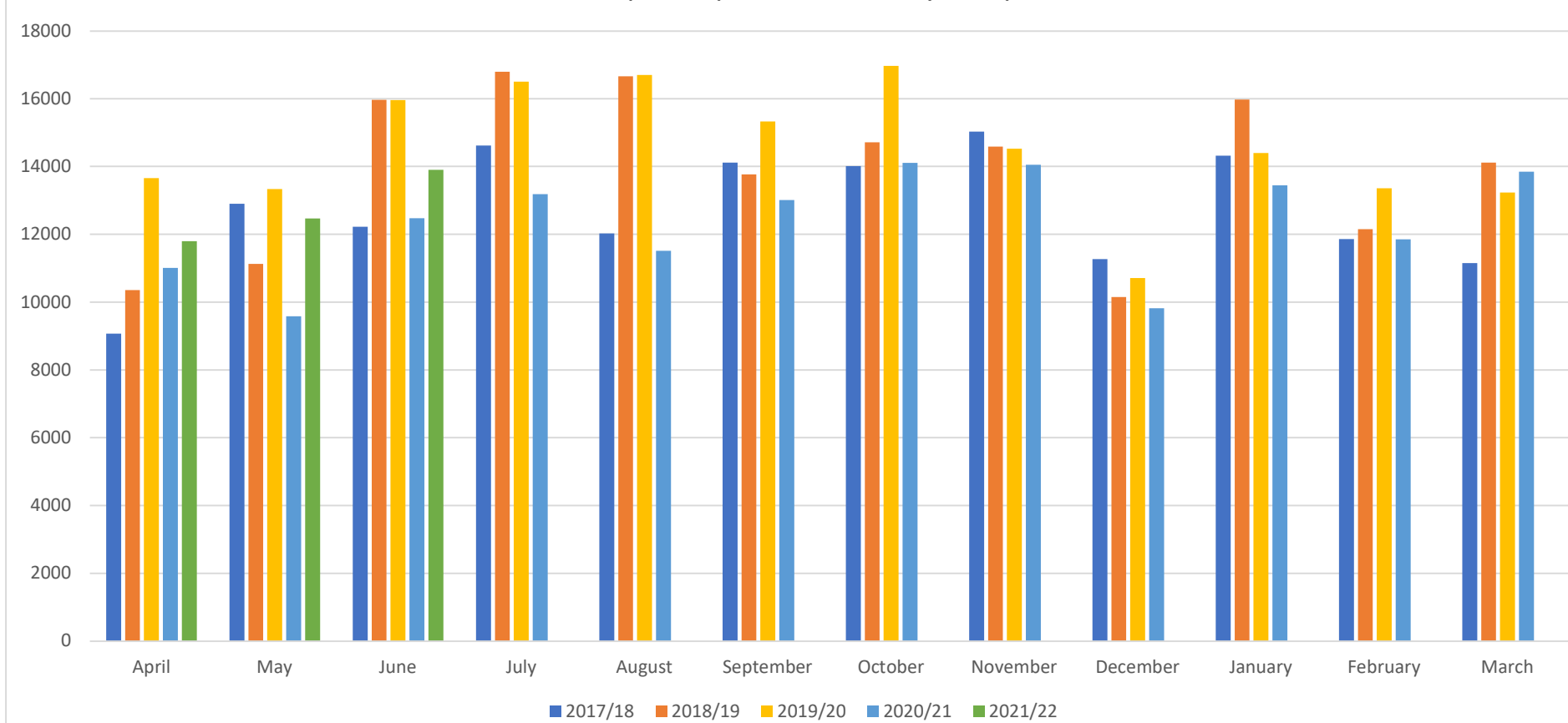
- 18.1 Appendix A: Process Summary
- 18.2 Appendix B: Detailed Process Analysis
- 18.3 Appendix C: Key Performance Indicators (KPIs)
- 18.4 Appendix D: Customer Service Statistics

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Appendix A



Total Completed processes - Yearly Comparison



Pension Committee Statistical Report
Detailed Process Analysis

2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	20/21	April	May	June	YTD
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Active & Deferred members

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

Pensioner members

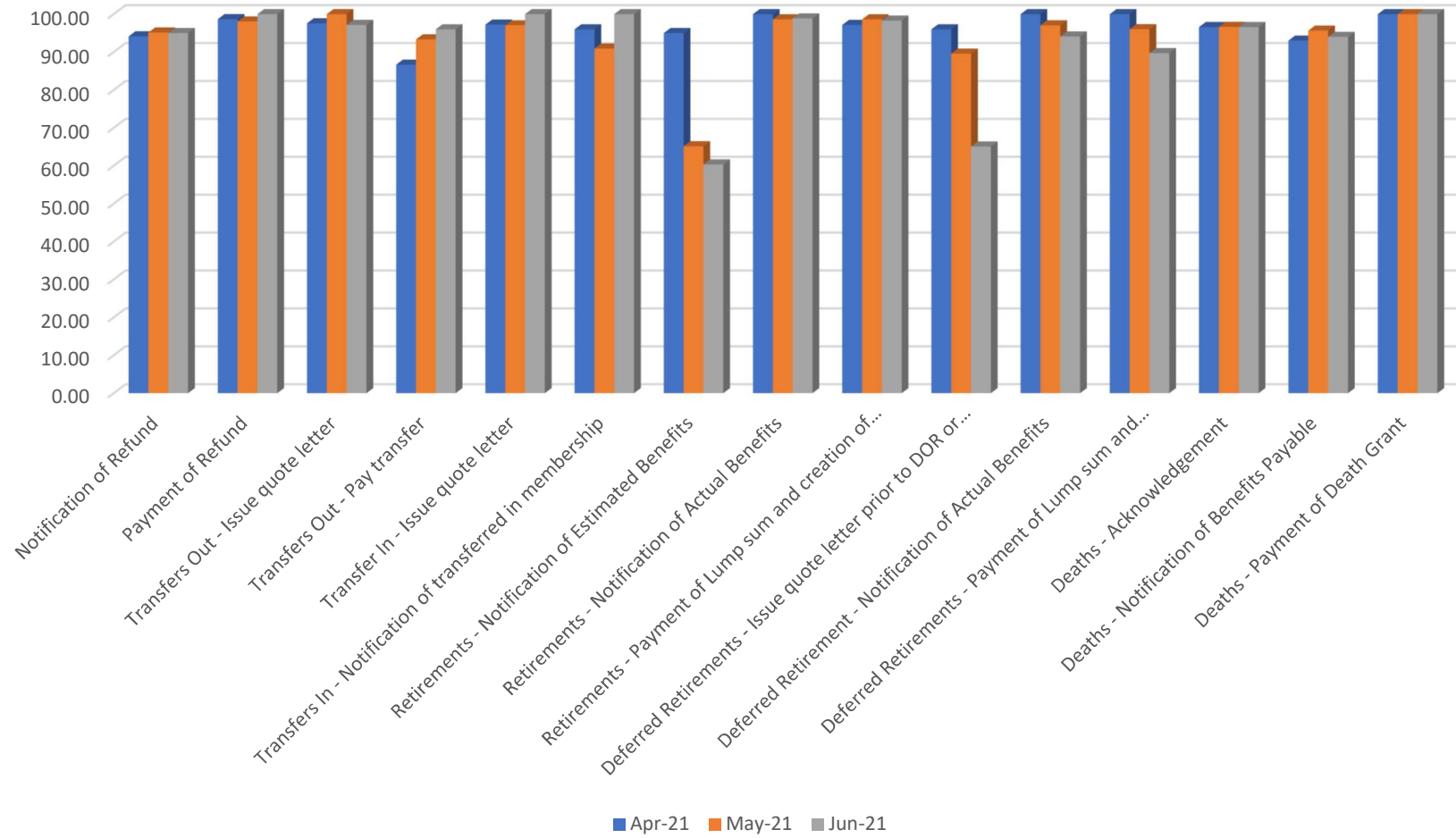
Process type															
Changes in circumstances:-															
Data eg Passwords, NI Numbers	1,310	1,804	1,865	2,017	2,604	4,548	2,427	3105	2694	1953	1761	232	177	138	547
Changes of Address	2,420	2,681	2,131	1,732	1,733	2,237	2,589	3004	2628	2423	2448	384	415	209	1008
Changes of Bank	2,927	2,531	2,783	3,420	3,281	1,573	2,272	2214	1957	1874	1539	208	201	183	592
Deaths of pensioners	2,085	2,145	2,101	2,546	2,454	1,702	2,813	2919	2793	2650	3886	254	225	271	750

Payroll															
Actual number paid	792,724	837,189	870,804	895,018	913,864	888,954	915,275	945,196	979,819	1,019,295	1,093,949	88,199	88,422	98,653	275,274

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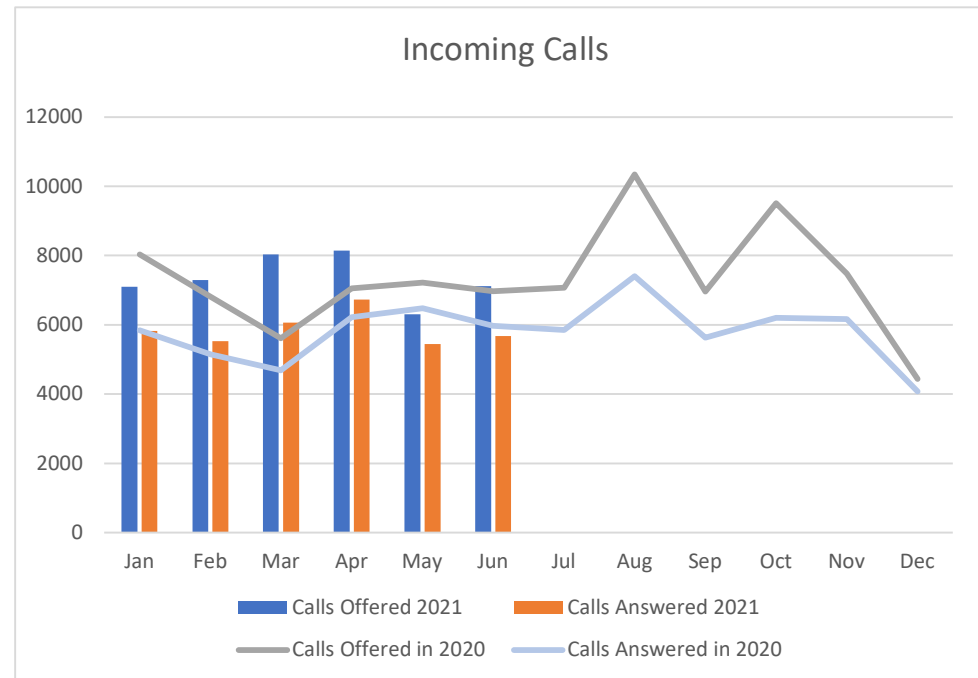
Appendix C

KPI's - Benefit Operations



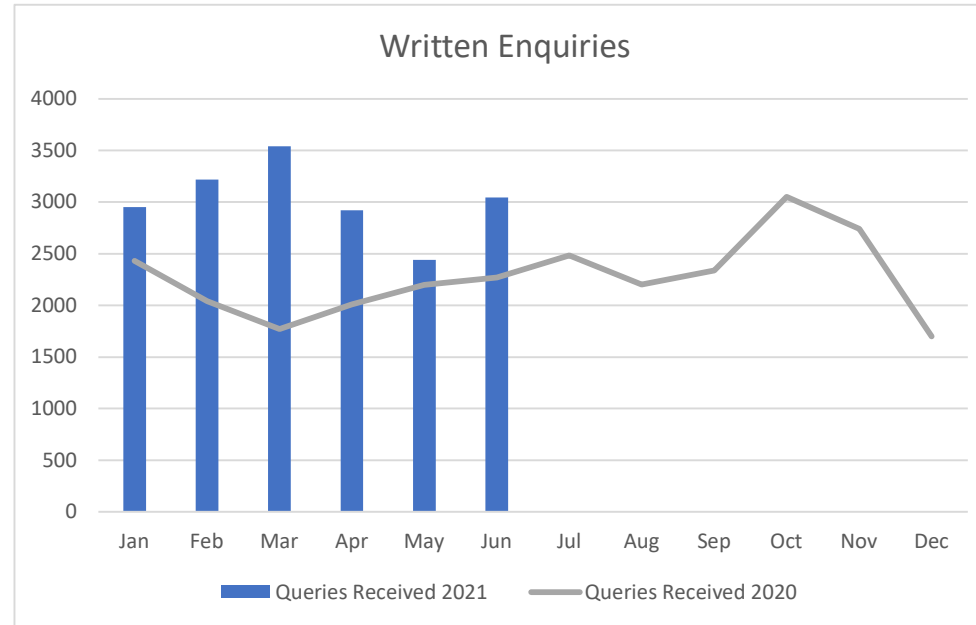
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Appendix D: Customer Services Statistics April to June 2021



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

Appendix D: Customer Services Statistics



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

CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 19 October 2021
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Report title	Investment Governance and Climate Change	
Originating service	Pension Services	
Accountable employee	Tom Davies	Assistant Director, Investment Strategy
	Tel	01902 55 8867
	Email	Tom.davies@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 55 1715
	Email	Rachel.brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Pensions Board is asked to note:

1. The update on investment governance matters including those in relation to responsible investment and investment pooling.
2. The Fund's Climate Change Framework and Strategy for 2021-2026, noting progress made against targets set in 2019 and the increased scope and stretch in ambition outlined for development over the next five years.
3. The Fund's involvement in the establishment of the first Asset Owner Diversity Charter.

1.0 Purpose and background

- 1.1 This report provides an update on investment related matters, including the review of the Fund's Climate Change Framework and Strategy for 2021-2026 and an update on responsible investment activities, together with the ongoing development of LGPS Central Investment Pool.
- 1.2 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**. The Fund's Responsible Investment Framework incorporates four targeted engagement themes including Climate Change, for which the Fund has developed a policy Framework and risk management strategy.
- 1.3 LGPS Central Ltd ("the Company") is a jointly owned investment management company established by West Midlands Pension Fund and seven Partner Funds to deliver investment pooling for the LGPS Central pool in accordance with the criteria laid down by the Secretary of State.
- 1.4 Investment products and services to Partner Funds are being developed, supported and overseen by the governance structures established within the Company and across the wider investment pool. The Shareholder Forum and Joint Committee each meet at least twice annually, with the Shareholder Forum considering shareholder related matters such as the Company's strategic business plan, annual budget and annual report and accounts. The Joint Committee is focused very much on client deliverables of investment pooling, together with governance and oversight of pooling arrangements.

2.0 Responsible Investment

- 2.1 The Fund's strategy continues to be to engage with its investee companies and other key stakeholders through partnerships and on its own. The Fund aims to protect and increase shareholder value by engaging on a range of financially material ESG investment factors. A significant part of the Fund's engagement programme is implemented through partnerships including the Local Authority Pension Fund Forum (LAPFF), EOS at Federated Hermes ('EOS' - via a contract held by LGPS Central Ltd, the Fund's investment pool operator), the Institutional Investors Group on Climate Change (IIGCC), Climate Action 100+ (CA 100+), and the Principles for Responsible Investment (PRI).
- 2.2 The Fund's engagement activity is monitored and reported to the Pensions Committee on a quarterly basis. Engagement activity includes a number of direct company engagements, on a range of themes, voting activity and working in partnership with other institutional investors to consider shareholder resolutions. Activity and progress are included in published reports from LGPS Central Limited and the Local Authority Pension Fund Forum (LAPFF).

- 2.3 This is a critical year for both corporate and policy makers in accelerating action towards the goals of the Paris Agreement - to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels. The focus is now on the UK and the contribution that pension funds and other institutional investors could make to help decarbonise the economy in a way that protects beneficiaries and secures just transition to net zero.

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

- 3.1 Significant steps have been taken over the last two years to evolve the Fund's asset allocation and make tangible steps towards decarbonising the investment portfolio. Supported by enhanced data and risk metrics there has been measurable decarbonisation within the Fund's equity, fixed income and property portfolios, with targets set for allocation to sustainable investment being achieved.
- 3.2 There has been an increased focus on corporate engagement and disclosure which is increasing information points and understanding of the scale of action required. Climate scenarios and sector-specific transition pathways continue to develop alongside benchmarks for strategic corporate action. As has been widely reported, there is more to do and at pace, with growing pressure for policy makers to take a more definitive and coordinated action to step-up the pace of change and enable transition through tangible action on commitments made.
- 3.3 The Fund's Climate Change Framework and Strategy ("the Framework") has been developed and updated in context of the evolving environment and pending development of regulation and guidance for the Local Government Pension Scheme. Taking a lead from the IIGCC Paris Aligned Investment Initiative and Net Zero Investment Framework, published in March 2021 and noting regulation and guidance published by the DWP and the Pensions Regulator, the Fund has outlined a series of practical and tangible actions it will take over the next five years in order to continue to develop its decarbonisation journey and realise opportunities emerging through the transition, including through investment in climate solutions.
- 3.4 Officers have developed the Framework over a period of time, informed by the Fund's most up-to-date Climate Risk Review (2021) undertaken by LGPS Central Ltd, dialogue with the Fund's investment and asset managers, independent advisers and appointed investment consultant. The Framework for 2021-2026 was approved by the Pensions Committee on 29 September 2021. Subsequently, the Fund has joined a group of 40 leading institutional investors in making the internationally recognised Paris Aligned Asset Owner commitment.

3.5 Asset Owner Diversity Charter

- 3.5.1 The Fund has been involved in the development of the first Asset Owner Diversity Charter¹, which aims to tackle diversity bias within the asset management industry. Working alongside five other institutional investors, the Charter working group established a set of actions that asset owners can commit to: include diversity & inclusion in manager selection; monitor selected managers for Diversity & Inclusion on an ongoing basis; and lead and collaborate in this area to encourage broader industry change.
- 3.5.2 As of the launch date (2nd August 2021), the Charter has already been backed by 17 signatories representing £1.08 trillion in assets under management/consultancy. LGPS Central Ltd have declared their commitment to joining this initiative and we will now seek to engage all WMPF investment managers on this initiative and monitor progress over time.

4.0 LGPS Central Investment Pool and Pool Governance

- 4.1 The Fund continues to work closely with its investment pool company LGPS Central Ltd (LGPSC) and Partner Funds to look for opportunities to transition assets where it can see value add from doing so, including the opportunity to make cost savings. In the quarter to 30th June, investments were made into the Multi-Asset Credit (MAC) sub fund at its launch and commitments were made to the recently launched Private Debt investment fund.
- 4.2 The Fund's Investment Advisory Panel (IAP), comprising external advisers, the Director of Pensions and Assistant Director, Investment Strategy, continue to review investment in sub-funds as they are developed taking into account the strategic fit for the Fund.
- 4.3 As previously reported to the Board, the governance arrangements for the LGPS Central pool include a Shareholder Forum (as the group of "owner" representatives) and the Joint Committee (focused on investment matters and client-side). The Shareholder Forum meets ahead of Company meetings (General and AGM) held twice per year. Meetings in September were held via Microsoft Teams with representatives of all Central Pool Authorities and the Company present. The Company's Annual General Meeting took place Tuesday 28th September 2021 with all resolutions duly passed.
- 4.4 The Joint Committee for LGPS Central, met virtually on Friday 18th June 2021. The agenda, reports, minutes and questions are available on Cheshire Pension Fund's website; a link is provided within the background papers below. This was attended by the Chair of Pensions Committee and Trade Unison Representative Malcolm Cantello (Unison), Pensions Committee Member.
- 4.5 The pool will hold its third Responsible Investment Summit Wednesday 13th October 2021, with invites extended to all Pensions Committee and Local Pension Board members across the Central pool.

¹ [Asset Owner Diversity Charter | Diversity Project](#)

5.0 Financial implications

5.1 There are no direct financial implications arising as a result of this report.

6.0 Legal implications

6.1 The requirement to pool fund investments is a requirement of law, failure to work collaboratively and meet the Government's criteria and timetable for delivery may result in Government intervention.

6.2 MHCLG issued updated draft statutory guidance relating to investment pooling for informal consultation in January 2019. This was to update and replace the original statutory guidance issued in 2015. An updated and broader formal consultation on changes to LGPS investment regulations is now expected to be issued early in 2021 and the Fund will respond to any consultation as required.

7.0 Equalities implications

7.1 There are no direct equalities implications arising as a result of this report.

8.0 All other implications

8.1 There are no other direct implications arising as a result of this report.

9.0 Schedule of background papers

9.1 Paris Aligned Investment Initiative – partner to UNFCCC's Race to Zero Campaign.
[Paris Aligned Investment Initiative – Investing for a net zero future](#)

9.2 LGPS Central Limited Annual Report 2020/21 – August 2021
[LGPS-Central-Limited-Annual-Report-2020-21-.pdf \(lgpscentral.co.uk\)](#)

10.0 Schedule of appendices

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

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CLIMATE CHANGE FRAMEWORK AND STRATEGY 2021



West Midlands Pension Fund



INVESTORS IN PEOPLE™
We invest in people Gold





INTRODUCTORY STATEMENTS

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.

Like many across the globe, our beneficiary members work tirelessly during their working lives to provide public service and for their families as they earn their pensions; they deserve to retire into world that is not compromised by rising temperatures and sea levels, extreme weather events, and food shortages, they deserve to retire into a world with a healthy environment, a thriving economy and a guaranteed green and stable future for their grandchildren and upcoming generations.

Action is required immediately and at an extraordinary pace to limit global temperature rise and to ensure the best chance of avoiding the worst impacts of climate change. The next decade is a critical tipping point for both the planet and the direction we take as leaders, and as individuals make their own choices. All consumers and suppliers have a role to play in making change happen, no matter their place in the chain. Enabling transitions across sectors, whether it be energy, industrial, materials, and transport, is essential for in achieving a real world net zero.

As a Fund we are committed to driving down emissions and investing in solutions that directly contribute to and financially benefit from the transition to a net zero future. We will challenge those that do not align with our vision and champion and support those who do. We will work with local communities, national governments and policy makers and global companies to make sure that our voice is heard, and our requirements are met and acted upon. Truth, transparency and trust will underpin our ambition and communication strategy. We will disclose when we meet the targets that we have set and will be honest when we do not. No single party can achieve this alone and our ambition requires a continuation of coordinated and collaborative action.

Our members, employers and employees are at the heart of our operations. We are prioritising their needs and those of the local communities that we serve and the global communities that we invest in. 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.



Rachel Brothwood
Director of Pensions



Councillor Milkinder Jaspal
Chair – Pensions Committee

The West Midlands Pension Fund is fully committed to aligning with the goals of the Paris Agreement and net zero ambition by 2050 or sooner. As a pension fund and asset owner we seek to understand the risks associated with climate change; ensure fund resilience as we decarbonise; and champion effective collaboration and increased transparency in our approach, as we continue to forge our pathway to net zero and contribute to building sustainable futures for all. Our framework outlines our approach, how we will measure our progress and continue to adapt to the changing policy and regulatory environment.

Strong progress has been made since we developed our first Climate Framework and Strategy in 2019 – our next phase to 2026 will see an increase in momentum as we continue to work alongside others and utilise the assets that we own to influence positive change on a global scale. At this point in time we find it hard to quantify exactly what this will mean, but it will be a further material reduction in exposure to the inherent physical and transition risks associated with the shift to a net zero economy and further investment in climate solutions. Over the next five years we will expand the scope and quality of measurement and data collection, to continue to ensure meaningful change and alignment across our investments and our own operations.

The West Midlands Pension Fund (“WMPF/ the Fund”) welcome the pressing and increasing pace of action on climate change. The year 2021 was denoted a watershed year for climate change and investor stewardship. Alongside the UN Climate Change Conference of the Parties (COP26 Summit) which took place in Glasgow in November 2021, 2021 was a critical year for both financial institutions and policy makers in accelerating action towards the goals of the Paris Agreement.

We adopt an evidence-based approach to climate change and believe there is overwhelming evidence to support that climate changes poses both risks and opportunities to the economy and society and the Fund’s investments and risk management activity. A period of co-ordinated and collaborative action is required by multiple stakeholders (governments, regulators, companies, investors and consumers) to manage the financial risks and realise the opportunities associated with the transition to a lower carbon economy.

OUR FUND

WMPF is one of the largest funds within the Local Government Pension Scheme in the UK. An open defined benefit pension scheme with more than 750 employers, the Fund has assets under management in excess of £18.5 billion and invests for the long-term across a wide range of asset classes to deliver returns to pay pensions to over 340,000 Fund members within the West Midlands.

Underpinned by our **Responsible Investment Framework** (“RI Framework”) our RI and stewardship practices are fundamental in informing our Fund identity and the investment processes required to protect and enhance the Fund’s assets, ensuring they deliver the investment returns to support the payment of members’ pension benefits. We share best practices with industry partners to contribute to climate awareness, influence local and national policy makers and accelerate wider action in society.

Through strategically aligned investment in climate solutions and collaboration with other investors, WMPF is supporting the rapid economic transition and behavioural change required to strengthen and align with the Paris Agreement ambition, which aims to limit global warming to well below 2°C, pursuing efforts to limit it to 1.5°C.

We recognise the importance we play in both financed emissions through the allocation of capital and the emissions associated with our corporate footprint. We are actively involved in developing

£18.5bn+ assets under management
340,000+ members
750+ employers



globally adopted standards for net zero investors through the Institutional Investors Group on Climate Change Paris Aligned Investment Initiative working group (IIGCC PAII), the objective of which is to define the investment practices, policies and corporate behaviours required to address climate change on a global scale.

The latest information about our action on climate change is available at:
wmpfonline.com/article/14043/Climate-Change.

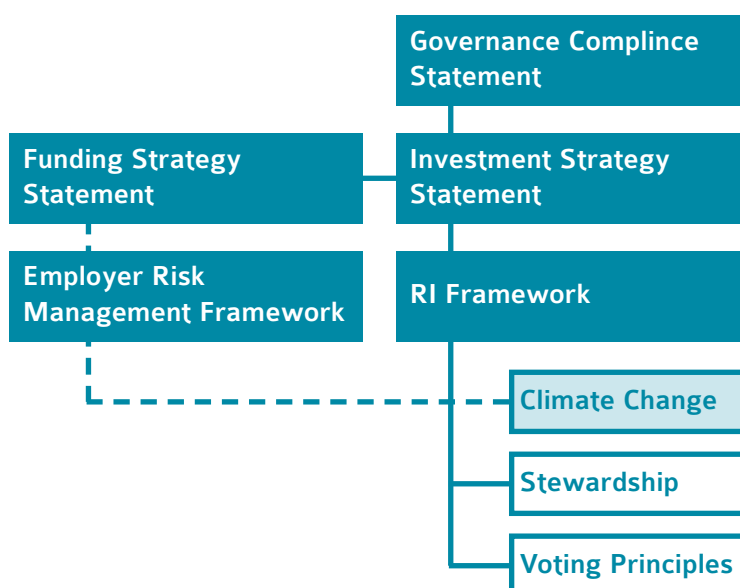
OUR RESPONSE to CLIMATE CHANGE

Climate change is integrated into our [Corporate Plan](#) and [RI Framework](#), both of which support the delivery of our investment strategy, protect and enhance the investment returns needed to deliver sustainable pensions to our members over the long-term, and enable the delivery of the Fund's four commitments (Figure 1).



Figure 1: West Midland Pension Fund's Four Commitments

This document is WMPF's second Climate Change Framework and Strategy ("CCFS") for managing the risks and opportunities presented by climate change. Its objective is to provide an overarching and focused framework on climate change and explain how we will address climate-related risks and opportunities, stewardship, and engagement of relevance to our engagement themes and investment and funding objectives. The CCFS is a component of the Fund's [RI Framework](#), which itself is a constituent of the Fund's [Investment Strategy Statement](#) ("ISS"), which has been developed and reviewed in conjunction with the Fund's [Funding Strategy Statement](#) ("FSS").



FUTURE REVIEW of the CLIMATE CHANGE FRAMEWORK and STRATEGY

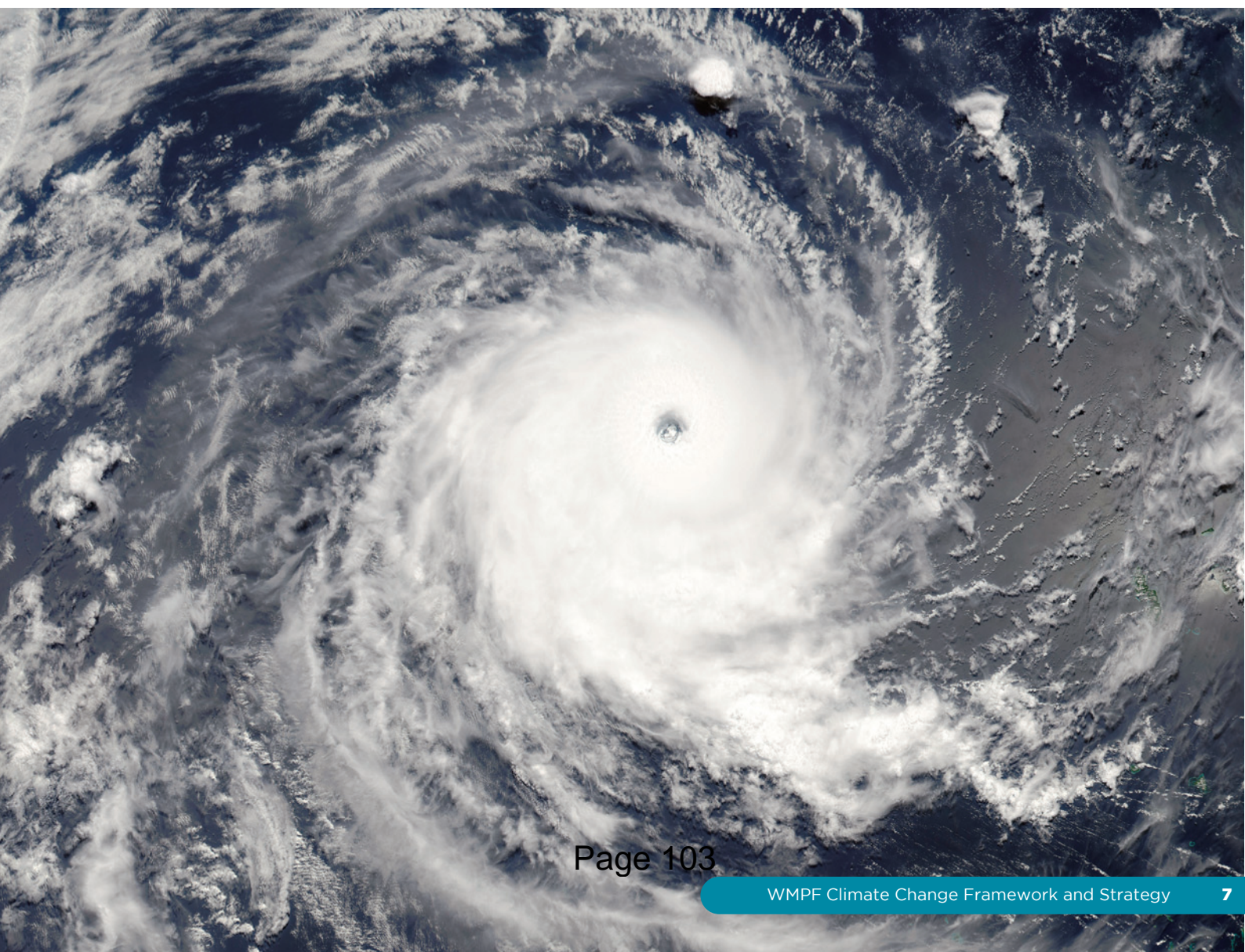
This 2021 Climate Change Framework and Strategy was approved by the Fund's Pension Committee in September 2021. In line with Fund's approach to policy development and review, progress against the 2021 Climate Change Framework and Strategy objectives will be reviewed annually, **in keeping with best practice and evolving regulations**, with full review and the next phase of the Framework due to be developed, no later than 2026/27.

Noting the pace in development, we expect the Framework and Strategy to evolve in response to:

- The publication of regulations and guidance on climate risk monitoring and disclosure, specific

and applicable to the Local Government Pension Scheme.

- Changes in global and UK policy, including National Disclosure Commitments and mandatory disclosure, which increase and shape the information available to institutional investors.
- Further development in industry-led tools available to asset owners and asset managers in designing investment mandates aligned to net zero.
- Progress monitored and reported through annual TCFD and Stewardship reports.



FRAMEWORK GOVERNANCE

WE BELIEVE THAT HAVING EFFECTIVE GOVERNANCE STRUCTURES AND POLICIES ARE ESSENTIAL FOR CLIMATE AWARENESS, RISK MANAGEMENT AND DECISION MAKING, AND WILL ADD VALUE TO THE FUND OVER THE LONGER TERM.

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

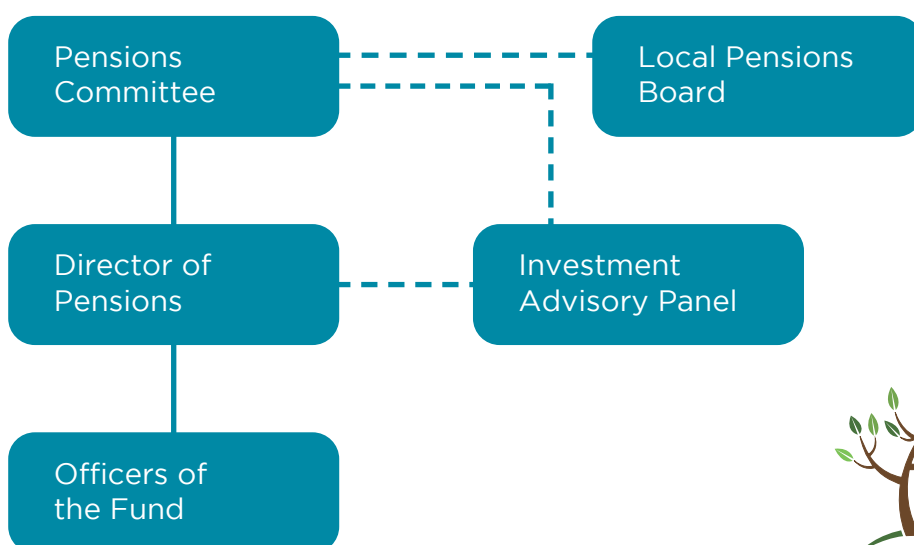
WMPF is governed by the Pensions Committee which sits as the decision making body, setting strategy and policy as to how WMPF is managed. The Pensions Committee delegates the day-to-day running of the Pension Fund to the Director of Pensions who in turn delegates to the Senior Management Team and officers.

The Local Pensions Board, made up of equal member and employer representatives, sits in an advisory role to the pension fund, supporting the good governance of the scheme. The Local Pensions Board oversees investment governance including developments and changes to WMPF's Responsible Investment Framework and Climate Change Framework and Strategy and ongoing stewardship activity. The Board focuses on member engagement across its diverse member and employer base and communicates its responsible

investment activity and action on climate through online, event and written communications.

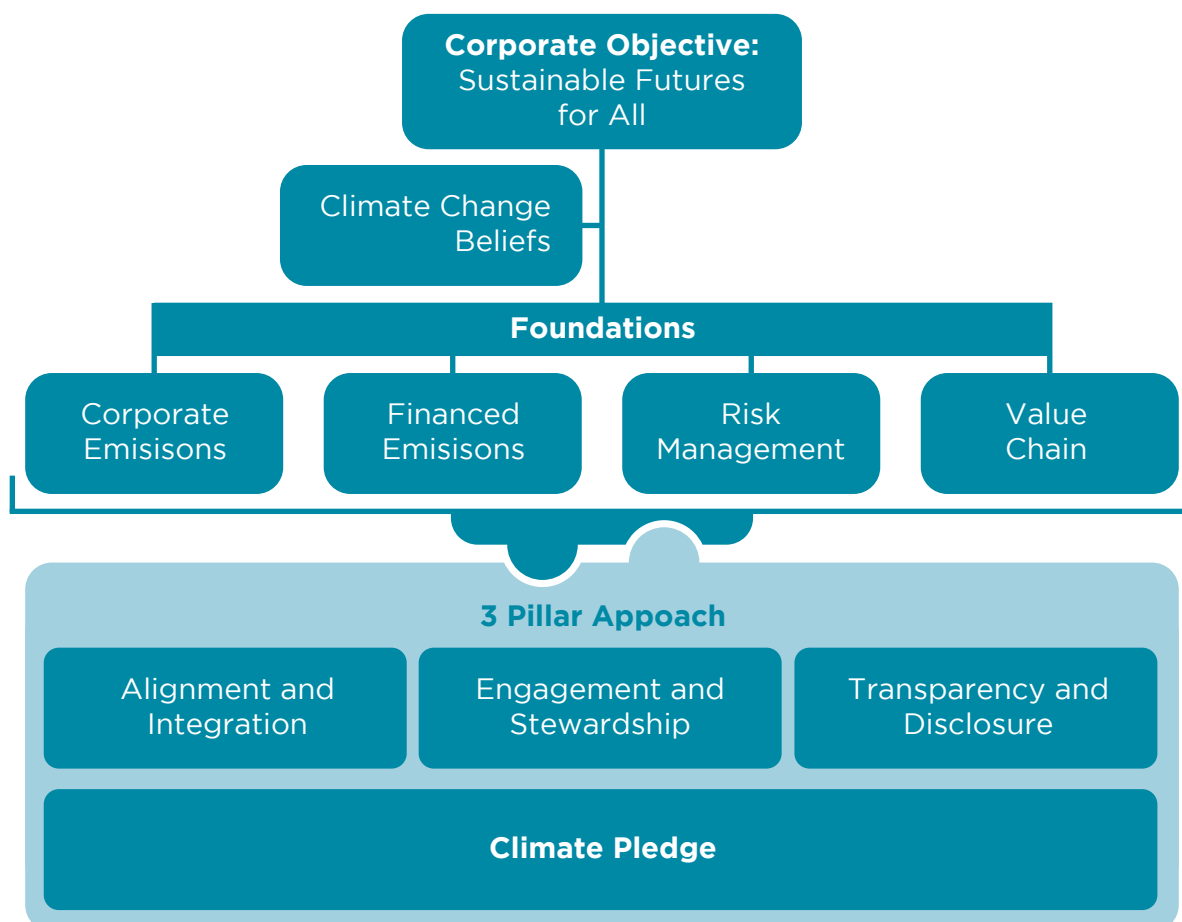
WMPF's Investment Committee is responsible for the day-to-day management and oversight of assets including implementation of the Investment Strategy Statement (ISS), asset allocation, and Responsible Investment. Following the creation of LGPS Central in 2018, the pool and pool company provide investment products, analysis and advice to support implementation of the ISS and RI Framework. The Fund utilises a range of partners and initiatives to develop and enhance its engagement and stewardship programme.

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





Our Climate Change Framework and Strategy supports the governance of our response to climate change by defining our corporate sustainability objectives across four foundations, grounded in our

beliefs, these define our approach across three broad pillars and the tangible commitments and actions within our Climate Pledge.



CLIMATE PLEDGE 2021-2026

IN LINE WITH OUR AMBITION TO DRIVE PROGRESSIVE ACTION AND CHANGE WE WILL CONTINUE TO APPROACH OUR COMMITMENT IN LINE WITH THE FOLLOWING PRINCIPLES:

-  **Draw** on science based targets and best practice guidance to monitor our exposure to climate risk and inform our decision making processes.
-  **Invest** in existing climate solutions that directly contribute to the energy transition.
-  **Challenge** both our portfolio and individual mandate climate risk analysis to identify areas for improvements.
-  **Partner** with leading global organisations (e.g. IIGCC and CA100+) to promote direct and collaborative support for the Paris goals.
-  **Champion** consistency across climate change policy and frameworks and encourage policy makers and regulatory bodies to establish comprehensive, globally analogous standards.
-  **Engage** with companies to express our expectations as asset owners, and with our wider stakeholder base (e.g. WMPF employers and members), to focus our collective alignment of ambition and work together to advocate action.
-  **Pursue** continual improvements of climate disclosure across the investment chain, including measurement of action and progress to enable a Just Transition.
-  **Collaborate** to influence company behaviours around developing responses to climate change, embracing and utilising common measurement standards and disclosing for the public good.
-  **Participate** in the development of global standards (e.g. Net Zero Investment Framework) and credible and practical solutions to address the physical and transition risks of climate change.
-  **Report** annually on progress towards achieving objectives in line with TCFD recommendations.
-  **Communicate** our ambition and action, together with those needed by others, to our beneficiaries and wider stakeholders.

OVERVIEW

2017

- Initial analysis of WMPF carbon exposure
- First WMPF TCFD Report published

2019

1st Climate Change Framework and Strategy published 2019-2023



- Allocated £2 billion to equity strategies including lower carbon to meet our sustainable investment target.
- Reduced the weight of our carbon footprint by almost 30%*.
- Reduced our total equity carbon intensity by 1/4 relative to the market.
- Disclosed the Fund's first standalone TCFD report.
- Working towards 18% carbon intensity reduction for Direct Property.
- Met our 2019 thermal coal investment target and reduced our weight in thermal coal by over 20%*.
- Increased our weight in clean technology by over 17%.
- Reduced our weight of exposure to fossil fuel reserves by almost 40%*.
- Attained signatory status to 2020 UK Stewardship Code.

* Statistics derived from analysis undertaken by LGPS Central Ltd on WMPF's Listed Equities and Fixed Income portfolios during 2020 and 2021.

2021

Updated Framework | To be reviewed by 2026/2027

CURRENT ASPIRATIONS:

Building on the progress to date and consistent with the principles set out in the Climate Pledge, we have set a number of interim targets:

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

Our approach and targets are expected to evolve as the landscape and industry develop. The targets outlined here are subject to change and are reliant on the developing global governmental commitments and policies.

THREE PILLAR APPROACH

ALIGNMENT AND INTEGRATION

Focuses on 4 of the Fund's asset classes:

LISTED
EQUITY



LISTED
FIXED
INCOME



DIRECT
REAL
ESTATE



DIRECT
INFRASTRUCTURE**



ENGAGEMENT AND STEWARDSHIP

TRANSPARENCY AND DISCLOSURE

** Developing over the next 5 years

CLIMATE PLEDGE

In line with the principles underpinning our ambition for progressive change, we are committed to developing our response to Climate Change across five key objectives:

Objective	Commitment	To Date
Coverage and targets	Develop measurement tools and ambition to capture those asset classes and sectors which will drive the most meaningful economic outcomes.	We built on analysis of listed equity, direct property and listed fixed income up to 2021.
Climate solutions	Further explore and define the opportunity set and target meaningful allocations within this.	We reviewed and made targeted investments within the sustainable and clean energy sectors.
Effective engagement	Seeking action and alignment to net zero pathways throughout the value chain.	We adopted and continued to make progress against the Transition Pathways Initiative and CA100+ benchmark.
Collaboration and advocacy	Support the ongoing development of practical and meaningful actions undertaken by an increasing number of assets owners.	We continued to input into ongoing consultations to develop standards and products, in partnerships with peers and the LGPS Central pool.
Progressive emissions reductions	Regularly measure, disclose and refine targets to demonstrate commitment and outcomes.	We measured and disclosed against our carbon metrics within our TCFD reports. We undertook triennial asset and liability scenario testing.

2022

Refine targets & metrics to measure progress
and alignment towards net zero

2026/7

2030

Interim assessment date

2050

2050 or sooner – Net Zero

BACKGROUND and CONTEXT

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

We recognise the need for action to address climate change on a global scale and that it has a role to play in ensuring the shift to a lower carbon economy, ensuring a “just transition” for workers and communities, with the potential for substantial economic and social benefits. In collaboration with others, WMPF is taking action and will continue to contribute to change by engaging governments, companies, investors and individuals to ensure the long-term sustainability of our planet.

OUR JOURNEY SO FAR

An initial assessment of the Fund's exposure to climate-related risks under a range of forward-looking climate scenarios was carried out by an external provider in 2017 and used to inform our Strategic Asset Allocation. Alongside an increased pace of global engagement and policy change, we established our first Climate Change Framework and Strategy in 2019 and revise our Strategic Asset Allocation in our Investment Strategy Statement in 2020. Based around short-term targets over four years, our objective was to ensure that our climate policy actions were set in context of progressive ambition.

In 2020 and 2021 we undertook further climate risk analysis through our Pool company LGPS Central

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

Over the last two years we have¹:

- **Allocated £2 billion of equity holdings to sustainable and low carbon investment strategies**
- **Reduced the weight of our carbon footprint by almost 30%**
- **Reduced our weight of exposure to fossil fuel reserves by almost 40%**
- **Increased our weight in clean technology by over 17%**

As a supporter of the Task Force for Climate-related Financial Disclosure (TCFD) recommendations, since they were first published in 2017, we published our climate-related financial disclosure against the TCFD recommendations in our [Annual Report & Accounts](#) between 2017 and 2019. For the first time in 2020 we published a separate stand-alone [TCFD Report](#) to further enhance transparency and disclosure around our approach to climate risk management. We will continue to consider further TCFD developments, amongst wider regulatory changes pertaining to the physical and transition risks of climate change, in future reviews of is climate strategy.

In order to assess progress towards a lower carbon economy it is essential for WMPF to measure its climate risk exposure at regular intervals and to seek appropriate coverage. Metrics and targets set for WMPF investments will be reported against annually; wider risk and forward-looking scenario analysis will be undertaken every three years, with the next analysis due to be carried out in 2022/23, alongside our triennial actuarial and investment strategy reviews and engagement with our employers. We expect that our Climate Change Framework will both inevitably, and desirably, evolve as climate related financial tools and data availability continues to advance, and the understanding of the complex issues, evident in practical and academic research, improves.

¹ Statistics derived from analysis undertaken by LGPS Central Ltd on WMPF's Listed Equities and Fixed Income portfolios on data as at 31/12/2018 and 31/12/2019.

CLIMATE CHANGE as a FIDUCIARY ISSUE

Climate scientists currently anticipate that the world will be between 2°C and 4°C warmer by 2100². This is substantially higher than the ambition set by the Paris Climate Change Agreement³ – to keep global surface temperature rise to well below 2°C above preindustrial levels and to pursue efforts to limit the temperature increase to 1.5°C.

The magnitude and speed of a Paris-aligned climate transition leads to climate-related risks and opportunities for investors. The Taskforce for Climate- related Financial Disclosure (“TCFD”)⁴

divides climate risks into two categories (Figure 3); the first is the transition risk that could crystallise as society attempts to move into a low-carbon economy, and the second is the physical damages that are likely to occur as the natural world changes. For investors, climate change is a risk that cannot be fully diversified. Almost all asset classes, sectors and regions are likely to be affected by the physical, policy or market-related consequences of climate change over the long term.

CLIMATE RELATED RISKS, OPPORTUNITIES, AND FINANCIAL IMPACT

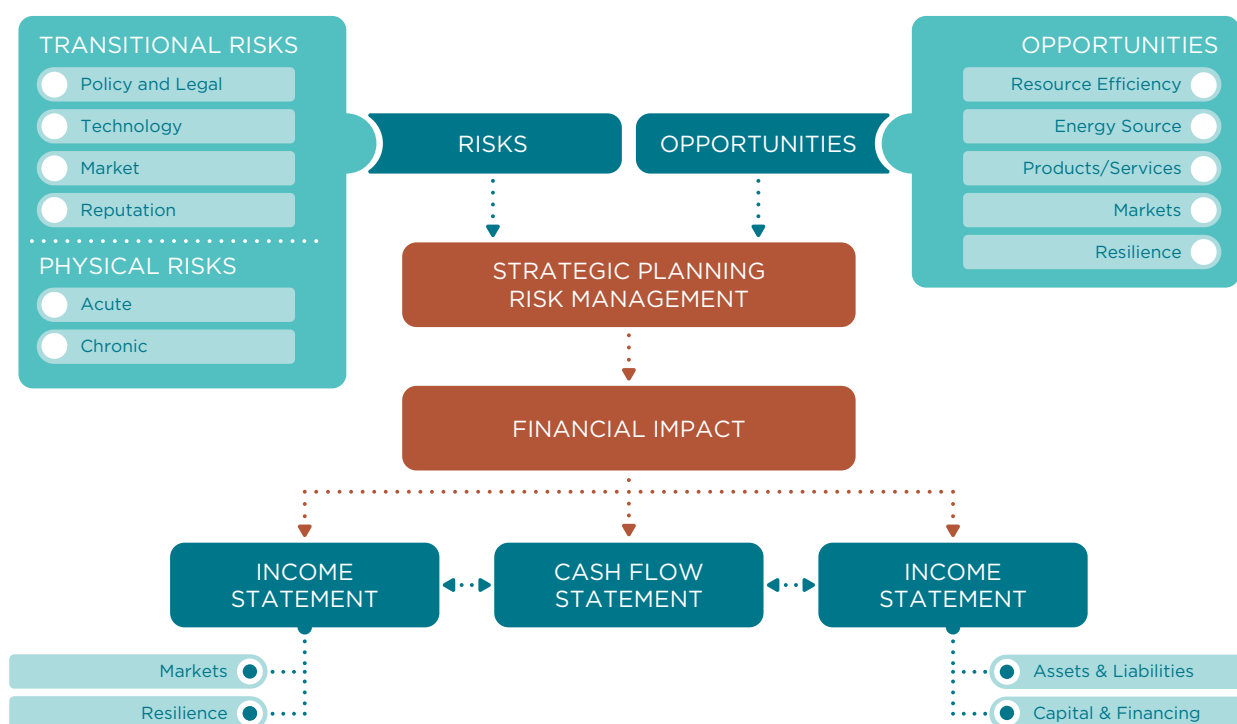


Figure 1: Climate-Related Risks, Opportunities, and Financial Impact. Source: Adapted from TCFD 2017

² <https://www.ipcc.ch/sr15/chapter/spm/>

³ https://ec.europa.eu/clima/policies/international/negotiations/paris_en

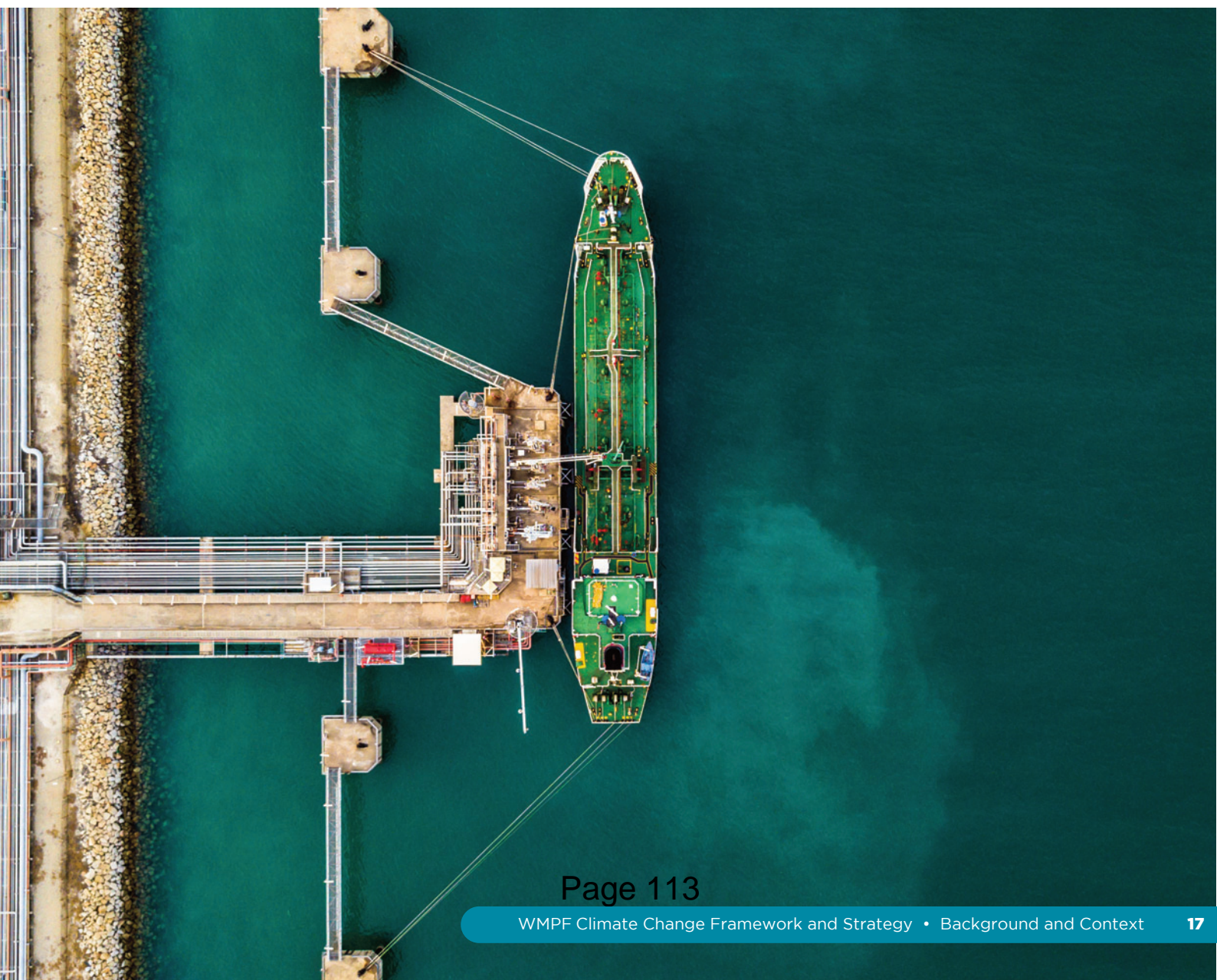
⁴ <https://assets.bbhub.io/company/sites/60/2020/10/FINAL-2017-TCFD-Report-11052018.pdf>

Climate change is a fiduciary issue. As a Fund within the Local Government Pension Scheme, WMPF has multidecadal time horizons, with both long-term investment beliefs and evolving liability profiles to take into consideration. Significant uncertainty remains, and no single tool can provide an accurate and complete observation on a pension fund's climate risk. For responsible investors looking to proactively manage climate risk, a combination of metrics and methodologies represents the best possible information set currently available.

We seek to identify and assess top-down and bottom-up climate-related risks at the total Fund, asset class and individual asset levels. As far as possible climate risks are assessed in units of investment return, in order to compare with other investment risk factors. At this time, tools for assessing climate metrics have some limitations but

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

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



The FOUNDATIONS of our CLIMATE PLEDGE

We recognise that we have a unique opportunity to influence change, not just through capital allocation but in taking a collaborative and coordinated approach to catalyst an increased rate of action across global policy, organisations near and far and in local communities. In doing so we work to ensure the long-term sustainability of our planet and a Just Transition.

Our conviction is that action is needed, at an increasing pace, to meet the challenges that climate change brings to us all, the Fund included. We believe that an increased rate of progress requires that all companies, industries, governments and policy makers, capital markets, asset owners and individuals act together and with a common goal.

We will adopt a leading role as a responsible organisation, employer and asset owner and will continue our programme of active engagement and communication to inform the debate.

Our Climate Change Framework and Strategy is holistic in that it incorporates climate change and risk considerations across Fund operations and the investment and funding strategies. We consider potential financial risks by changing economic and demographic risks as well as changing employer covenant. The Foundations of our Climate Pledge are categorised into four key groups, as depicted in Figure 4: Risk Management; Corporate Emissions; Financed Emissions; and Value Chain.

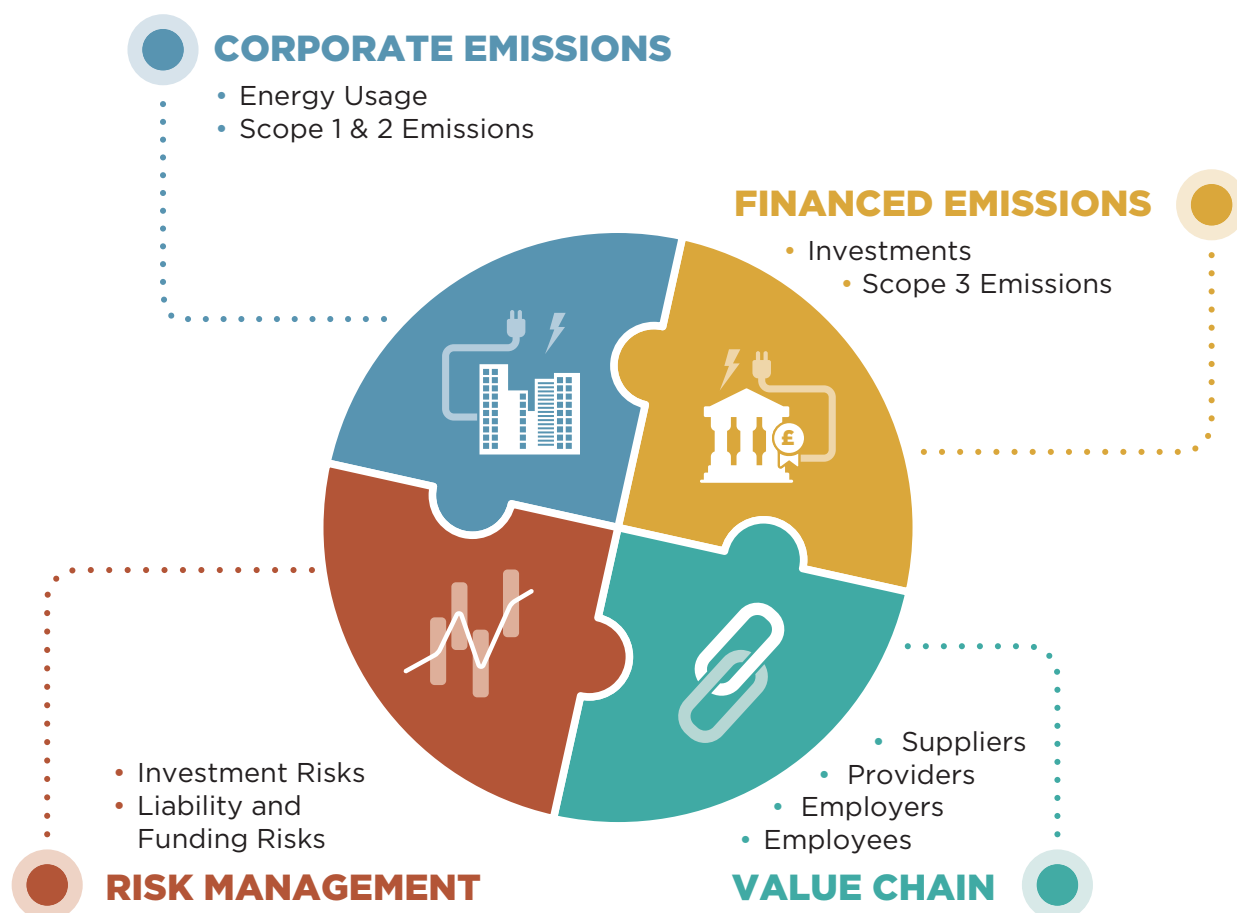


Figure 4: The Foundations of WMPF's Climate Pledge

Risk Management

WMPF will consider the impact of climate change on its asset allocation, investment and funding strategy when making decisions.

We recognise that climate-related risks are financially material and that the due consideration of climate risk fall within the scope of our fiduciary duty.

Climate change has the potential to impact the funding level of the pension fund through impacts on employer covenant, asset pricing, longer-term inflation, interest rates and life expectancy. We will access the latest information on the risks and opportunities presented by a changing climate, as relevant for our Fund. This includes consideration of how our investment returns and/or contribution requirements may be impacted by transition risks and opportunities, and physical risks and opportunities.

We will continue to scenario test our long term funding and investment strategies against forward-looking temperature increase scenarios to understand and inform action required to develop resilience.

- Investment and funding strategy risk will be assessed through scenario testing.
- Employer covenant indicators will be considered through climate-related risk factors.
- The continued development of an integrated selection and monitoring framework for Fund assets.
- Targeted engagement to enhance understanding of risks and mitigating actions.

Corporate Emissions

Increasing the awareness of own carbon footprint, aligning to net zero and reducing emissions by 50% to 2030.

Improving standards across all properties owned or leased by the Fund with clear action plans developed to maximise the efficiency of our buildings.

Aligned to our wider ambition and action as a responsible employer, we seek to act and manage our own carbon emissions to align with the expectation we set for others and those we expect to be held to by our employees, participating employers, and the pension members beneficiaries we serve. We commit to collecting, measuring and tracking our emissions data and looking for areas where we can seek to make reductions.

As a responsible investor, employer and community partner, we set a high standard for the properties in which we reside, invest in and develop, working to ensure an increasing proportion of the portfolio meets, as a minimum the BREEAM⁵ rating of very good and an Energy Performance Certificate⁶ rating of B.

Over 2021/2022 we are developing our own future work space ensuring strong credentials to support in action on climate change. The Fund commits to prioritise, plan, and reduce its organisational (scope 1 and 2 greenhouse gas emissions) through the following actions⁷:

- Maximising the energy efficiency of our buildings.
- Optimising the use of our building space, seeking day-to-day opportunity for emission savings.
- Developing initiatives to systematically reduce energy, resource and material waste in all operations.
- Reducing emissions from business travel by shifting to low-carbon travel (i.e. public transport) and utilising digital meeting technologies to avoid unnecessary travelling.

⁵ <https://www.breeam.com/>

⁶ <https://energysavingtrust.org.uk/advice/guide-to-energy-performance-certificates-epcs/>

⁷ <https://exponentialroadmap.org/1-5c-business-playbook/>

Financed Emissions

Preliminary target of halving emissions across the investment portfolio by 2030.

Continued evolution of asset manager oversight policies and practices, ensuring climate related risks are considered and managed by the managers we use.

Increasing the effectiveness of engagement activities and increasing levels of alignment across our managers and investee companies.

Either directly or through Fund management arrangements, WMPF will put its responsible investment beliefs into practice through actions taken both before the investment decision (which we refer to as the selection of investments) and after the investment decision (the stewardship of investments).

Action to assess, monitor and manage the financial risks associated with climate change will continue to progress, together with further integration of responsible investment beliefs into the day-to-day investment decision making and asset management. External fund managers are monitored in order to ensure the ongoing application and efficacy of their approaches to RI and stewardship.

WMPF expects asset managers to be aligned with our climate performance targets and we will seek to ensure that our manager's climate risks decline over time. We will meet with our managers regularly and

continue to work with them to develop meaningful analysis and reporting on climate related risks.

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

- Responsible investment and climate change beliefs relevant to the asset class or mandate in question.
- Relevant RI and climate change risk/opportunity related documentation that supports the decision to invest, e.g. policies and procedures of external managers or co-investors.
- Fund managers factor RI, ESG and climate change into their selection of portfolio assets.
- RI reviews are carried out by WMPF managers at regular intervals (usually quarterly).
- Stewardship responsibilities are carried out thoroughly (engaging with companies, shareholder voting, manager monitoring, industry participation).
- Fund managers are transparent in their reporting to clients and the wider public.

Value Chain

Holding suppliers to account and incorporating review of organisations' own responses to climate change within the Fund procurement and contract review processes.

We adopt a policy of risk monitoring and engagement in order to positively influence company behaviour and enhance shareholder value. We engage with companies to express our expectations as asset owners, and with our wider stakeholder base (e.g. WMPF employers and members), to focus our collective alignment of ambition and work together to advocate action. Through direct company engagement and collaborative action, we will tackle value chain (scope 3) greenhouse gas emissions and hold suppliers to account. To do this we will undertake the following key reduction measures⁸:

- Seek alignment from our suppliers on climate related matters and request that our suppliers have policies and strategies for managing climate risk and adhere to mandatory and voluntary disclosure of their emission levels.
- Increase awareness across our Fund, our employees and stakeholders, sharing knowledge and actions that will reduce demand-side climate risks.

⁸ <https://exponentialroadmap.org/1-5c-business-playbook/>

OUR APPROACH

ALIGNMENT AND INTEGRATION

Investment Beliefs

The Fund's Statement of Investment Beliefs, included within the [ISS](#), underpins our approach to investment strategy and how it is implemented. These beliefs include the interrelation of ESG factors, including climate change, into the long-term decision making and operation of the Fund. A summary of our responsible investment and climate change beliefs are detailed in Table 1.

Table 1: A Summary of WMPF's Responsible Investment and Climate Change Beliefs

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

Integration Objectives

“A key finding of our work is that very few available and credible pathways achieve net zero emissions by 2050.”

Net Zero Investment Framework (2021)⁹

In order to further integrate and embed climate change considerations into our decision making and explore viable pathways to net zero we will:

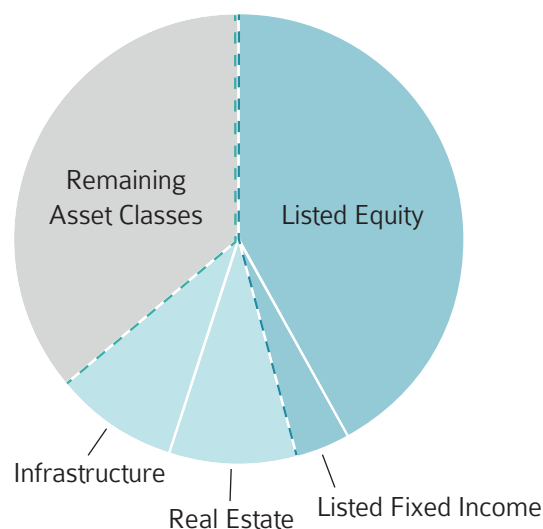
- Continue to develop and review investment mandates to increase alignment with the Fund’s commitment to adopt an investment strategy consistent with the goal of Net Zero.
- Undertake annual independent climate risk assessments to measure asset class emissions reduction over time (where available).
- Target and retain emission reductions (absolute and intensity) to be ahead of portfolio benchmarks or in line with Paris Aligned Benchmarks (where available).
- Consider increased allocation of capital to finance climate solutions, including “green” technology, where these meet the Fund’s risk and return requirements¹⁰.
- Publish outcomes of the Fund’s climate Action Plan including targeted manager and asset engagement in the Fund’s annual stewardship report.
- Review and update metrics and targets every 5 years (minimum) to reflect developing regulatory requirements and best practice.
- Commit to continuing to review and revise forward-looking scenario analysis, every three years to reflect change in exposures (SAA), and developing climate scenarios as data and best practice continues to emerge and evolve.
- Measure and identify opportunities to reduce the Fund’s operational emissions, within 5 years.

Asset Class Alignment

At the present time, the innovation around climate change means there is a paucity of data on which a portfolio assessment can be based. This is most pertinent for unlisted asset classes where datasets are not sufficiently complete to facilitate the carbon risk metrics and analyses used to observe climate risk within public equity portfolios.

Utilising the Net Zero Investor’s Framework for guidance, the scope of the Fund’s asset class alignment plan includes WMPF’s investment in listed Equity, listed Fixed Income, and Real Estate; we will also seek to expand the scope to cover additional asset classes such as infrastructure by 2026. As additional methodologies and datasets are developed for other asset classes, we will seek to incorporate these into further iterations of its Climate Change Framework and Strategy. We will also continue to explore opportunities to invest in specialist alignment/climate solutions focussed products. Our approach is expected to develop as the landscape and industry evolves over the coming years.

Current Future Climate Change Asset Allocation



Integrated Data Measurement Coverage

- Current: Listed Equity and Listed Fixed Income
- Targeted: Listed Equity, Listed Fixed Income, Real Estate and Infrastructure

⁹ <https://www.iigcc.org/download/net-zero-investment-framework-implementation-guide/?wpdmml=4425&refresh=613b576a04c951631278954>

¹⁰ ES1144172_CCS203_CCS0421356360-002_Green Bond Framework Roll_accessible.pdf (publishing.service.gov.uk)

ENGAGEMENT, STEWARDSHIP and COLLABORATION

The West Midlands Pension Fund engages and collaborates to drive meaningful change on a global scale. WMPF's strategy is to engage with its investee companies and other key stakeholders through partnerships. WMPF will protect and increase shareholder value by engaging on a range of financially material ESG investment factors.

A significant part of WMPF's investment engagement programme is implemented through LGPS Central and EOS at Federated Hermes (via a

contract held by LGPS Central Ltd) and through partnerships including the Local Authority Pension Fund Forum (LAPFF), Principles for Responsible Investment (PRI), Institutional Investors Group on Climate Change (IIGCC), Climate Action 100+ (CA100+) and the Transition Pathway Initiative (TPI).

We participate in and are aligned with the investor-led initiative Climate Action 100+ (CA100+), ensuring that the world's largest corporate greenhouse gas emitters take necessary action on climate change.

Using the Net Zero Investment Framework¹¹ as a guide we will:

Actions:

- Implement a strong governance framework which clearly articulates the Pension Committee's accountability and oversight of climate change risk.
- Take action to reduce GHG emissions across the value chain, consistent with the Paris Agreement's goal of limiting global average temperature increase to below two degrees Celsius above pre-industrial levels, aiming for 1.5 degrees. Notably, this implies the need to move towards net-zero emissions by 2050 or sooner.
- Collectively or directly engage with policymakers and regulators on:
 - Carbon pricing relevant to achieving the net zero transition.
 - The availability of granular sector and regional pathways towards net zero emissions by 2050.
 - Improving disclosure of information relevant to assessing alignment and investment in climate solutions, and advocating for mandatory TCFD disclosure from companies.
 - Increasing shareholder rights.
- Participate in collective policy advocacy activities of investor networks where these align to ambitions and approach of the Fund.
- Engage with market actors including proxy advisers, investment consultants, and data and service providers to ensure that their assessments, data and products are based on alignment criteria, robust methodologies, and consistent with net zero emissions by 2050.
- Include engagement with existing and potential asset managers to encourage managers to provide strategies and products to achieve asset owners net zero investment goals.
- Continue to engage through a variety of forums and respond to informal and formal consultations to support the development of emerging policy, regulation and guidance.

¹¹ <https://www.iigcc.org/download/net-zero-investment-framework-implementation-guide/?wpdmdl=4425&refresh=613e33e07cf191631466464>

TRANSPARENCY and DISCLOSURE

WMPF will protect and enhance asset values over the long term through regular, high quality disclosure that is aligned with best practice.

Along with maximising the financial performance of the Fund, we see both obligation and opportunity in

continuing to improve the climate credentials of the Fund and we will continue to publish our progress through routine reporting.

Actions:

Using the Net Zero Investment Framework¹² as a guide we will:

- Provide enhanced annual corporate disclosure in line with the final recommendations of the Task Force on Climate related Financial Disclosures (TCFD), to enable investors to assess the robustness of companies' business plans against a range of forward-looking climate scenarios, including well below two degrees and improve investment decision-making.
- Collectively or directly engage with policymakers and regulators on improving disclosure of information relevant to assessing alignment and investment in climate solutions.
- Advocate mandatory TCFD disclosure from investment managers and companies.
- Encourage improved data disclosure and data-sharing initiatives.
- Produce an annual Stewardship report consistent with the requirements of the 2020 UK Stewardship Code.
- Disclose how climate objectives have been incorporated into mandates and objectives for asset managers, portfolio managers, and other personnel as relevant.
- Disclose how climate metrics, targets and objectives have been incorporated into the Fund's Strategic Asset Allocation and/or similar processes.
- Continue to develop an active communication programme, providing Governing Bodies members, employers, employees, with accessible and accurate information to inform debate and review of the Fund's Climate response, Framework and Strategy.

¹² <https://www.iigcc.org/download/net-zero-investment-framework-implementation-guide/?wpdmdl=4425&refresh=613e33e07cf191631466464>

GLOSSARY

Carbon Footprint/ Portfolio Carbon Footprint	A proxy for a portfolio's exposure to potential climate-related risks (especially the cost of carbon), often compared to a performance benchmark. It is calculated by working out the carbon intensity (Scope 1+2 Emissions / \$M sales) for each portfolio company and calculating the weighted average by portfolio weight.
Clean Technology/ Weight in Clean Technology	the weight of a portfolio invested in companies whose products and services include clean technology. Products and services eligible for inclusion include Alternative Energy, Energy Efficiency, Green Building, Pollution Prevention, Sustainable Water.
Climate Solutions	We note here that there is currently no standard definition for investments which classify as Climate Solutions but this is an area the Fund is advocating development.
Engagement	Dialogue with a company concerning particular aspects of its strategy, governance, policies, practices, and so on. Engagement includes escalation activity where concerns are not addressed within a reasonable time frame.
ESG Factors	Determinants of an investment's likely risk or return that relate to issues associated with the environment, society or corporate governance.
Fossil Fuel Reserves / Weight in Fossil Fuel Reserves	The weight of a portfolio invested in companies that own fossil fuel reserves.
Just Transition	A Framework developed to encompass a range of social interventions needed to secure workers' rights and livelihoods when economies are shifting to sustainable production, primarily combating climate change and protecting biodiversity.
Net Zero Emissions	A state in which the greenhouse gas emissions created by an organisation are counterbalanced by the greenhouse gases sequestered by an organisation over a given timeframe.
Paris Agreement	The Paris Agreement is a legally binding international treaty on climate change. Its goal is to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels.
Physical Risk/ Climate Physical Risk	The financial risks and opportunities associated with the anticipated increase in frequency and severity of extreme weather events and other phenomena, including storms, flooding, sea level rise and changing seasonal extremities.

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

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

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

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

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

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

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

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

MEMBERSHIP ORGANISATIONS

CA100+ Climate Action 100+

EOS EOS at Federated Hermes - LGPS Central's engagement provider

IIGCC Institutional Investor Group on Climate Change

LAPFF Local Authority Pension Fund Forum

LGPS Central Ltd The Fund's investment pool company

TPI Transition Pathway Initiative

ACCREDITATIONS

TCFD

Taskforce on Climate-related Financial Disclosures. The Fund has disclosed against the recommendations of the TCFD since 2017.

UK Stewardship Code 2020

Sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them. Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. WMPF is an inaugural signatory to the 2020 code.

REFERENCES

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WMPF DOCUMENT LINKS

[Annual Report and Accounts](#)

[Annual Stewardship Report 2021](#)

[Climate Change Framework and Strategy 2019](#)

[Corporate Plan 2021 - 2025](#)

[Funding Strategy Statement 2021](#)

[Governance Compliance Statement 2021](#)

[Investment Strategy Statement 2021](#)

[Responsible Investment Framework 2021](#)

[2020 TCFD Report](#)

