

Time 2.00 pm **Public Meeting?** YES **Type of meeting** Pensions
Venue Online Meeting

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)
Stan Ruddock (Unite)
Cllr Rupinderjit Kaur

Observer Member

Steve Smith

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

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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 | Governance and Assurance (Pages 9 - 18)
[To provide Board with an update on the work of the Fund to deliver a well governed scheme.] |
| 6 | Annual Report and Accounts (Pages 19 - 22)
[To update the Board on the finalisation of the Statement of Accounts and the Annual Report for the year ending 31 March 2021 and the latter's publication on the Fund's website.] |
| 7 | Investment Governance (Pages 23 - 50)
[To update on investment related matters, including the publication of the TCFD Report and an update on responsible investment activities, together with the ongoing development of LGPS Central Investment Pool.] |
| 8 | Pensions Administration (Pages 51 - 68)
[To inform the Board of the routine operational work undertaken by the pensions administration service areas during the period 1 July to 30 September 2021.] |
| 9 | Customer Engagement Update (Pages 69 - 86)
[To provide Board with an update of the Fund's customer engagement activity from 1 July 2021 to 30 September 2021 and to cover future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy.] |
| 10 | Preparation for 2022 Valuation (Pages 87 - 96)
[To provide the Board with an overview of the 2022 actuarial valuation process, deliverables and context in preparation for the review of funding strategy and employer contribution rates.] |
| 11 | Areas for discussion
[To provide the Board with an update on the Fund's key service providers.] |

Attendance

Members of the Pensions Board

Employer Representatives

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

Member Representatives

Adrian Turner (Chair)
Sharon Champion
Cllr Rupinderjit Kaur (V)

Observer Member

Steve Smith

Employees

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

Part 1 – items open to the press and public

Item No. *Title*

- 1 Apologies for Absence**
Apologies were received from Stan Ruddock, Member Representative.
- 2 Declaration of Interests**
There were no declarations of interest made.
- 3 Minutes Approval**
That the minutes of the previous meeting be approved as a correct record.

4 **Matters Arising**

Adrian Turner (Chair) welcomed Steve Smith, Observer Member to the meeting and thanked the Board for attending the recent Governing Bodies training event, noting the event was well attended.

5 **Annual Report and 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.

The Head of Finance advised that the Fund's statement of accounts were finalised alongside the City of Wolverhampton Council's statement of accounts, on the 11 October 2021.

The Head of Finance informed the Board that work was on going in regard to the 2021 Annual Report and Accounts, which would be published on the Fund's website by the statutory deadline of 1 December 2021.

Grant Pattison, Grant Thornton presented the Board with an update on the audit of the Statement of Accounts 2020-21. He advised that Grant Thornton had no concerns to report to the Board regarding the Fund's management, investments and controls and that the Fund's ongoing position was identified as low risk.

In response to a question raised by Ian Martin, Employer Representative, regarding the investment valuation processes, Grant Pattison provided details on the valuation process.

Resolved:

1. That the Pensions Board note the Statement of Accounts for West Midlands Pension Fund (WMPF) for the year ending 31 March 2021 were audited and completed alongside the finalisation of the City of Wolverhampton Council Statement of Accounts in the week commencing 11 October
2. That the Pensions Board note Grant Thornton's Audit Findings Report for West Midlands Pension Fund (WMPF).
3. That the Pensions Board note that 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

6 **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 on the Fund's risk management, regulatory governance changes and data management, including the delivery of Annual Benefit Statements in line with the regulatory deadline.

The Head of Governance and Corporate Services noted that the Fund expected resourcing risks to decrease in the upcoming quarter, following successful recruitment to key posts.

The Board were advised that the final version of the Pension Regulator's single code of practice was not expected until summer 2022. In anticipation of changing

requirements, it was noted that the Fund is undertaking a gap analysis to identify areas which require further assurance, to ensure future compliance.

In response to a question raised by Joe McCormick, Employer Representative, regarding resourcing, the Head of Governance and Corporate Services, advised appointments had been made to the Assistant Director post and positions created to support the McCloud remedy project.

In response to a question raised by Paul Johnson, Employer Representative, in regard to Pension Portal usage figures the Head of Operations noted that information could be gathered on number of registered members as well as volumes of self-service facilities being undertaken.

Resolved:

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

7 **Corporate Plan Monitoring**

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

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

Resolved:

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

8 **Customer Engagement Update**

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

The Member Services team continued to deliver member support through digital channels that had received an expansion of views, including 50 webinars that were delivered to 727 attendees across the period.

The Board were advised that the Employer Engagement team had continued to deliver its programme of employer engagement, with a further 16 virtual sessions delivered to attendees from 100 organisations that were positively received. The Fund were looking to expand their employer engagement activity and would be circulating an employer survey for completion. The Fund were also preparing for the Annual General Meeting with employers.

Resolved:

1. That the Pensions Board note the engagement activity and informed service development.

9 **Pensions Administration Report to 30 June 2021**

Amy Regler, Head of Operations, presented the report on the routine operational work undertaken by the pensions administration service areas during the period 1 April to 30 June 2021. The report provided the Board with an overview of the activity and performance of the Fund's key functions.

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

The Board were advised that the Fund continues to prioritise due diligence on transfers out in line with their pledge with the Pensions Regulator (tPR).

In response to a query raised by Ian Martin, Employer Representative, regarding the service level agreement (KPI) timescales for the Fund to produce quotations, the Head of Operations advised that the Fund were continuously reviewing the level of resources and allocate accordingly where peaks in demand are identified.

In response to a query raised by Sharon Champion, Member Representative, regarding the high volumes of retirement requests received, the Head of Operations advised that investigation had shown one reason for the increase was more members reaching retirement age and seeking access to their pensions earlier.

Resolved:

1. That the Pensions Board note the performance and workloads of the key pension administration functions.
2. That the Pensions Board note the development of the Fund's membership and participating employers.
3. That the Pensions Board note the enhanced due diligence on transfer out requests, protecting members against pension scams.

10 **Investment Governance and Climate Change**

Rachel Brothwood, Director of Pensions, presented the report on the 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.

The Director of Pensions noted that the updated Climate Change Framework and Strategy was grounded within the Fund's investment beliefs and consisted of a three-pillar approach, Short-term Action, Medium Targets and Long-term Ambition. The Climate Change Framework and Strategy was developed and updated in line with the evolving regulatory guidance.

The Director of Pensions was pleased to inform the Board that the Fund had been awarded signatory status to the FRC's 2021 Stewardship code, noting this recognised the Fund as one of the first wave of signatories to the higher standard, in response to review of the stewardship and engagement activity undertaken.

Resolved:

1. That the Pensions Board note the update on investment governance matters including those in relation to responsible investment and investment pooling.
2. That the Pensions Board note 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. That the Pensions Board note t the Fund's involvement in the establishment of the first Asset Owner Diversity Charter.

11

Areas for Discussion

Rachel Brothwood, Director of Pensions, presented Board members with an update on the future workspace for the Fund. It was noted that the Fund's approach to this workspace have people, space and collaboration with customers and stakeholders at the heart, enabling further development to service delivery and support for pension fund members and employers. The Director thanked the Board for their feedback and support.

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 25 January 2022
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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 Fund's Key Performance Indicators.
2. The latest strategic risk-register and areas being closely monitored in the current environment.
3. The compliance monitoring activity undertaken during the quarter.
4. Governing Body Training activities undertaken during the quarter.

1.0 Purpose

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

2.0 Key Performance Indicators

- 2.1 Attached at Appendix A are the Fund's Key Performance Indicators.
- 2.2 There has been marginal movement across the Fund's Operational KPIs, covered in more detail in the Pension Administration Report with improvements showing across the retirement notification processes as a result of flexing resource to support increases in work volumes.
- 2.3 Engagement with the Fund from our customer base continues to be high, noted in the high volume of calls received into the Fund's customer contact centre, which has impacted performance on a percentage basis together with capacity constraints on the team. Linked to this, member complaints are slightly higher this reporting period, following the communication with members on GMP reconciliation and the impact, for some, on their pension benefits going forward. It is expected that this trend will also cross next quarter's reporting.
- 2.4 Web Portal registrations have fallen slightly low of target for the quarter. The Fund usually sees trend increases on registrations following face-to-face delivery of events which have been on hold recently due to pandemic controls being in place. During the Autumn, the Fund's member services team reinstated face-to-face events at employer locations on request, however, following the recent concerns and advice regarding the Omicron variant, these have reverted to digital delivery in the last month. Further information relating to these events is contained within the Customer Engagement Report.
- 2.5 In December, and in line with previous years, the Fund undertook a second production run of Annual Benefit Statements, increasing production of Active and Deferred Statements for members. This was the result of focussed data rectification by both the Fund and employers increasing overall production on statements in comparison to December 2020.

3.0 Risk Management – Strategic Risk Register

- 3.1 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.
- 3.2 This quarter there has been movement across a number of risks areas with increased ratings across Resourcing, Data, and Service Delivery.

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

4.0 Compliance Monitoring

4.1 Data Protection

This quarter the Fund is reporting five data breaches, representing a reduction from the seven reported last quarter. As per the previous quarter all of the breaches were minor and involved minimal amounts of data with the majority providing an indication of areas with scope to strengthen controls in processes, rather than true breaches. The Governance Team continue to identify actions to improve procedures and make recommendations for improvement.

4.2 Freedom of Information (FOI) Requests

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

This quarter the Fund responded to six FOI requests, five requests were dealt with in accordance with the deadlines set by the City of Wolverhampton Council (CWC), with, one request seeking, and being granted, an extension to internal deadlines to allow

further validation checks on the information provided. All requests were responded to within statutory timescales.

4.3 Subject Access Requests (SARs)

This quarter the Fund has received eight Subject Access Requests, an increase of five since the previous quarter. As reported previously, the majority of third-party requests for information are received from claims companies seeking information in connection with a member's decision to transfer out their pension to another provider; Board will recall that the Fund has reported these concerns to the FCA and continues to monitor such requests in line with the Pension Regulator's Scam Pledge, for any flags which may indicate a need for further escalation with regulatory bodies.

5.0 Annual Regulator Activity

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

6.0 Governing Body Training

6.1 Governing Body training events undertaken during the last six months included the following events with training hours being recorded and reported in the Fund's KPI's;

- Governing Body induction in June, which comprised of a variety of topics for both new and existing members and covered pensions governance, administration and communications, investment strategy and responsible investment.
- Virtual Mid-Year review which included information on the Pensions Administration Strategy and Cyber Security.
- The Fund's autumn training day that included sessions on Our People, CIPFA Knowledge and Skills, Risk Management, Annual Report and Accounts, Pensions Dashboards, Funding and Responsible Investment.

6.2 The online learning library for Governing Body members has also been reviewed and updated and continues to provide a variety of training materials and relevant information for Governing Body members.

6.3 As previously reported, CIPFA have released an updated version of their Knowledge and Skills Framework. In accordance with the framework, the Fund are in the process of undertaking a Governing Body Training needs assessment to identify future training requirements.

7.0 Financial implications

7.1 Poor management of the Fund's data, financial information and assets can result in additional costs and detract from investment returns. Effective monitoring of the management arrangements, facilitated by timely disclosure of information, is required to

ensure the Fund is well placed to ensure the delivery of its administration, funding and investment strategy.

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

8.0 Legal implications

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

9.0 Equalities implications

- 9.1 There are no direct equalities implications.

10.0 Other Potential implications

- 10.1 There are no other potential implications.

11.0 Schedule of background papers

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

12.0 Schedule of appendices

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

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West Midlands Pension Fund - Key Performance Indicators (KPIs)



Customer Engagement and Communication		Operations - Benefit Operations Processes				
KPI Summary	KPI Description	Frequency	KPI Target	21/22 Q1 % Hit	21/22 Q2 % Hit	21/22 Q2 Trend
Refund Notification	Notify member of Refund within 10 days of receiving required information	Monthly	90%	94.77%	94.05%	↓
Refund Payment	Refund payments processed within 5 days of receiving required information	Monthly	90%	98.88%	97.91%	↓
Retirement Quote	Notification of Estimated Benefits within 15 days of retirement date	Monthly	90%	98.89%	99.25%	↑
Retirement Notification	Notification of the actual benefits within 5 days of receiving member option form (Retirement Notification)	Monthly	90%	66.73%	85.71%	↑
Retirement Payment	Payment of lump sum and creation of payroll record within 5 days of receiving election form (Retirement)	Monthly	90%	98.44%	98.35%	↓
Deferred Retirement Quote	Issue quote letter within 10 days of the members eligible payment date or receipt of request from member	Monthly	90%	77.30%	64.58%	↓
Deferred Retirement Notification	Notification of the actual benefits within 5 days of receiving member option form (Deferred Retirement Notification)	Monthly	90%	94.27%	96.49%	↑
Deferred Retirement Payment	Payment of lump sum and creation of payroll record within 5 days of receiving election form (Deferred Retirement)	Monthly	90%	92.21%	94.80%	↑
Transfer In Quote	Transfer in quotations processed within 10 days of receiving all the required information	Monthly	90%	98.10%	93.59%	↓
Transfer In Payment	Transfer notification transferred in membership to be notified to the scheme member within 10 days of receiving payment	Monthly	90%	94.52%	94.25%	↓
Transfer Out Quote	Transfer out quotations processed within 20 days of receiving required information	Monthly	90%	98.30%	100.00%	↑
Transfer Out Payment	Transfer out payments processed within 20 days of receiving required information	Monthly	90%	92.73%	95.24%	↑
Deaths Acknowledgement	Acknowledgement of a death within 5 days of receiving the notification	Monthly	90%	96.60%	97.95%	↑
Deaths Notification of Benefits Payable	Notification of benefits payable to dependents will be issued within 5 days of receiving the required information	Monthly	90%	94.24%	92.68%	↓
Deaths Payment	Payment of death lump sum will be made within 10 days of receipt of all the required information	Monthly	90%	100.00%	97.97%	↓

Customer Engagement and Communication		Pension Services - Customer Satisfaction				
KPI Summary	KPI Description	Frequency	KPI Target	21/22 Q1 % Hit	21/22 Q2 % Hit	21/22 Q2 Trend
Customer Satisfaction	Customer satisfaction	Quarterly	90%	85.23%	81.00%	↓
Pension Services - Complaints Monitoring						
KPI Summary	KPI Description	Frequency	KPI Target	21/22 Q1 % Hit	21/22 Q2 % Hit	21/22 Q2 Trend
Member Complaints	All member complaints to be responded to within 20 working days of receipt	Monthly	100%	98.15%	98.73%	↑
Employer Complaints	All employer complaints to be responded to within 20 working days of receipt	Monthly	100%	100.00%	100.00%	↔
Pension Services - Complaints Monitoring						
KPI Summary	KPI Description	Frequency	KPI Target	21/22 Q1 % Hit	21/22 Q2 % Hit	21/22 Q2 Trend
Member Complaints less than 1%	No of member complaints to be less than 1% of total membership	Monthly	<1%	✓	✓	✓
Employer Complaints less than 1%	No of employer complaints to be less than 1% of total employer membership	Monthly	<1%	✓	✓	✓

Customer Engagement and Communication		Pension Services - Service Calls				
KPI Summary	KPI Description	Frequency	KPI Target	21/22 Q1 % Hit	21/22 Q2 % Hit	21/22 Q2 Trend
Customer Services Calls	Call answer rate of the customer helpline	Monthly	85%	82.93%	80.63%	↓
Employer Services Calls	Call answer rate of the employer helpline	Monthly	85%	96.43%	94.33%	↓
Pension Services - Web Portal Registrations						
KPI Summary	KPI Description	Frequency	KPI Target	21/22 Q1 % Hit	21/22 Q2 % Hit	21/22 Q2 Trend
Web Portal Registrations	Web Portal Registrations	Monthly	3000 increase per quarter	2375	2409	↔
Operations - Web Portal Availability						
KPI Summary	KPI Description	Frequency	KPI Target	21/22 Q1 %	21/22 Q2 %	21/22 Q2 Trend
Web Portal Availability	Pensions Portal to be available 95% of the time (based on working hours as monitored)	Monthly	95%	98.53%	97.46%	↓
Employer Portal Availability	Employer Portal to be available 95% of the time (based on working hours as monitored)	Monthly	95%	99.86%	100.00%	↑

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

Data Management and Reporting		Governance - Data Quality				
KPI Summary	KPI Description	Frequency	KPI Target	21/22 Q1 % Hit	21/22 Q2 % Hit	21/22 Q2 Trend
Common Data	Common Data	Monthly	99%	97.57%	97.60%	↑
Operations - Data Improvement						
KPI Summary	KPI Description	Frequency	KPI Target	21/22		
ABS	ABS produced for 100% of active member records	Annually	100%	93.00%		
DBS	DBS produced for 100% of deferred member records	Annually	100%	99.00%		

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

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

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 25 January 2022
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Report title	Annual Report and Accounts 2020/21	
Originating service	Pension Services	
Accountable employee	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	rachel.brothwood@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	rachel.brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Pensions Board is asked to note:

1. The Statement of Accounts for West Midlands Pension Fund (WMPF) for the year ending 31 March 2021 was audited and completed alongside the finalisation of the City of Wolverhampton Council Statement of Accounts on 11 October.
2. The Management Representations letter to Grant Thornton was signed on 11 October by the Chair of Pensions Committee and the Director of Pensions on behalf of the Fund.
3. The Chair and Vice Chair of Pensions Committee approved the final publication of the Fund's 2020-2021 Annual Report in November 2021.

1.0 Purpose

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

2.0 Background

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

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

- 2.2 As at 30 September 2021, the Administering Authority's external auditor, Grant Thornton UK LLP, had not yet concluded the audit of the Statement of Accounts for City of Wolverhampton Council. A notice of delayed audit was therefore published by the Council in accordance with Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015.

3.0 Statement of Accounts for the year ended 31 March 2021

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

4.0 Annual Report 2020/21

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

5.0 Financial implications

- 5.1 This report has no financial implications.

6.0 Legal implications

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

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

7.0 Equalities implications

- 7.1 This report has no equalities implications.

8.0 Other Potential Implications

- 8.1 This report has no other potential implications.

9.0 Schedule of background papers

- 9.1 Annual Report and Accounts 2020/21, Report to Pensions Committee, 29 September 2021. [Annual Report and Accounts 2020-2021.pdf \(moderngov.co.uk\)](#)
- 9.2 Annual Report and Accounts 2020/21, Report to Pensions Committee 15 December 2021. [Annual Report and Accounts 2020-2021.pdf \(moderngov.co.uk\)](#)
- 9.3 WMPF – Annual Report and Accounts 2021. [WMPF Report and Accounts 2021 \(wmpfonline.com\)](#)

10.0 Schedule of Appendices

- 10.1 This report has no appendices.

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 25 January 2022
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Report title	Investment Governance	
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. Publication of the Fund's 2021 Taskforce for Climate-related Financial Disclosure (TCFD) Report (Appendix A).

1.0 Purpose and background

- 1.1 This report provides an update on investment related matters, including the publication of the TCFD Report 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 Investment Pooling Update – LGPS Central Ltd

- 2.1 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.
- 2.2 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. The Pensions Committee receive an annual report from (IAP) and are kept updated on product development and are asked to re-confirm delegations to transition assets as appropriate to these emerging sub-funds.
- 2.3 Reporting to DLUHC by all LGPS investment pools through standard templates has been ongoing since the original pooling business cases were submitted in 2017. The 2021 pool report was submitted at the end of September 2021, and noted across the pool as a whole, the projection for assets transferred to the pool by 31 March 2024 is 47% (53% for West Midlands), which represents a significant step-up in assets transferred by Partner Funds from the 25% as at 31 March 2021 (43% for West Midlands).

3.0 Responsible Investment

- 3.1 The Fund's strategy is to engage with its investee companies and other key stakeholders through partnerships and on its own. The Fund aims to protect and increase shareholder value by engaging on a range of financially material ESG investment factors. A significant part of the Fund's engagement programme is implemented through partnerships including the Local Authority Pension Fund Forum (LAPFF), EOS at Federated Hermes ('EOS' - via a contract held by LGPS Central Ltd, the Fund's investment pool operator), the Institutional Investors Group on Climate Change (IIGCC), Climate Action 100+ (CA 100+), the Transition Pathway Initiative (TPI), and the Principles for Responsible Investment (PRI).
- 3.2 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).
- 3.3 Following the launch of the Fund's 2021 Climate Change Framework and Strategy in September 2021, in October the Fund made a public net zero commitment and became one of 50 asset owners to join the Paris Aligned Asset Owner's Group. The group, which currently has combined assets of under management of USD 2.8 trillion, commits to achieving net zero portfolio emissions by 2050 or sooner, engaging with companies and policy makers with this target in mind, and increasing investment in climate solutions.
- 3.4 The Institutional Investor Group on Climate Change (IIGCC), of which the Fund is a member, has published a guide on Investor Expectations of Companies on Physical Climate Risks and Opportunities. LAPFF has co-signed letters to 50 companies in sectors highly exposed to physical climate risk asking them to adopt the expectations set out in the guide. These expectations are to establish a climate governance framework, to undertake physical climate risk and opportunity assessment, to develop and implement a strategy for building climate resilience, and to identify and report against metrics to demonstrate progress over time.
- 3.5 In December 2021 the Pensions Committee approved the publication of the Fund's second standalone Climate-related Financial Disclosures (TCFD) report (appendix A to this paper). The report is based on the recommendations set by the Task Force on Climate-related Financial Disclosure and provides an overview of the governance, strategy, risk management tools and metrics employed by the Fund to develop its response to climate change. As a supporter of the TCFD recommendations, since they were first published in 2017, the Fund published its climate-related financial disclosure against the TCFD recommendations in its Annual Report & Accounts between 2017 and 2019. For the first time in 2020 the Fund published a separate stand-alone TCFD report to further enhance transparency and disclosure around its approach to climate risk management.

4.0 LGPS Central Investment Pool Governance

- 4.1 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.
- 4.2 The Joint Committee for LGPS Central, met virtually on Friday 14 January 2022, where the Committee considered pool governance items (including risk register and outline product development). 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.
- 4.3 The pool held its third Responsible Investment Summit in the Autumn, with all members of the Local Pension Board and the Pensions Committee invited to attend and information circulated to all.
- 4.4 DLUHC (formally MHCLG) issued updated draft statutory guidance relating to investment pooling for informal consultation in January 2019. Further guidance is yet to be published by DLUHC for consultation, this continues to be delayed due to the priority being given to bringing forward other regulations including those to govern management and reporting of Climate Risk within the LGPS, the McCloud remedy and reform of exit payments.

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.

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 implications arising as a result of this report.

9.0 Schedule of background papers

- 9.2 LGPSC Joint Committee Friday 14 January 2022 - [Final-Version-14-January-2022.pdf](https://www.cheshirepensionfund.org/~/media/2022/01/Final-Version-14-January-2022.pdf)
[\(cheshirepensionfund.org\)](https://www.cheshirepensionfund.org/)

10.0 Schedule of appendices

10.1 Appendix A – Climate Related Disclosure 2021

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West Midlands Pension Fund

CLIMATE RELATED DISCLOSURE

Page 29
2021

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

Report prepared in collaboration with LGPS Central Limited

DECEMBER 2021

Cover photo by Nik Shuliahin on Unsplash



Gold



INTRODUCTION AND OVERVIEW

The West Midlands Pension Fund (“the Fund/WMPF”) is one of the largest funds within the Local Government Pension Scheme in the UK. An open defined benefit pension scheme with more than 750 employers, the Fund has assets under management in excess of £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.

This stand-alone report marks the fifth year in which the Fund has prepared and disclosed its action and approach to assessing and managing the risks associated with climate change. The Fund’s response to climate change is embedded within the Fund’s Investment Strategy Statement and is supported by our Climate Change Framework and Strategy (2019-2023) and wider Responsible Investment (RI) Framework.

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

INVESTMENT STRATEGY
STATEMENT 2021



CLIMATE CHANGE
FRAMEWORK AND
STRATEGY 2021



RESPONSIBLE INVESTMENT
FRAMEWORK 2021



£20bn+ assets under management
340,000+ members
750+ employers



Introduction

Governance
Strategy
Risk Management
Metrics & Targets

OUR APPROACH TO CLIMATE-RELATED DISCLOSURE

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

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

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

In 2020 and 2021 we undertook further climate risk analysis 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.

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

reviewed annually, in keeping with best practice and evolving regulations, with full review and the next phase of the Framework due to be developed, no later than 2026/27.

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

ANNUAL REPORT AND
ACCOUNTS (2020)



Introduction

Governance

Strategy

Risk Management

Metrics & Targets

In order to assess progress towards a lower carbon economy it is essential for WMPF to measure its climate risk exposure at regular intervals and to seek appropriate coverage. 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, in tandem with our climate-related financial disclosure, will both inevitably, and desirably, evolve as climate related financial tools and data availability continues to advance, and the understanding of the complex issues, evident in practical and academic research, improves.

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

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

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Strong Governance

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



Global Influence

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



Customer Focused

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



Delivering for local people

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

Figure 1: West Midland Pension Fund's Four Commitments

Introduction

Governance

Strategy

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

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

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



Governance

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

Strategy

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

Risk Management

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

Metrics & Targets

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

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

Introduction

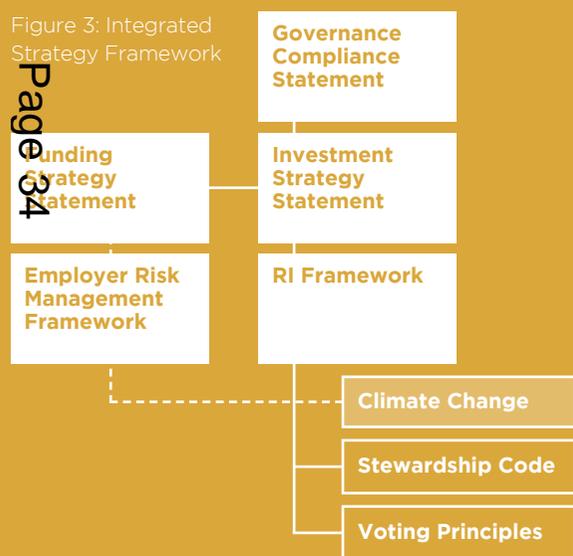
- Governance
- Strategy
- Risk Management
- Metrics & Targets

GOVERNANCE

TCFD Recommended Disclosure

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

Figure 3: Integrated Strategy Framework



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

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

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

[INVESTMENT STRATEGY STATEMENT 2021](#)



[GOVERNANCE COMPLIANCE STATEMENT](#)



Governance

Strategy
Risk Management
Metrics & Targets

TCFD Recommended Disclosure

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

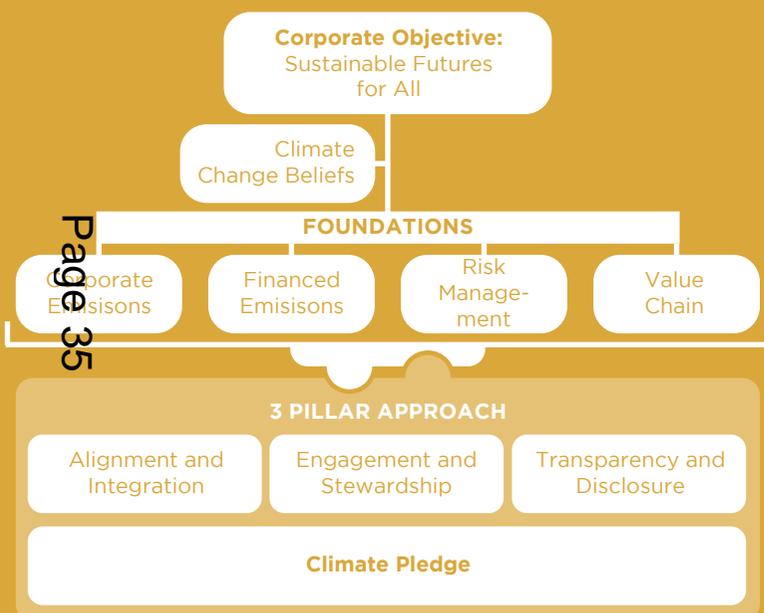


Figure 4: Corporate Climate Objectives

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

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

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

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

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 (figure 4).

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

Governance

Strategy
Risk Management
Metrics & Targets

STRATEGY

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

We identify short-term risk as stock market movements, medium-term risk as changes in consumer behaviour, driven by policy and technological change (e.g. uptake in electric vehicles), and long-term risk as physical damages to real assets and resource availability (e.g. sea level rise and severe weather events).

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

Table 1: Risk and Opportunity Factors

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

FD Recommended Disclosure

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

TCFD Recommended Disclosure

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

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

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

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

Climate change is a fiduciary issue. As a Fund within the Local Government Pension Scheme, WMPF has multidecadal time horizons, with both long-term investment beliefs and evolving liability profiles to take into consideration. Significant uncertainty remains, and no single tool can provide an accurate and complete observation on a pension fund's climate risk. For responsible

investors looking to proactively manage climate risk, 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 these risk factors.

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

TCFD Recommended Disclosure

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

CLIMATE CHANGE
FRAMEWORK AND
STRATEGY 2021



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

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

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

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

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

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

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

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

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

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

RISK MANAGEMENT

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

WMPF 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 falls within the scope of our fiduciary duty.

The Fund seeks to identify and assesses top-down and bottom-up climate-related risks at the total Fund level, asset class and at the individual asset level. As far as possible climate risks are assessed in units of investment return, in order to compare with other investment risk factors. Currently, tools for assessing climate metrics have some limitations but it is pleasing to see that this is a rapidly developing area, and we look forward to seeing improvements to reporting tools. Our preferred metrics to date have been evidenced based impact

returns, informed by forward-looking climate scenarios, and a thematic review of asset classes with the greatest exposures to this risk factor.

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

T.1 FD Recommended Disclosure

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

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

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

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

FD Recommended Disclosure

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

TCFD Recommended Disclosure

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

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LGPS Central
Voting Principles



WMPF Voting
Principles



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

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

RIIS criteria to be met will typically include:

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

managers at regular intervals (usually quarterly).

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

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

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

THE FUND'S COLLABORATIVE AND ENGAGEMENT PARTNERSHIPS



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



WMPF is a member of the IIGCC which is a leading global investor membership body and the largest one focusing specifically on climate change. IIGCC help define the investment practices, policies and corporate behaviours required to address climate change. During 2020, the WMPF Responsible Investment Officer was appointed to the Net Zero and Climate Solutions Working Groups.



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



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



WMPF is a founding member of the Local Authority Pension Fund Forum (LAPFF). LAPFF conducts engagements with companies on behalf of local authority pension funds. In 2020 LAPFF conducted over 150 engagements on climate change.



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



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

TFD Recommended Disclosure

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

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

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

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

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

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

We 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. The Fund's investment and funding strategy risk will be further assessed through the continued development of an integrated selection and monitoring framework for Fund assets. Targeted engagement will be undertaken to enhance understanding of risks and mitigating actions and employer covenant indicators will be considered through climate-related risk factors.

METRICS AND TARGETS

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

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

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

The carbon risk metrics analysis included:

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

TCFD Recommended Disclosure

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

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TCFD Recommended Disclosure

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

⁵ Source: MSCI ESG Research LLC, 2020. Reproduced by permission.

⁶ Following TCFD guidance the weighted average portfolio carbon footprints is used.

⁷ Total Portfolio comprises both the listed equity and corporate fixed income portfolios

In line with TCFD guidance, we provide in Table 4 the carbon risk metrics for the Total Portfolio, Total Listed Equities, and Total Corporate Fixed Income portfolios, relative to the benchmarks as at 31st December 2020. Analysis is limited to these portfolios as unlisted asset classes do not have sufficiently complete and comparable data to facilitate carbon risk metrics analysis at this time.

Table 4: Carbon Risk Metrics for the Total Portfolio, Total List Equity and Total Fixed Income Portfolios⁵

	Carbon Footprint (tCO ₂ e/\$ revenue) ⁶			Weight in Fossil Fuel Reserves (%)			Weight in Thermal Coal Reserves (%)		
	PF	BM	% DIFF	PF	BM	% DIFF	PF	BM	% DIFF
Total Portfolio⁷	120.1	161.2	-25.5	5.1	6.6	-1.6	2.1	2.7	-0.6
Total Equities	119.9	163.8	-26.8	5.6	6.9	-1.2	2.4	2.9	-0.5
Total Fixed Income	125.8	106.7	17.9	3.2	3.9	-0.7	0.1	0.2	-0.1

	Weight in Coal Power (%)			Weight in Clean Technology (%)		
	PF	BM	% DIFF	PF	BM	% DIFF
Total Portfolio⁷	0.8	2.7	-0.4	35.4	35.0	0.4
Total Equities	0.9	2.9	-0.4	37.5	37.2	0.3
Total Fixed Income	0.1	0.2	-0.1	7.7	10.5	-2.8

TPI FRAMEWORK

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

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

⁸ Total Portfolio comprises both the listed equity and corporate fixed income portfolios

Management of carbon risk by the Fund continues to exceed that of the benchmarks. The carbon footprint of the Total Portfolio as of 31st December 2020, was 18.4% lower than December 2019. The Total Portfolio achieved superiority over the benchmark in all five carbon risk metrics. The Total Portfolio exposure to fossil fuel reserves decreased by between Decembers 2019 and 2020.

The carbon footprint of the Total Equities portfolio decreased by 19.7% between 31st December 2019 and 31st December 2020. The exposure of the Total Equity portfolio to fossil fuel producers decreased between 31st December 2019 and 31st December 2020, whilst the weight in clean technology increased.

The Fund has made progress in enhancing its responsible investment and climate change practice in the past year. The Fund has achieved its 2019 – 2023 Climate Change Framework and Strategy targets. As at 31st December 2020 15.5% of the Total Portfolio⁸ was invested in low carbon and sustainable investments and only 0.016% of the Total Portfolio was invested in pure-play thermal coal producers.

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

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

TCFD Recommended Disclosure

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

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

Building on the progress to date and consistent with the principles set out in the Fund's Climate Pledge (pg. 10 CCFS 2021), 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 our 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.

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.

CLIMATE CHANGE
FRAMEWORK AND
STRATEGY 2021



GLOSSARY

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**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.



CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 25 January 2022
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Report Title	Pensions Administration Report from 1 July to 30 September 2021	
Originating service	Pension Services	
Accountable employee	Amy Regler Tel Email	Head of Operations 01902 55 5976 Amy.Regler@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 55 1715 Rachel.Brothwood@wolverhampton.gov.uk

Recommendations for 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 the Board of the routine operational work undertaken by the pensions administration service areas during the period 1 July to 30 September 2021.

2.0 Background

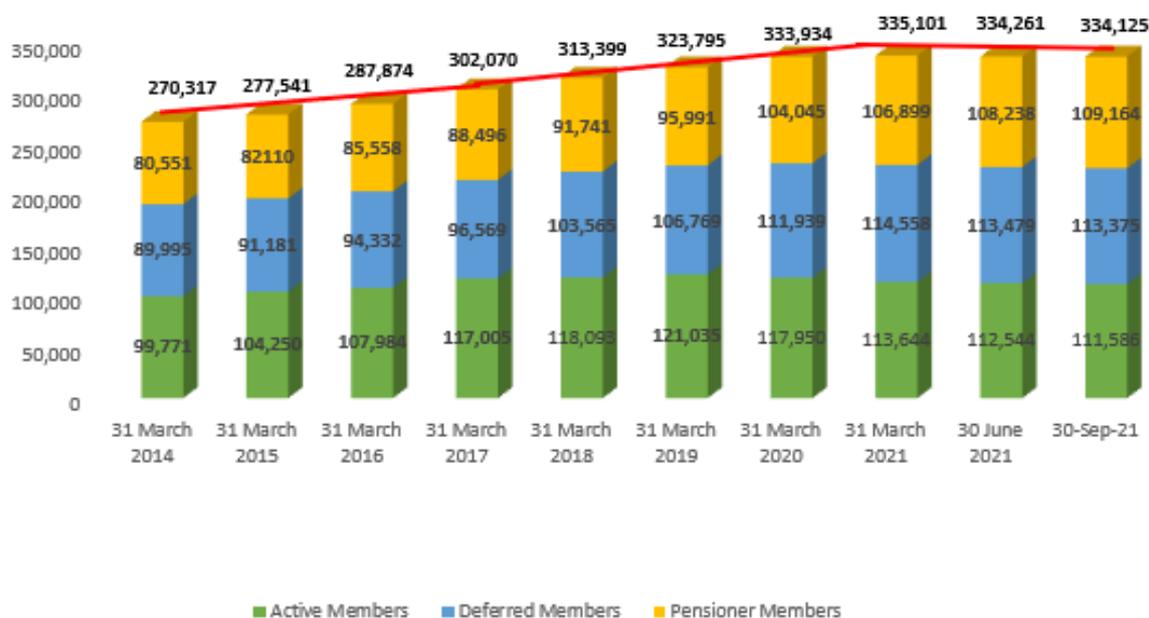
2.1 The Fund provides a pension administration service covering employer, customer and member services, data processing, benefit operations, payroll and systems/technical support. A report is provided to the Board on a quarterly basis to assist monitoring of the activity and performance of these functions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

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



3.2 Workflow Statistics

- 3.2.1 The process analysis statistics (Appendix B) show details of overall workflow within the Pensions Administration Service during the period 1 July to 30 September 2021. During the period covered by this report, 44,830 administrative processes were commenced, and 48,684 processes were completed, an overall decrease in outstanding items of casework.
- 3.2.2 As we continue to see an increase in member movements, the workload volumes will also naturally remain high. On 30 September 2021 there were 43,381 items of work outstanding. This represents a decrease of 3,435 items outstanding compared to 30 June 2021 (47,286). Of the 43,381 items of work outstanding, 5,877 items were pending as a result of information awaited from a third-party e.g. scheme members, employers or transferring authorities and 37,974 processes are now either proceeding to the next stage of the process or through to final completion.
- 3.2.3 The Fund continues to review the volumes of incoming work and put in place plans to monitor and address high volume areas. Opportunities for bulk processing and streamlining the management of queries back to employers continue to be explored to increase efficiency in processing.
- 3.2.4 Appendix A provides a summary of the key processes completed by volume across benefit operational functions e.g. calculating benefits for retirements, pensioner member data changes as well as the maintenance of updating membership details. This shows the trend of lower joiners and higher leavers and retirements year to date is consistent with the tail off in growth of membership.

4.0 Key Performance Indicators (KPIs)

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

All other KPIs have been achieved across the period.

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

5.0 Customer Services

- 5.1 An overview of our front-line customer contact activity is shown in Appendix D. This outlines the variety and volume of support provided by the Fund to address members' pension queries. An indication of the statistics for the previous year are included within the charts as a comparative measure.
- 5.2 The most popular queries to our contact centre remain as follows:
- Customers following up on an existing Fund process
 - Requests for Pensions Portal support
 - Enquires about accessing pension benefits
 - Request for support with a Fund letter/form
 - Members updating their personal details
- 5.3 There have, unfortunately, during 2021 to date, been absence and vacancies emerging within the Customer Services Team which have affected our call handling performance during the year. We have recruited to 3 vacancies and these staff members are currently completing a detailed induction plan to ensure that training is as efficient as possible. In addition, we are continuing to support and develop the new starters from the last quarter.
- 5.4 Calls and written responses remained stable in July and August, however a peak in volumes occurred during September, following the issuance of Annual Benefit Statements, Pension Saving Statements, and GMP reconciliation letters to Fund members. Written responses take longer to process and are more resource intensive. However, the team continue to see the benefit of the automated email import functionality developed through our digital transformation programme. To support with the impact of these bulk mailings, communications have been staggered on issue to members, with annual benefit statement notifications being sent within this period. Staggering mailings smooths the impact on the contact centre and reduces call queues/written response times, allowing us to better serve our customers and reduce the number chaser requests received.

6.0 Complaints

- 6.1 The Fund has a complaint monitoring framework, which enables regular monitoring and review of trends impacting performance. Where a complaint highlights an improvement area, this is investigated and monitored to help shape future services and improve overall customer satisfaction going forward. This mirrors the process undertaken for general customer feedback as outlined within the Customer Engagement Update.
- 6.2 The number of complaints received by the Fund is proportionally low compared to the number of scheme members, with 73 complaints received for the last quarter (less than 1%). Of those complaints, 70% were upheld and lessons learned incorporated in training and process development.

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

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

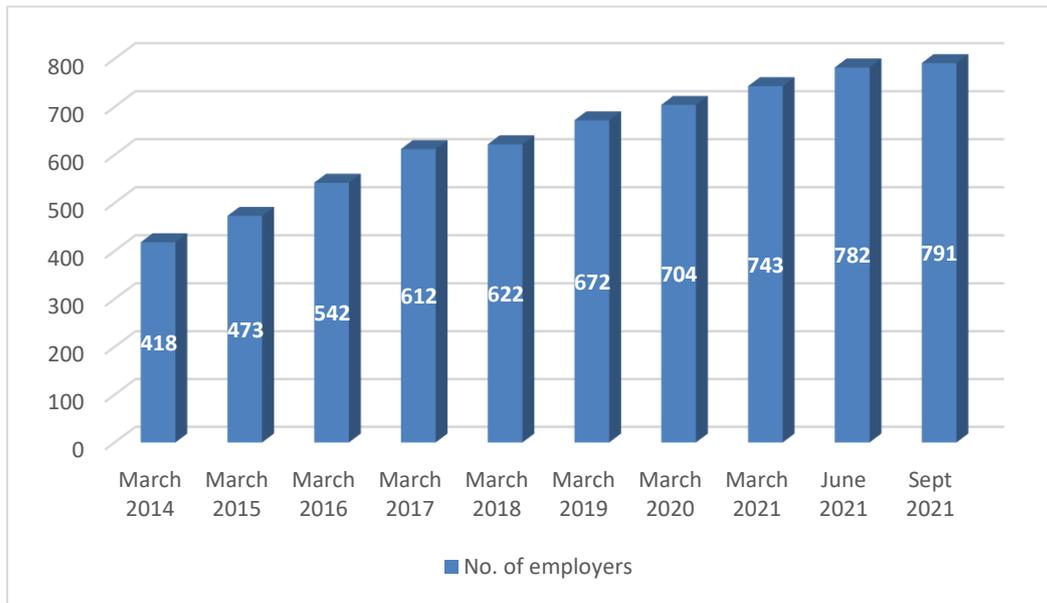
We have also adhered to guidance produced by the Pension Administration Standards Association and as such, in conjunction with the letters and accompanying 'frequently asked questions', have taken steps to try and explain and mitigate the effect of the changes being applied.

7.0 IDRPs Casework

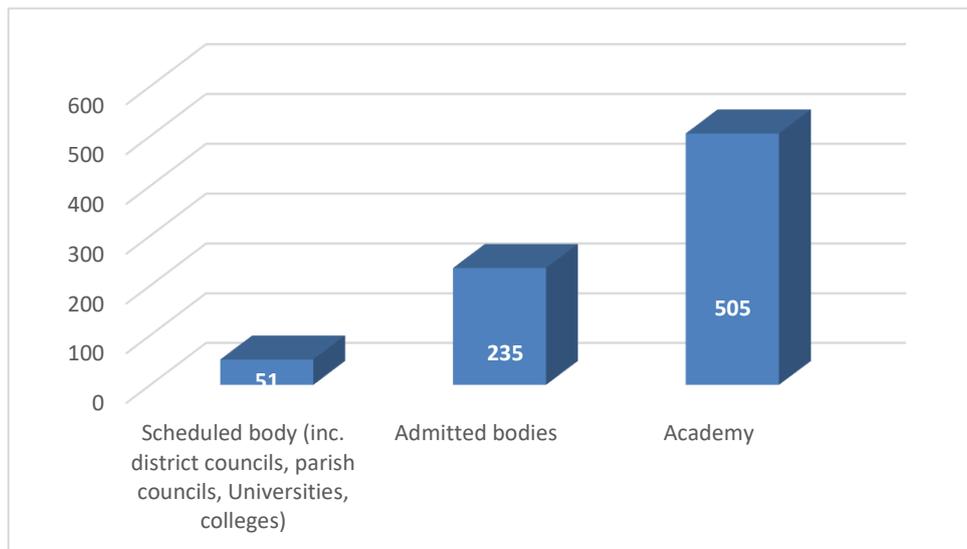
- 7.1 For 2020/21, nine cases were completed (one partially upheld, 8 not up-held) and five progressed to Stage 2 (all 5 cases were not upheld).
- 7.2 Year to date for 2021/22, seven cases have been referred to Stage one of the procedure on appeal against the Fund, three cases were not upheld and four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

8.0 Employer Membership

- 8.1 The Fund has seen an increase in employer numbers, with the overall number of employers registered with the Fund as 791 at 30 September 2021. This is an increase of 1% from the previous period and a 89% increase since March 2014 as shown in the graph below.



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



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

- 68 admission agreements
- 17 academies
- 43 employer terminations

9.0 Pensions in Payment

9.1 The gross annual value of pensions in payment to Sept 2021 was £549.7m, £17.1m of which (£7.4m for pensions increase and £9.6m for added year's compensation) was recovered from employing authorities and other bodies as the expenditure was incurred.

9.2 Monthly payroll details were:

Month	Number	Value (£)
July 2021	84,989	40,620,286
August 2021	89,126	40,550,291
September 2021	99,667	41,658,286

The September figure includes pensioners paid on a quarterly basis.

10.0 Regulation changes for Transfer Outs

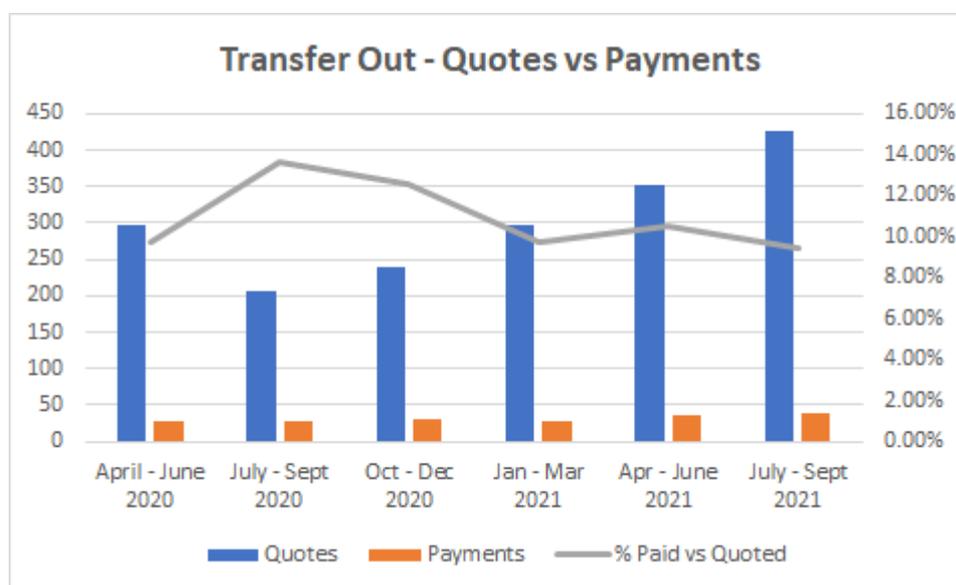
- 10.1 On 8 November 2021, the Government published its [response to 'Pension scams: empowering trustees and protecting members' consultation](#). It also laid [The Occupational and Personal Pension Schemes \(Conditions for Transfers\) Regulations 2021](#) [SI 2021/1237]. The regulations take effect from 30 November 2021 and apply to the LGPS in England, Wales and Scotland. From 30 November 2021, pension schemes must conduct further due diligence and checks before a pension transfer can be completed. The new requirements introduce conditions tests, based on the type of scheme and the risks the receiving scheme is likely to present to the member.
- 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 been contacted unsolicited or the advisor does not have the regulator permission etc) and if so, whether the transfer should be allowed to proceed or be subject to any further conditions.
- 10.3 The Fund currently undertakes due diligence on all transfer payments and in line with our undertaking to the Pensions Regulator to take action to protect members from scams anticipates prior updates to process would capture the proposed regulatory requirements.
- 10.4 Compliance of existing Fund processes has been reviewed ahead of the new regulation coming into force and the Fund has made initial amendments as we await the issue of guidance and member communication templates for the LGPS, expected to be issued by LGA, to enable a consistent approach across LGPS Funds.

11.0 Transfer Out Cases

- 11.1 During the period 1 July to 30 September 2021, 426 transfer values were issued to members considering transferring their benefits out of the scheme. As previously reported, the Fund continues to see high volumes of this casework, and this is a 21% increase compared to the previous reporting period and 52% increase for the previous year July – September 2020.
- 11.2 In total 42 transfer payments were made during the period 1 July to 30 September 2021, resulting in a total amount transferred of £3,978,188 (previous 1 July to 30 September 2020 a total of 28 transfer payments were made totalling £2,210,566 was transferred out). This amount is broken down as follows:

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

- 11.3 The Fund has seen a gradual increase in the number of requests from members for transfer out values, however the number of members electing to progress with the transfer of their benefits out of the Fund remains fairly low (c9% of the quotations requested for the period). This is shown in the graph below.



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

12.0 Financial implications

- 12.1 The report contains financial information which should be noted.
- 12.2 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.

13.0 Legal implications

13.1 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.

14.0 Equalities implications

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

15.0 All other implications

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

16.0 Schedule of background papers

16.1 None.

17.0 Schedule of appendices

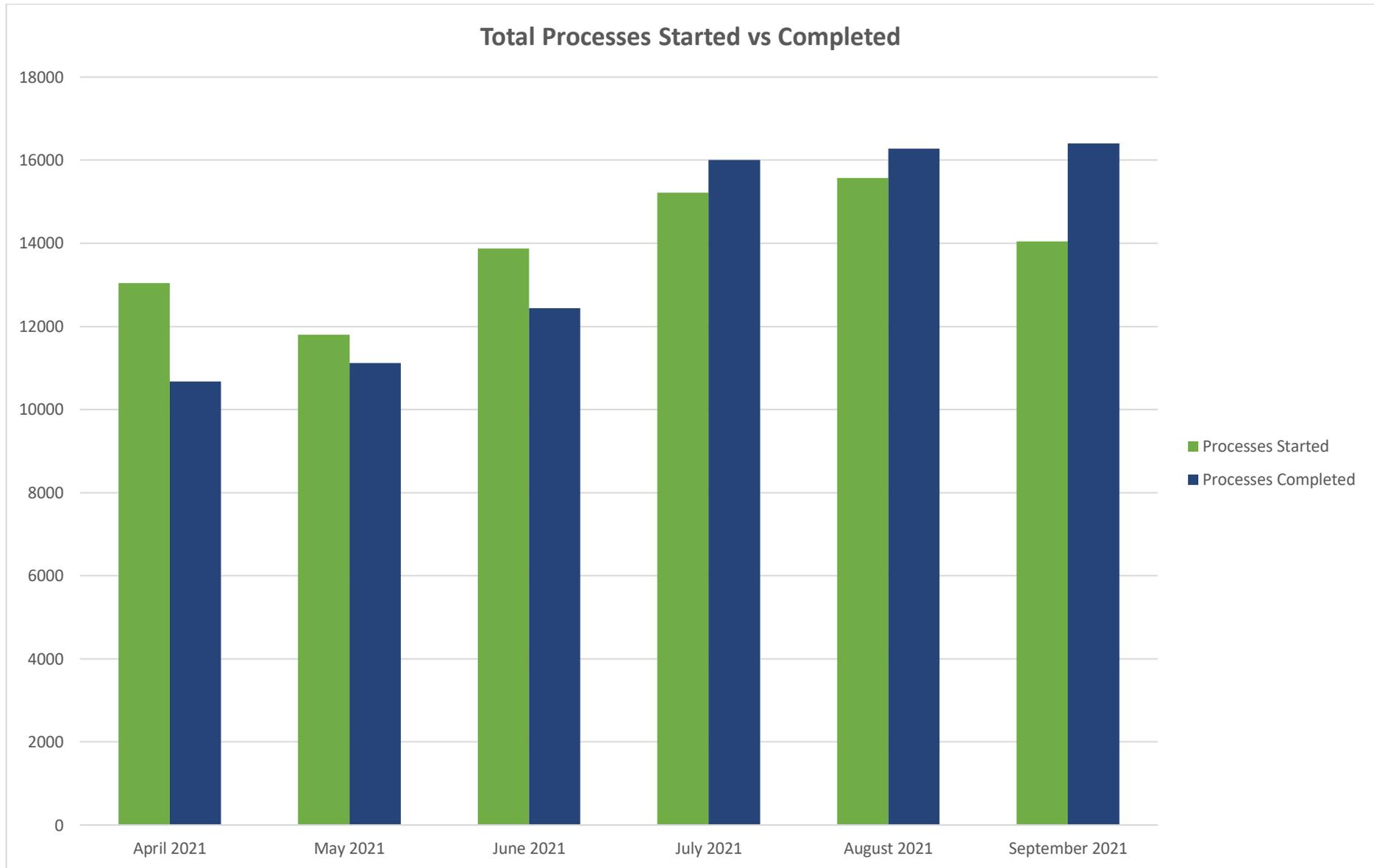
17.1 Appendix A: Workflow Summary

17.2 Appendix B: Detailed Process Analysis

17.3 Appendix C: Key Performance Indicators (KPIs)

17.4 Appendix D: Customer Service Statistics

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**Pension Committee Statistical Report
Detailed Process Analysis**

2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	20/21	April	May	June	July	August	September	YTD
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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	1146	879	1438	5615
Changes in circumstances eg change in hours	18,759	15,303	12,385	11,273	6,391	8,752	6,370	5386	5725	6658	5161	369	332	445	366	553	467	2532
Deferments	5,939	7,818	5,741	6,728	5,664	8,340	8,178	8629	15934	11994	9444	536	630	1039	1148	989	934	5276
Active Retirements (Employer retirements)	3,317	3,950	2,475	2,279	2,351	2,775	2,593	2676	2280	2112	1908	36	209	26	262	254	230	1017
Deferred Retirements	3,332	2,970	2,971	2,726	2,301	3,421	3,552	4429	4814	5071	4844	321	429	722	416	448	430	2766
Deaths of members	295	262	287	285	230	379	399	470	429	441	570	38	41	40	34	30	33	216
Refund										6877	4499	325	328	391	401	507	547	2499
Opt Outs										3585	1228	97	93	92	126	240	95	743
Amalgamations										11628	8841	545	403	359	556	464	828	3155

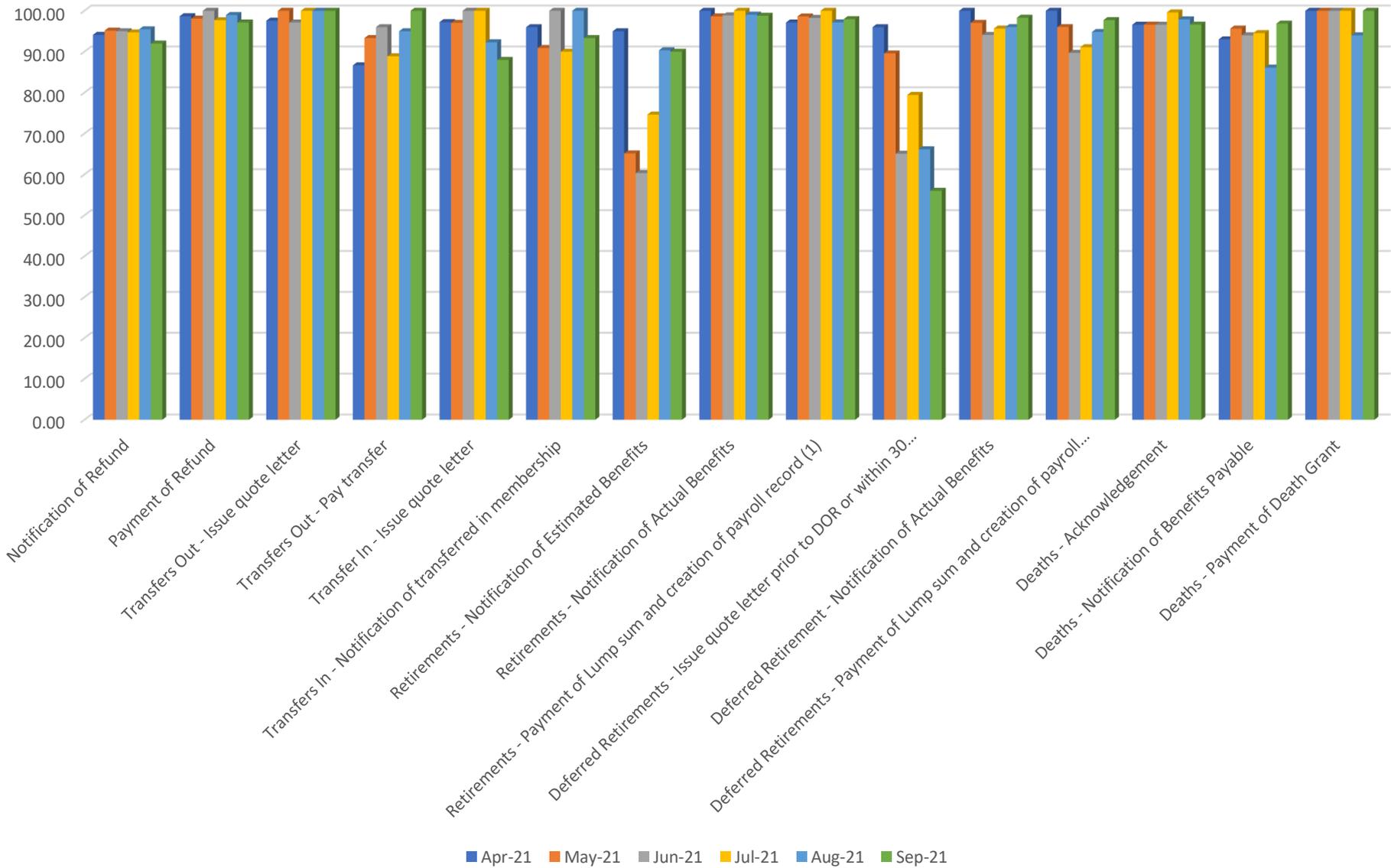
Pensioner members

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

Payroll																			
Actual number paid	792,724	837,189	870,804	895,018	913,864	888,954	915,275	945,196	979,819	1,019,295	1,093,949	88,199	88,422	98,653	84,989	89,126	99,667		

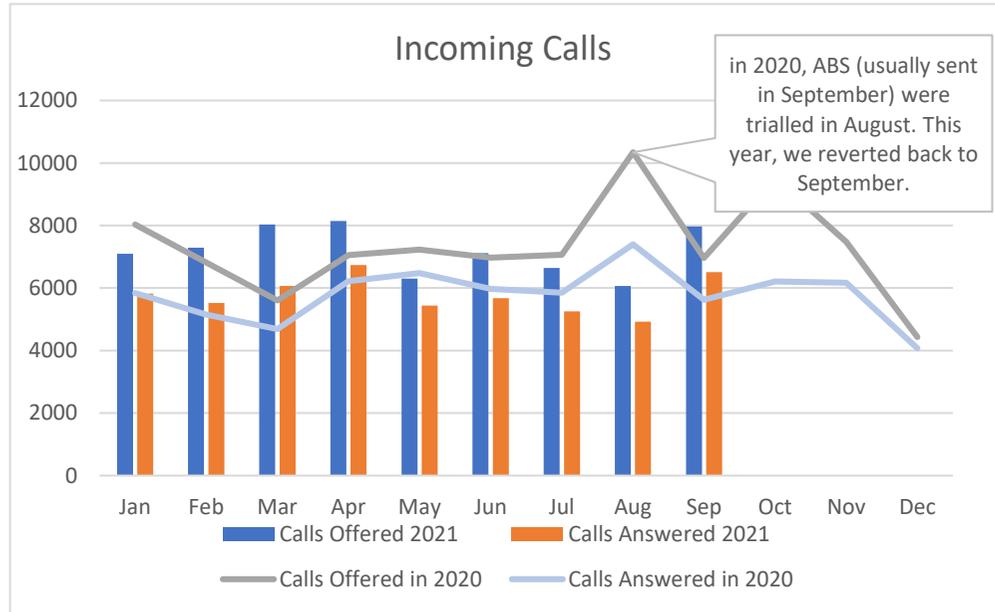
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KPI's - Benefit Operations



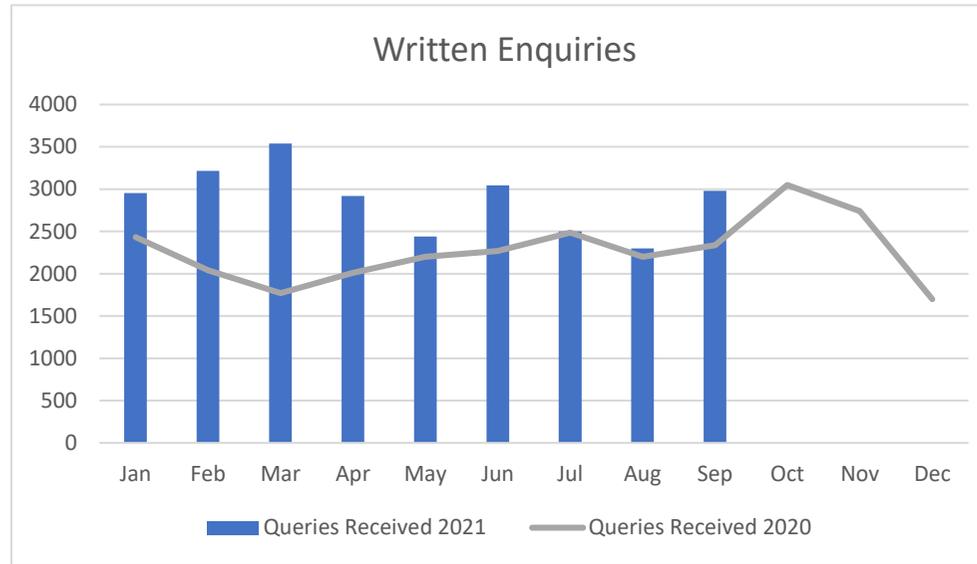
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Appendix D: Customer Services Statistics July to September 2021



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Calls Offered 2021	7094	7293	8027	8142	6299	7114	6643	6063	7968			
Calls Answered 2021	5822	5523	6065	6733	5437	5675	5247	4919	6505			
Calls Offered in 2020	8031	6812	5603	7055	7224	6968	7068	10342	6956	9513	7476	4431
Calls Answered in 2020	5842	5149	4682	6216	6477	5968	5848	7398	5624	6206	6171	4071
Answer Rate (Target 85%)	82.07%	75.73%	75.56%	82.69%	86.32%	79.77%	78.99%	81.13%	81.64%			
Percentage increase	-11.67%	7.06%	43.26%	15.41%	-12.80%	2.10%	-6.01%	-41.37%	14.55%			

Appendix D: Customer Services Statistics



Queries Received 2021
 Queries Received 2020
 Percentage increase

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Queries Received 2021	2953	3217	3541	2921	2441	3043	2502	2299	2980			
Queries Received 2020	2431	2039	1770	2011	2199	2270	2485	2202	2338	3049	2741	1699
Percentage increase	21.47%	57.77%	100.06%	45.25%	11.01%	34.05%	0.68%	4.41%	27.46%			

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 July 2021 to 30 September 2021 and to cover future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy.
- 1.2 To also cover more specific elements of employer and member engagement as arises.

2.0 Background

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

3.0 Member engagement and communication

- 3.1 The Member Services team continues to deliver member support via digital channels including member webinars which are followed up with individual telephone consultations as required. The webinars mirror our normal suite of member presentations and during this reporting period **1,305** members attended our webinars and workshops. These were followed by **113** individual member telephone consultations. Webinars have been scheduled to enable "real-time" interaction with Fund Officers, at various times throughout the day to accommodate attendance around member work commitments. This delivery and the associated feedback is summarised in **appendix A**.
- 3.2 During this reporting period the team provided **5** satellite support events to **33** hard to reach members who may not normally be able to access our services due to the nature of their work and location, which might include access to web-based delivery (i.e., computer facilities), working hours or 'satellite' locations.
- 3.3 Through the "Be Pension Smart & Take Control of your benefits" campaign the Fund continues to encourage members to view and manage their pension record online using the pensions portal. During this reporting period registrations increased by **2,405** bringing the total pension portal registrations to **113,413** at the end of September 2021.
- 3.4 The Fund continues to promote aspects of our work via the social media platform LinkedIn. Since the last reporting period a further **6,070** people have interacted with our articles.
- 3.5 During this reporting period the Fund's member video suite, providing on-demand support and guidance, has been updated to re-design the support we provide to members to register for the pensions portal and also to explain to members the steps they need to take to make plans for their retirement.

- 3.6 **84,829** Active Benefit Statements have been produced. To raise member awareness and encourage members to engage with their benefits, the Fund produced a bulk mailing notifying **57,336** Active members whose email address we hold that their Annual Benefits Statement is now on the Pensions Portal.
- 3.7 The Fund has provided letters to members for whom we have been unable to produce an Annual Benefits Statement to explain the reasons why. We have put **13,295** letters on members portal records and sent out **125** paper letters.
- 3.8 The Fund is in the final stages of finishing our new E-learning platform for scheme members. This software will be used to design learning modules for scheme members so they can engage and enhance education around their pension benefits. Our first module “LGPS & You” was trialled at our employer peer group on the 15th September and will be launching to members in January 2022.
- 3.9 Member information leaflets and videos have been updated and are now being uploaded to the Fund’s website. There have been **362,000** web page views in this quarter.
- 3.10 Customer feedback is key to understanding our customer’s journey, highlighting our strengths and any gaps in the service we deliver so that we can continually improve the services we offer. Some service enhancements made over the period includes:
- Improving the training suite for the Customer Services Team
 - Procedure for ‘case review’ processes have been reviewed

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

During the quarter, a number of surveys were issued to members and employers to assess overall satisfaction levels on a wide range of processes. Over the period, our satisfaction levels were measured as 81%.

4.0 Employer engagement

4.1 Employer Peer Group

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

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

4.2 Employer Webinars

4.2.1 The Employer Services team has continued to deliver a programme of employer education over the quarter with a further 8 virtual sessions delivered to over 44 attendees from 36 organisations, some of whom provide payroll services for many other employers within the Fund. The sessions are free to attend and provide a useful refresher for current employers and their employees or as an introduction to processes for those who are new to Fund administration.

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

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

4.2.3 Additional Employer webinars were also held for:

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

4.3 Employer Performance

4.3.1 Utilising the virtual working arrangements currently in place, the Employer Services team have continued to hold performance meetings with various employers throughout the period. Employer performance is assessed in line with the Fund's Pension Administration Strategy (PAS).

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

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

4.4 Employer System Developments: Hub and Webtrays

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

4.4.2 A number of refresher demonstrations have continued to be delivered over the period to help employers with the transition and by way of additional training for newly onboarded employers.

4.4.3 Discussions around future developments for the Employer Hub and Webtray functionality continue across various forums including the Employer Peer group. Refund queries were added as an Employer Webtray functionality in November 2021.

4.4.4 McCloud: Employer Support

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

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

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

5.0 Internal engagement

5.1 Recognising the importance of ensuring internal stakeholders are kept up to date on the Fund's progress and associated developments, the Fund continues to signpost employees to news and wellbeing support via our monthly employee catch up.

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

6.0 Manager's toolkit

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

7.0 Large Fund Events

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

7.2 Since the initial advertising for this event, which was due to be held face-to-face at the Molineux Stadium, the Government issued new guidance which confirmed people should work from home where they can to reduce the spread of the new covid Omicron variant. As such, the Fund has decided to postpone this event until later in the year and instead will issue an interactive annual update to all employers, which will contain a mix of videos and articles to ensure they have all of the important information and updates they require.

8.0 Post 30 September engagement

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

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

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

- 8.4 During the COVID-19 pandemic, the Member Services Team postponed face-to-face support and over the last 18 months has designed and delivered a digital equivalent. However, we are pleased to report that the Member Services Team is now delivering a hybrid support package to members with a mix of face to face and virtual events. Over the last few months, we have seen a high demand for return to face-to-face events, with the team now booked up until the end of January 2022.
- 8.5 From the 17 January 2022 to 1 February 2022 the Member Services Team plan to deliver virtual Pension Roadshows across district councils to explain members annual benefit statements and to encourage them to engage with their benefits and pensions saving.
- 8.6 The Fund aims to provide bespoke member support to all its employers; during the period we were approached by one council to request support with helping members understand the impacts that mandatory leave could have on benefits and also to show members how they buy back any lost periods. The Fund created a bespoke support package which included Webinars, face to face drop-in session, a video, and an electronic leaflet.
- 8.7 Following successful roll out and recognition for support to active members, we will now be expanding our retirement planning support to deferred members, which will reach out to all deferred members as they approach age 55, highlighting our member toolkit and an invite to a Pre-Retirement Webinar, tailored to deferred members. This is on track to go live in January 2022.

9.0 Financial implications

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

10.0 Legal implications

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

11.0 Equalities implications

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

12.0 Other implications

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

13.0 Schedule of background papers

- 13.1 None.

14.0 Schedule of appendices

14.1 Appendix A: Review of member events

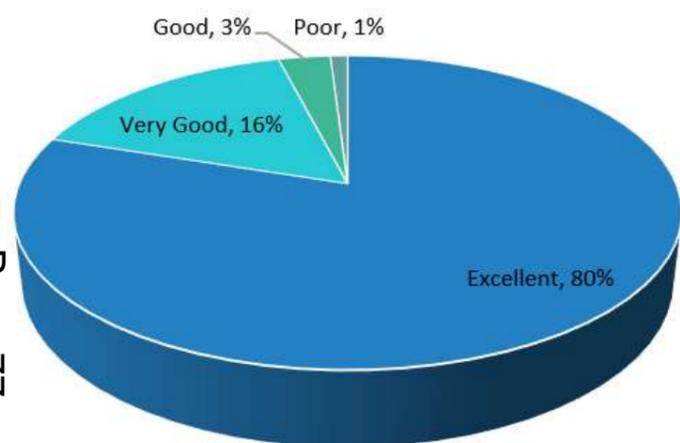
14.2 Appendix B: Active Member Pension Smart Newsletter

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

Members feedback on the following areas:

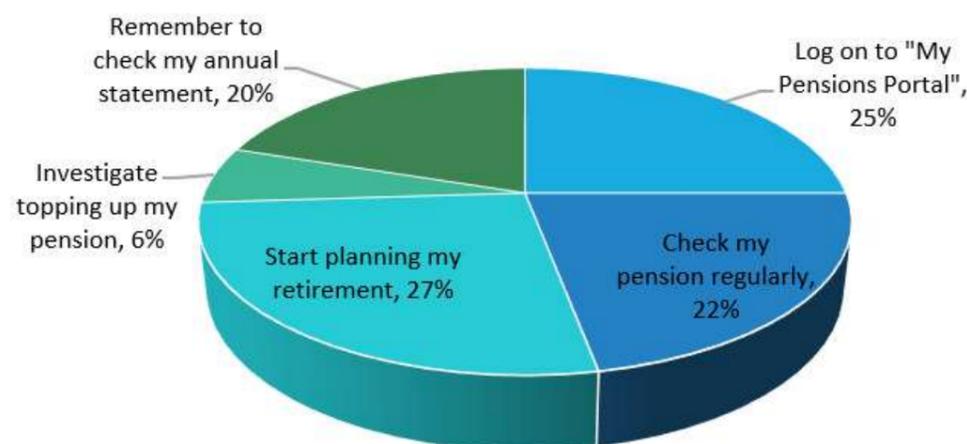
Members surveyed in July – September 2021

Overall, how would you rate the webinar?

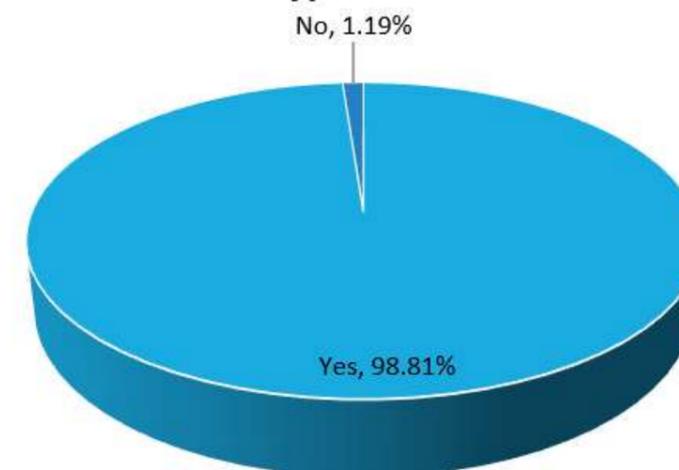


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What are you going to do following this webinar?



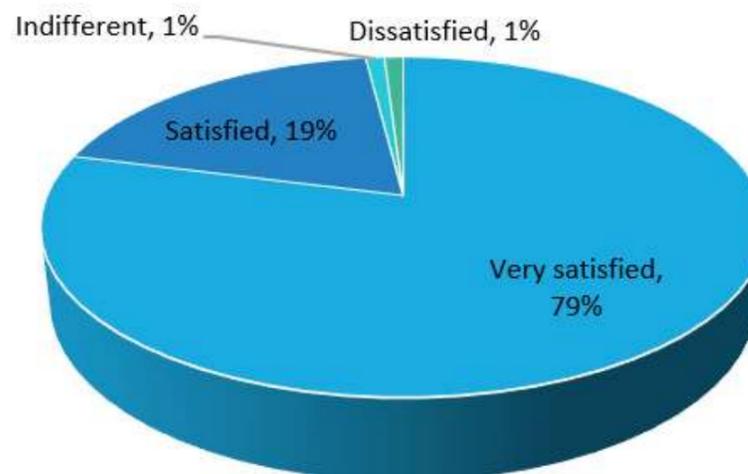
Would you recommend a colleague to attend this type of event?



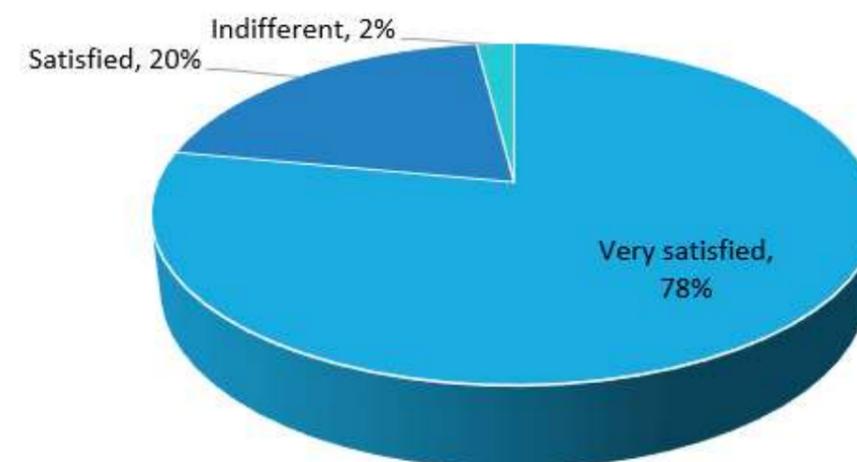
How would you rate the presenters general knowledge and presentation skills?



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

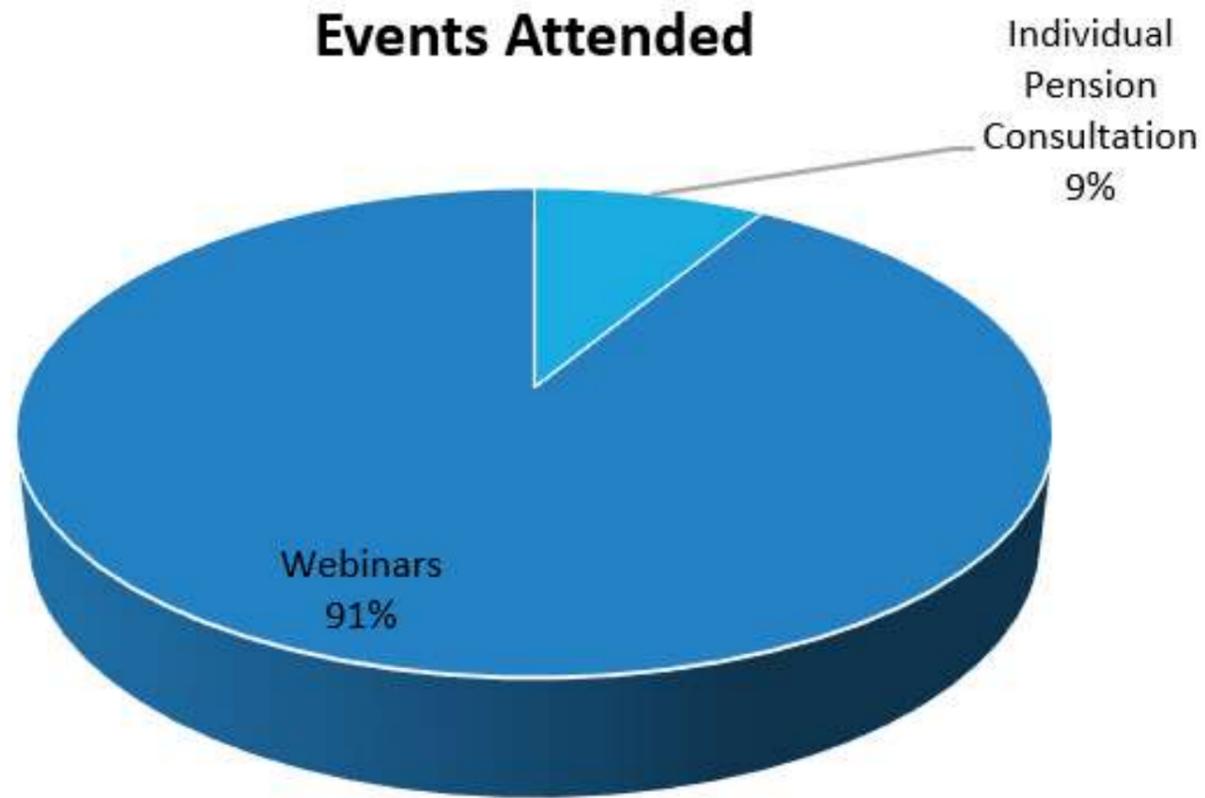


How satisfied are you with the overall service you have received from WMPF?



Member Services Team – Events Attended

1st July– 30th September 2021



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

ACTIVE MEMBER PENSIONS SMART

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

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

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



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

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

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

YOUR 2021 ANNUAL BENEFIT STATEMENT IS NOW ONLINE!

Do you know how much your pension benefits are?

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

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

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

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

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

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

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

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

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

COVID-19 AND FURLOUGH – HOW YOUR PENSION IS AFFECTED

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

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

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

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

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



CONTRIBUTING TOGETHER TO CREATE SUSTAINABLE FUTURES FOR ALL



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

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

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

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

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

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

ASSET OWNER DIVERSITY CHARTER

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

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



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

TAX AND YOUR PENSION

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

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



HOW DO I UPDATE MY PERSONAL DETAILS?

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

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



LOST CONTACT WITH YOUR PENSION?

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

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



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

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

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



ACTIVE MEMBER ENGAGEMENT FORUM

We need you!

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

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



REJOINING THE LGPS

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

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

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

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

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



EXIT PAYMENT CAP



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

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

HOW MUCH ARE YOUR PENSION BENEFITS?

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

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

Use Pensions Portal to:

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



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

NEED ADDITIONAL SUPPORT?



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



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



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



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

FREQUENTLY ASKED QUESTIONS



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

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



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

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

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

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

WATCH OUT FOR SCAMMERS!

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

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

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

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



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

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

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

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

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

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



THINKING OF RETIRING EARLY?

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

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

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

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

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

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

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

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

'PENSIONS MADE SIMPLE' VIDEOS

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

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



USEFUL CONTACTS



www.moneyhelper.org.uk/en
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www.unbiased.co.uk/
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www.retirementlivingstandards.org.uk



HM Revenue
& Customs

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

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



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Be Pension Smart!
and take control of your pension today

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 25 January 2022	Agenda Item No: 10
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Report Title	Preparations for 2022 Actuarial Valuation	
Originating service	Pension Services	
Accountable employee	Simon Taylor	Assistant Director (Pensions)
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Report to be/has been considered by	Rachel Brothwood	Director of Pensions
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Recommendation for noting:

The Pensions Board is asked to note:

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

1.0 Purpose

- 1.1 To provide the Board with an overview of the 2022 actuarial valuation process, deliverables and context in preparation for the review of funding strategy and employer contribution rates.

2.0 Background

- 2.1 The Administering Authority of each LGPS pension fund must obtain an actuarial valuation as at 31 March 2022 in accordance with the requirements of Regulation 62 of the Local Government Pension Scheme Regulations 2013.

The primary aims of the actuarial valuation are to;

- Review the financial position of the Fund (assets relative to the expected cost of providing accrued pension benefits) relative to its objective for full funding;
 - Assess the cost of benefits expected to accrue in the future;
 - Where appropriate, and following consultation, revise the Funding Strategy Statement and Investment Strategy Statement (ISS).
 - Taking the above into account, determine the appropriate level of employer contributions for the three-year period commencing April 2023.
- 2.2 The Funding Strategy Statement (FSS) together with the Rates and Adjustments actuarial certificate and actuary's valuation report summarise the outcome of the valuation (approach, assumptions and contribution requirement) and form the formal documentation the Administering Authority is required to put in place before 31 March 2023. In setting the contribution requirements for participating employers, the Fund actuary details a primary and secondary rate in the Rates and Adjustments certificate, based on the Fund's FSS. The primary rate of contribution, as defined by Regulation 62(5), is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2023. In addition, as required, each employer may be required to pay a secondary contribution under Regulation 62(7), set to address any shortfall (Deficit) in funding. This secondary rate is based on individual employer circumstances and adjustments are made for each employer to target full funding in line with the FSS. Funding strategy cannot be considered in isolation – the review will incorporate an assessment of employer covenant risk and will be carried out in conjunction with the Fund's investment strategy review.
- 2.3 This report provides an outline of the Fund (employer and member) and regulatory changes since the 2019 valuation which may impact on funding discussions in 2022/23. A high level timetable of proposed activity to deliver the valuation (including analysis and consultation) is included in Appendix A.

3.0 Main Fund 2019 actuarial valuation outcome

- 3.1 The valuation as at 31 March 2019 showed a funding shortfall of £1,014m based on the assumptions made for calculating the funding position at that time. This represented a funding level of 94%.
- 3.2 The actuary certified a Primary Rate – the amount required to cover the cost of future benefit accrual and ensure solvency, expressed as a percentage of active member pay (the overall average employer contribution rate) of 20.4% of Pensionable Pay.
- 3.3 The shortfall was to be recovered through additional employer contributions as specified for each employer over their deficit recovery period. At Fund level, recovery of the shortfall of £1,014m required a total deficit contribution (secondary contribution) of £122.2m per annum (5.7% of pensionable payroll) increasing at 3.6% per annum for 17 years.
- 3.4 Contributions for each individual employer were set as a combination of a percentage of payroll to cover the expected cost of the employer's active member benefit accrual and a cash lump sum amount to meet the employer's share of deficit contributions due to recover the shortfall. These are recorded in the Rates and Adjustments actuarial certificate which covers employer contributions due to April 2023 and is legally binding.

4.0 WMITA Fund merger

- 4.1 Following the merger of the West Midlands' LGPS pension funds effective 1 April 2019, the Funding Strategy Statement aligned to the 2019 valuation incorporated funding strategy for employers within the former West Midlands Integrated Transport Pension Fund (WMITA PF).
- 4.2 Each former WMITA PF employer's funding requirements are now considered in the context of the separate admission body sub-funds (ABSF) established post-merger. Each ABSF has its own funding and investment strategy, set out within schedules within the FSS and ISS.

5.0 Developments since 2019

- 5.1 Changes to the Main Fund employer base, membership profile and experience over the three years to 31 March 2019 will impact on the outcome of the 2019 valuation, as will changes to the regulatory environment.

Employer base

- 5.2 As at 31 March 2021, the number and profile of employers within the Main Fund had changed since the 31 March 2019 valuation and the movements are summarised in the following table:

	Number of employers at 2019 valuation	New employers since 2019 valuation	Cessations since 2019 valuation	Number of employers at 31 March 2021
District council	7	0	0	7
Colleges/universities	16	0	0	16
Academies	421	72	2	491
Other scheduled	26	2	0	28
Transferee admission	158	50	51	157
Community admission	47	1	5	43
Total	675	125	58	742

The area of predominant growth over the period is that involving local authority schools converting to academy status. In previous years the number of new transferee admission bodies has exceeded those exiting, however during this period there has been a broadly neutral position, with new outsourcing arrangements largely placed on hold during the covid-19 pandemic.

Membership profile and experience

- 5.3 The membership profile of the Main Fund has also developed since the 2019 valuation with a decrease in the number of active members to 31 March 2021 and an overall increase in the total number of members across all three categories. A summary of the change in membership profile is detailed below:

Membership Category	31 March 2019	31 March 2021	Percentage change
Active	122,069	113,644	-6.9%
Deferred	106,726	114,558	7.3%
Pensioner	99,752	106,899	7.2%
Total	328,547	335,101	2.0%

Although the overall membership profile has continued to grow over the period 31 March 2019 to 31 March 2021, that growth has slowed when compared to the preceding three years and has begun to plateau.

- 5.4 As part of the actuarial valuation, member movements and experience (salary growth, leavers, retirements, deaths and take-up of options such as cash and 50:50) will be reviewed and the impact on the Fund liabilities assessed to inform the approach in 2022.

Investment returns and changes in financial conditions and outlook

- 5.5 Investment returns and financial conditions at and around the valuation date can have a material impact on the valuation outcomes and in particular, the required employer contribution rates until the next actuarial valuation.

5.6 At the 2019 actuarial valuation, the invested assets of the Fund were valued at £15.63bn. Returns since 31 March 2019 have been higher than assumed return at the 2019 valuation and as such the asset value for the Fund stood at £18.9bn at 31 March 2021. The outlook for future investment returns and inflation has become more uncertain, and market volatility has increased as global political and economic uncertainty continues. The position will continue to be monitored in the run up to the valuation date and reflected as required in the Funding Strategy Statement.

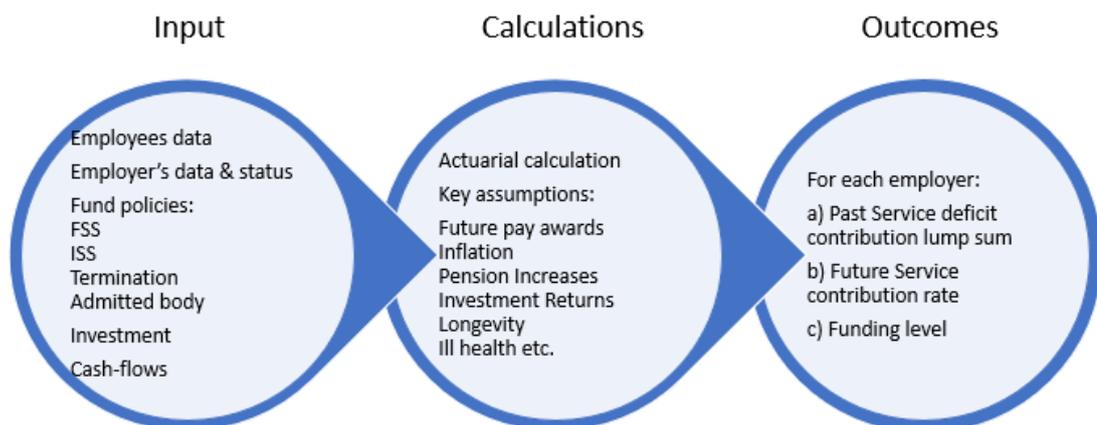
Influencing factors

5.7 Change to the LGPS Regulations, associated guidance and oversight of LGPS funding valuations are likely to impact on the funding strategy review and the approach adopted for the 2022 valuation.

- As covered in the April 2021 Funding Strategy Statement (FSS) Review paper, on 23 September 2020 new enabling legislation ('Employer Flexibilities') came into effect, which introduced the power for Administering Authorities to review employer contributions in between statutory actuarial valuations in the event of a significant change in the level of liabilities and/or covenant of an employer and allowing an employer to request a review for the same reasons. The same legislation also introduced mechanisms to facilitate the spreading of exit debt payments upon cessation of an employer within the LGPS. The revised FSS dated June 2021 captures the Fund's policy on employer flexibilities, however we anticipate a number of live discussions with employers to run alongside the 2022 valuation process. Ultimately this may lead to implementation of exit debt spreading arrangements and/or evolution of our policy in this area.
- The participation and positioning of certain employer sectors in the context of the LGPS and wider pensions arrangements is potentially subject to review and change in the near future.
- The Government Actuary Department (GAD) has published its second full report on LGPS valuations and the appropriateness of employer contributions (as required by section 13 of the Public Sector Pensions Act 2013). The outcomes of this review will be considered in the context of the 2022 actuarial valuation and the associated funding strategy and employer contribution profiles, to be reviewed over 2022/23.
- The cleanliness of employer data will play a key part in individual employer outcomes as part of the 2022 valuation. Linked to employer data will be the application of the McCloud remedy. At Fund-level, an allowance for McCloud was made in the 2019 valuation results to deal with the potential additional costs of any benefit changes made as a result of the remedy with a view to mitigating possible funding implications and future contribution strain. Therefore, whilst the application of the McCloud remedy is expected to be immaterial at Fund-level, the potential remains for there to be implications at individual employer-level, particularly those employers with smaller membership numbers and where a significant percentage may see increases in member benefits (and liabilities) as a result of McCloud.

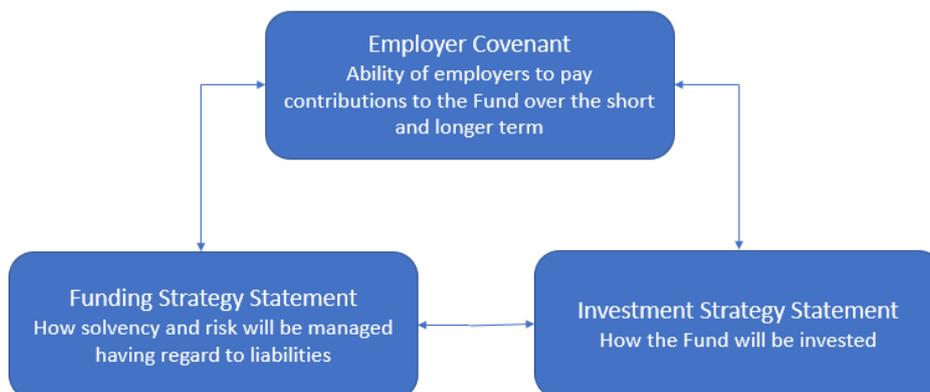
6.0 Preparatory work and planning

- 6.1 Following a recent procurement exercise undertaken via the National LGPS Framework, the Fund entered into a contract with Hymans Robertson from 1 January 2022 for the provision of actuarial and benefit consultancy services. As such, the Fund is undertaking a transition of the service from the incumbent, Barnett Waddingham, to Hymans Robertson, to include a full re-creation and reconciliation of the 2019 valuation by the incoming provider. This transition is of particular relevance, not only to the evolution of the Fund's funding strategy (which will be informed by a review of valuation methodology and approach), but also to the associated employer engagement.
- 6.2 The process of engaging key employer groups commenced in October 2021 and includes the former WMITA employers and the West Midlands Local Authority Finance Directors.
- 6.3 A number of preliminary presentations and meetings are being undertaken in early 2022, to include the Association of Colleges West Midlands Finance Directors and further all-employer valuation meetings in Q1 of 2022. These all-employer meetings will focus largely upon process and employer involvement, to include data cleansing, ahead of the valuation date on 31 March 2022. Feedback from the Board with regards to employer engagement in respect of the valuation is welcomed.
- 6.4 The project plan is being compiled to define the key workstreams involved, emphasising the scope which is Fund-wide. The valuation process requires the collection of data and review of the relevant Fund policies. The Fund actuary uses this data and, based on a number of key assumptions, calculates the future benefit cashflows to inform the future contribution rate for the Fund as a whole and then each employing body. This can be summarised as follows:



- 6.5 The process also links the valuation to the Fund's Funding Strategy Statement (FSS), employer covenant (solvency and risk) review and Investment Strategy Statement with the balance of risk and mitigation of funding risks reflected in the review of these policy documents. The overview of the relationships is as follows:

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6.6 The funding approach and assumptions will be fully reviewed and the FSS updated based on the advice of the Fund Actuary. It is proposed to complete the investment strategy review alongside the funding review, to ensure the funding and investment strategies are joined-up. Further information and training sessions are being incorporated into the Governing Body (Pensions Committee and Local Pensions Board) meeting and training programme for 2022/23, to support review of the FSS and ISS.

7.0 Risk and Employer covenant review

7.1 The Fund has recently procured the services of a funding risk advisor and is in the process of procuring an independent covenant advisor, to support the strategy, investment and contributions rate reviews which encompass the actuarial valuation.

7.2 The covenant review will form a key part of the engagement with employers prior to provisional results being prepared and released.

7.3 It is envisaged that the successful provider will assist the Fund as part of the 2022 valuation process, noting the value and purpose of the covenant assessment in supporting development of strategy for individual employers, with consideration of any measures taken to enhance covenant in setting contribution rates. This will also include review and consideration of broader policy and industry directives.

8.0 Consultation process

8.1 The Fund is required to consult with “such persons as it considers appropriate” on revision to the funding strategy.

8.2 The Fund will hold its annual Mid-Year Review in the summer of 2022 and at this meeting it is envisaged the actuarial valuation and any proposed changes to the Funding Strategy Statement will be covered in more detail.

8.3 During quarter four of 2022 the initial Fund-level valuation results will be reported to the Pensions Committee and individual provisional results will be disseminated to employers.

8.4 Between November 2022 and January 2023 the Fund will offer a series of group consultation meetings to discuss provisional results and will also formally consult on the

revised Funding Strategy Statement (FSS). During the same period, individual employer meetings will be facilitated by the Fund on a request basis.

9.0 Financial implications

- 9.1 The results of the 31 March 2022 actuarial valuation may have financial implications for participating employers in setting employer contribution rates, commencing April 2023, for the period to the next actuarial review.

10.0 Legal implications

- 10.1 In accordance with the LGPS Regulations the Administering Authority of each LGPS pension fund must obtain an actuarial valuation as at 31 March 2022 and prepare and consult upon a Funding Strategy Statement (FSS) and Investment Strategy Statement (ISS).

11.0 Equalities implications

- 11.1 The report contains no direct equalities implications.

12.0 Other potential implications

- 12.1 There are no other potential implications.

13.0 Schedule of background papers

- 13.1 [Funding Strategy Statement Review – 27 April 2021 Local Pensions Board Report; Funding Strategy Statement Review 2021.pdf \(modern.gov.co.uk\)](#)

14.0 Schedule of appendices

- 14.1 Appendix A: High level 2022 valuation timetable

2022 VALUATION TIMELINE AND KEY DATES



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