

Time 2.00 pm **Public Meeting?** YES **Type of meeting** Pensions
Venue i9

Membership

Employer Representatives

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

Member Representatives

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

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

Contact Fabrica Hastings
Tel/Email Fabrica.Hastings2@wolverhampton.gov.uk 01902 552699
Address Democratic Services, Civic Centre, 1st floor, St Peter's Square,
Wolverhampton WV1 1RL

Copies of other agendas and reports are available from:

Website <https://wolverhamptonintranet.moderngov.co.uk>
Email democratic.services@wolverhampton.gov.uk
Tel 01902 550320

Please take note of the protocol for filming, recording and use of social media in meetings, copies of which are displayed in the meeting room.

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 5 - 10)
[For approval.] |
| 4 | Matters Arising |
| 5 | Governance and Assurance (Pages 11 - 34)
[To seek approval for the Annual Governance matters of the Local Pensions Board (the Board) and to provide the Board with an update on the work of the Fund to deliver a well governed scheme.] |
| 6 | Pensions Administration Report from 1 October to 31 December 2021 (Pages 35 - 52)
[To inform the Board of the routine operational work undertaken by the Pensions Administration Service areas during the period 1 October – 31 December 2021.] |
| 7 | Customer Engagement Update (Pages 53 - 70)
[To provide the Board with an update of the Fund's customer engagement activity from 1 October 2021 to 31 December 2021 and to cover future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy.] |
| 8 | External Audit Plan 2022 (Pages 71 - 124)
[To direct and communicate the audit approach to the Pensions Committee. The Audit Plan considers the risks to the audit in forming the Audit Opinion and details the approach to addressing the key areas of the Fund's financial statements.] |
| 9 | Internal Audit Plan 2022 - 2023 (Pages 125 - 134)
[To provide the Board with the outline work programme for internal audit during 2022 – 2023.] |
| 10 | Regulatory Update (Pages 135 - 140)
[To provide the Board with an update on the regulatory environment in which the Fund is operating and the work being done to stay informed and prepared for change.] |
| 11 | Corporate Plan 2022 - 2027 (Pages 141 - 166)
[To present the Board with the Fund's Corporate Plan for 2022 – 2027 confirming the areas of focus and drivers for change over the next five years, together with the goals and ambitions for continuing to develop the Fund and deliver a high-quality service to our customers.] |

- 12 **2022 Actuarial Valuation Update** (Pages 167 - 174)
[To provide the Board with an update on matters relevant to the triennial review of the Funding Strategy Statement over 2022/23 and delivery of the 2022 actuarial valuation.]
- 13 **Investment Governance** (Pages 175 - 206)
[To provide an update on investment related matters, an update on responsible investment activities, together with the ongoing development of Local Government Pension Scheme (LGPS) Central Investment Pool.]

This page is intentionally left blank

Attendance

Members of the Pensions Board

Employer Representatives

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

Member Representatives

Adrian Turner (Chair)
Julian Allam
Terry Dingley

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
Shiventa Sivanesan	Assistant Director – Investment Management and Stewardship
Amy Regler	Head of Operations
Rachael Lem	Responsible Investment Officer
Hayley Reid	Regulatory Governance Manager
Holly Slater	Governance Officer
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, Sharon Champion, Member Representative and Cllr Rupinderjit Kaur, 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**

There were no matters arising.

5 **Governance and Assurance**

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

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

On presentation of the Fund's Strategic Risk Register it was noted that there had been movement on several risks including resourcing and data management, with external factors being a key element in the increased risk assessment.

In response to a question raised regarding the timescales for improvements in risk ratings, the Head of Governance and Corporate Services advised that a number of the risks were linked to external factors and that the Fund were waiting for the finalisation of regulatory changes. However, the Fund were committed to ensuring that resources were allocated appropriately to prepare for and implement change.

Rachel Brothwood, Director of Pensions, advised that the Fund was in the process of recruiting and regularly reviewed resource requirements in order to respond to risks and anticipated changes.

Resolved:

1. That the Pensions Board note the Fund's Key Performance Indicators
2. That the Pension Board note the latest strategic risk-register and the areas being closely monitored in the current environment
3. That the Pension Board note the compliance monitoring activity undertaken during the quarter.
4. The Pension Board note the Governing Body Training activities undertaken during the quarter.

6 **Annual Report and Accounts**

Rachel Brothwood, Director of Pensions, presented the report on the finalisation of the Statement of Accounts and the Annual Report for the year ending 31 March 2021 and the latter's publication on the Fund's website.

The Director of Pensions advised that the Fund's Annual Accounts formed as part of the City of Wolverhampton Council's accounts as the Administering Authority for the Fund. The Annual Audit was completed alongside the Council's during October 2021 and the Fund's own Annual Report was published ahead of the 1 December 2021 deadline for LGPS reporting.

The Director of Pensions highlighted the service the Fund offers to all employers with regards to the production of pension fund accounting disclosures for their own annual report and accounts.

Resolved:

1. That the Pension Board note the Statement of Accounts for West Midlands Pension Fund (WMPF) for the year ending 31 March 2021 was audited and

completed alongside the finalisation of the City of Wolverhampton Council Statement of Accounts on 11 October.

2. That the Pension Board note the Management Representations letter to Grant Thornton was signed on 11 October by the Chair of Pensions Committee and the Director of Pensions on behalf of the Fund
3. That the Pension Board note that the Chair and Vice Chair of Pensions Committee approved the final publication of the Fund's 2020-2021 Annual Report in November 2021

7 **Investment Governance**

Rachel Brothwood, Director of Pensions and Rachael Lem, Responsible Investment Officer presented the report on the investment related matters, including the publication of the TCFD (Taskforce on Climate-related Financial Disclosures) Report and an update on responsible investment activities, together with the ongoing development of LGPS Central Investment Pool.

In response to a question raised regarding regional investments, the Director of Pensions advised that there were no specific regulations which dictate where LGPS Fund's should invest and that all investment decisions are taken in context of the Fund's overarching Investment Strategy Statement. The Director of Pensions further advised that the Fund held a range of investments in the region and the Pensions Committee establish and review the Fund's Investment and Funding strategies which would next be reviewed over 2022/23. The Board would be sighted on the decision-making process and have the opportunity to raise with the Pensions Committee any matters they feel require specific consideration.

The Board were asked to note the publication of the Fund's 2021 Climate Related Disclosure report prepared in line with the recommendations from the Taskforce for Climate-related Financial Disclosures (TFCD). The report has been updated in line with the Fund's Climate Change Strategy and Framework.

Resolved:

1. That the Pension Board note the update on investment governance matters, including those in relation to responsible investment and investment pooling.
2. That the Pension Board note, the publication of the Fund's 2021 Taskforce for Climate-related Financial Disclosure (TCFD) Report (Appendix A).

8 **Pensions Administration**

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

The Board were advised that there had been a decrease in outstanding casework due to a focus on the clearance of outstanding work.

The Board were further advised that new regulations in respect of transfers took effect from 30 November 2021 and the regulations require Pension Scheme's to conduct appropriate due diligence and further checks before completing such transfers out of the scheme.

In response to a question raised regarding the average age of members opting to transfer out of the Fund, the Head of Operations advised the average age requesting to transfer out of the scheme was 45.

In response to a question raised regarding the impact on the team from the increase in transfer requests and the additional steps now required the Head of Operations advised that the Fund had introduced new roles to support analytical work, as well as a panel of Fund officers to review transfers out, it was also noted that additional training with regards to the new requirements had been provided.

Resolved:

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

9 **Customer Engagement Update**

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

The Fund's Member Services team continued to deliver support through digital channels, as the Fund's website/ virtual delivery continued to expand and remained well received.

It was noted that since the publication of the report and in light of recent Government guidance, the Fund had taken the decision to postpone its AGM (Annual General Meeting) and that an interactive update was being prepared for issue to all employers.

The Assistant Director provided an update on the Department for Levelling Up Housing and Communities (DLUHC) limited consultation with regards to a proposal for the consolidation of academies within one Multi Academy Trust from regional LGPS Funds to a single LGPS Fund, outside of the region.

Resolved:

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

10 **Preparation for 2022 Valuation**

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

Resolved:

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

11 **Areas for discussion**

Simon Taylor, Assistant Director – Pensions and Amy Regler, Head of Operations, presented Board Members with an update on the Fund's key Service Providers, following recent procurement of advisers including the Fund Actuary, Risk Advisor and Covenant Advisor and supplier for the Funds Pensions Administration Software.

Resolved:

1. That the Board note the update on the Fund's key service providers.

This page is intentionally left blank

CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 26 April 2022
--	--

Report title	Governance and Assurance	
Originating service	Pension Services	
Accountable employee	Rachel Howe	Head of Governance and Corporate Services
	Tel	01902 552091
	Email	Rachel.Howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	Rachel.Brothwood@wolverhampton.gov.uk

Recommendations for decision:

The Pensions Board is recommended to approve:

1. The revised Terms of Reference for the West Midlands Pension Fund Local Pensions Board.
2. The Local Pension Board Appointments policy.

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 seek approval for the Annual Governance matters of the Local Pensions Board (the Board) and to provide the Board with an update on the work of the Fund to deliver a well governed scheme.

2.0 Local Pensions Board Terms of Reference and Appointments Policy

- 2.1 In accordance with best practice, the Board's terms of reference and appointments policy have been reviewed to ensure they remain effective and compliant within the changing regulatory environment in which the Fund operates.
- 2.2 In light of the changes which will bear out of the introduction of The Pensions Regulators (TPR) Single Code of Practice and Scheme Advisory Board's (SAB) Good Governance Review (expected Summer 2022) and the addition of Chartered Institute of Public Finance & Accountancy's (CIPFA) updated knowledge and skills requirements, it is proposed that the Board's terms of reference and appointments process be amended to include a biennial (rather than annual) appointments process. This change will ensure consistency within the Board's membership and to allow the Board to the retain knowledge and skills required to effectively fulfil its role.
- 2.3 The revised Terms of Reference and Appointments Policy are presented in Appendices A and B respectively for the Board's approval, with main areas of change in blue text. Once approved, these will be published on the Fund's website.

3.0 Key Performance Indicators

- 3.1 Attached at Appendix C are the Fund's Key Performance Indicators (KPIs).
- 3.2 There has been marginal movement across the Fund's Operational KPIs, covered in more detail in the Pension Administration Report, the team continue to flex resource to support increases in work volumes.
- 3.3 Engagement with the Fund from our customer base continues to be high as a result of increased awareness from members about their pensions. This is demonstrated by the high volume of calls and emails received into the Fund's customer contact centre, which alongside capacity constraints within the team and communications issued on adjustments to pensions following Guaranteed Minimum Pension (GMP) reconciliation, have impacted on the number of complaints received and the Fund's performance in respect of response times to those complaints.
- 3.4 Member web portal registrations have seen further increase but remain slightly lower than target for the quarter. As reported previously it is envisaged that this will increase following the re-establishment of face-to-face delivery of events which have been on hold due to restrictions in place because of the pandemic. Further information relating to these events is contained within the Customer Engagement Report.

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

4.0 Risk Management

4.1 Strategic Risk Register

4.2 The Fund's Strategic Risk Register is attached at Appendix D.

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

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

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

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

4.7 We have added one new risk this quarter relating to Investment Risk which reflects market uncertainty and ongoing volatility resulting from current geopolitical and economic events.

5.0 Compliance Monitoring

5.1 Data Protection.

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

5.2 Freedom of Information (FOI) Requests.

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

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

5.4 Subject Access Requests (SARs).

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

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

6.0 Statutory Policies

6.1 The Fund has a number of statutory policies that require review at agreed cycles to ensure that they remain fit for purpose and compliant with the latest legislation and guidance in place.

6.2 At the latest Pensions Committee meeting in March 2022, the Fund presented updates on some of its key financial management policies that are required to support the production of the Annual Report and Accounts and are outlined for the Board below.

6.3 Accounting Policies 2021/22

LGPS Fund are required by law to produce an annual statement of accounts. In preparing these accounts Funds must have regard to proper practice and to any guidance which has the effective standing of 'statutory guidance'. That guidance is 'The Code of Practice on Local Authority Accounting in the United Kingdom' (The Code), which is prepared by the Chartered Institute of Public Finance and Accountancy (CIPFA) and is updated annually. CIPFA has issued the 2021/22 Code and there are no changes which impact materially on the Pension Fund.

6.4 Treasury Management Policy

The treasury management activities of the Fund are underpinned by the CIPFA Code of Practice on Treasury Management which was published in 2021. The Code of Practice identifies three key principles that organisations should comply with in respect of treasury management, alongside 12 Treasury Management Practices (TMPs) that are relevant to an organisation's Treasury Management Activity.

6.5 The Fund's policy set out how it complies with those key principles and TMPs where they are applicable to the Fund's activity.

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 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 fines 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 There are no background papers associated with this report.

12.0 Schedule of Appendices

12.1 Appendix A: LPB Terms of Reference 2022

12.2 Appendix B: LPB Appointments Policy

12.3 Appendix C: KPI's Quarter Three

12.4 Appendix D: Strategic Risk Register

Appendix A

Local Pensions Board Terms of Reference

1. This document sets out the terms of reference of the Local Pension Board of the City of Wolverhampton Council (the 'Administering Authority'), a scheme manager as defined under Section 4 of the Public Service Pensions Act 2013. The Local Pension Board (hereafter referred to as 'the Board') is established in accordance with Section 5 of that Act and under regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).
2. The Board is established by the Administering Authority and operates independently of the Committee. Relevant information about its creation and operation are contained in these Terms of Reference.
3. The purpose of the Board is to assist the Administering Authority with the good governance of the scheme, as follows:
 - secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme; and
 - to ensure the effective and efficient governance and administration of the Scheme.
4. All persons appointed to the Board will adhere to the Local Pensions Board Code of Conduct and the seven principles of public life (known as the Nolan Principles), including the duty to report conflicts and undertake training as required to ensure they meet the legislative requirement to have the knowledge and understanding required of them to undertake their role.
5. While not a formal committee of the Council, meetings of the Pensions Board will be formal occasions to be minuted adhering to the due process and rules of procedure so far as such do not make the business of the Board unviable. Business to be conducted by the Pensions Board shall be noted on a formal Agenda at least five working days in advance of the meeting. Additional business may be added to the Agenda at a later date with the consent of the Chair. Business not noted on the Agenda may only be considered at the meeting if agreed by majority vote. This is to ensure all information is available and has been read and understood by Pensions Board members.

6. The Pensions Board shall meet a minimum of four times a year on a quarterly basis. The ability to call additional meetings rests with the Board, such additional meetings are to meet the minimum quorum requirement.
7. Persons appointed to the Pensions Board have the same right of access to information and documents to be considered as elected members as outlined in the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 and The Openness of Local Government Bodies Regulations 2014. Save as all other provisions of these regulations do not apply to the Pensions Board.
8. The Pensions Board shall adhere to the operational policies of the Fund.

Membership

9. The Pensions Board consists of 12 persons made up of six employer and six member representatives in equal proportion, two of which will be Elected Members of the Administering Authority. Substitutes shall not be appointed. Further, details with regards to membership can be found in the Fund's Representation Policy which is available on its website.
10. Representatives (both employer and member) should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.
11. Recruitment to the board will follow the Fund's 'Pensions Board Appointments Policy'.
12. The quorum requires, at least one member from each category [of member and employer representatives](#). If the Chair and the Vice Chair are not present a Chair will be nominated by majority from those in attendance.
13. The term of office for a person appointed to the Pensions Board shall be for a period no shorter than one year and no longer than two rotations of nominations for their term of office (where the person is an elected Councillor, whichever is the shortest). Nominations [for employer and member representatives](#) to the Pensions Board shall take [biennial](#) rotation. This is to ensure a consistency of knowledge within the Pensions Board and to assist with the development of knowledge and experience. Where vacancies occur in year the nomination process will follow and there will not be a nomination for that seat in the same year.
14. Nominations to the Pensions Board will be sought from the nominating body group on each occasion as the rotation for appointment arises. Trade Union member representatives will be nominated by the relevant Trade Union.

Where more than one nomination is received for employer representatives from the Fund employer base, interviews for the vacant position will be held by the Chair and Vice Chair (where they are not on rotation), together with the Director of Pensions (or their nominated officer) and the Head of Governance and Corporate Services.

15. Persons appointed to the Pensions Board are expected to make themselves available to attend meetings and to complete relevant training. Persons appointed who fail to meet their training target and/or attend less than two meetings and one structured training event each year **may** be asked to leave the Board and a replacement sought from their nominating body unless there are exceptional reasons for their failure to attend. Such reasons to be considered by the Pensions Board.
16. Other than by ceasing to be eligible to sit on the Pensions Board (to include failure to attend meetings), a person appointed to the pensions board may only be removed from the position during their term of office by majority vote of the Pensions Board.
17. A person appointed to the Pensions Board may retire their position at any time. In such cases a nomination will be sought from their nominating body.

Chairing the Board

18. It shall be the first business of the Board's annual meeting to nominate the position of Chair and Vice-Chair with both the employer and member representatives considered with one position being allocated to each represented group.
19. In the event of a tie of votes of any business to be conducted, the Chair will have the casting vote. In circumstances where the vote is to appoint a new Chair, the outgoing Chair will have the casting vote in the event of a tie.

Conflicts of interest

20. All members of the Board must declare to the Administering Authority on appointment and at any such time as their circumstances change, any real, potential or perceived conflict of interest which may impact their position on the Board.
21. A conflict of interest and the policy for **their** identification and management is defined in the Fund's Local Pensions Board Conflicts of Interest Policy.

22. On appointment to the Board and following any subsequent declaration of a potential conflict by a Board member, the Fund shall ensure that any potential conflict is effectively managed in line with both the internal procedures of the Board's conflicts policy and the requirements of the Code of Conduct.

Voting Rights

23. Each member representative and employer representative will have one vote. Where there is the same number of votes the Chair shall have the casting vote.

Knowledge and understanding (including Training)

24. Individual Pension Board members must ensure that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board.
25. To ensure that knowledge and understanding requirements are met, the Fund has established a Governing Body Member Training Policy that will be reviewed and approved on an annual basis. Board members should attend and participate in training arranged in order to meet and maintain the requirements set out in the policy.

Information

26. Information relating to the work of the Pensions Board (including any relevant minutes) is available to the public (with the exception of exempt matters) and will be published on the Administering Authority's website with the exception of when such information is confidential or exempt under Schedule 12A.
27. Information detailing the Pensions Boards Terms of Reference shall be published on the Fund's website together with the any vacancies as they arise.
28. An agenda will be agreed prior to each meeting. The agenda and supporting papers will be issued at least five working days in advance of the meeting (except in matters of urgency).
29. Draft minutes of each meeting (including actions and agreements) will be published following the meeting and be subject to formal agreement by the Board at their next meeting.
30. In accordance with regulations the Fund will publish information about the Board, this information will include:

- The names of Board members and their contact details.
- The representation of employers and members on the Board.
- The role of the Board.
- These Terms of Reference.

All or some of this information is available on the Fund's website, within the Fund's Representation Policy and where appropriate as part of the Fund's Annual report and Governance Compliance Statement.

Review of Terms of Reference

31. These Terms of Reference shall be reviewed on each material change to those part of the Regulations covering local pension boards and at least annually.

Version	Author	Document Title	Approved By	Approval Date	Next Review
1	Rachel Howe	Local Pensions Board Terms of Reference	Local Pensions Board	9 July 2020	July 2021
2	Rachel Howe and Hayley Reid	Local Pensions Board Terms of Reference	Local Pensions Board	*20 July 2021*	July 2022
3	Rachel Howe and Hayley Reid	Local Pensions Board Terms of Reference	Local Pensions Board		

This page is intentionally left blank

Appendix B

Local Pensions Board Appointment Process

1.0 Introduction

- 1.1 The role of the Local Pensions Board “The Board” is to assist in the good governance of the scheme through the monitoring of Fund performance and adherence to statutory duties.

2.0 Local Pensions Board Structure

- 2.1 The Board consists of twelve individual seats. These individual seats are split into six employer representatives and six member representatives. The employer representative seats consist of five seats ([allocated across the Fund’s employer base](#)) and one City of Wolverhampton Councillor. The member representative seats consist of five trade union seats and one City of Wolverhampton Councillor. Each member of the Board has a right to vote on matters brought before it. Further details with regards to the makeup of the Board are included in the Fund’s Representation Policy which is available on the Fund’s website.
- 2.2 Each year, the position of Chair and Vice-Chair is confirmed, with [employer and member representatives taking the positions on rotation](#).

3.0 Appointment process

- 3.1 The Fund seeks nominations to the Board of two seats on a [biennial basis](#), one member and one employer. This is to ensure fairness of [representation](#) whilst retaining the knowledge and experience of the group.
- 3.2 Every year the two elected Councillors of the administering authority will be selected by the City of Wolverhampton Full Council at the Annual General Meeting held at the beginning of the municipal year.

- 3.3 The process of selecting which individual seat is up for nomination is determined at the Board's meeting in April of any year and is instigated in the following order:
- a) Those members who have been unable to adhere to their responsibilities of attendance and training throughout the year
 - b) Any vacant seats unfilled or vacancies expected to arise before the end of the municipal year
 - c) Rotation based on length of service, one from the employer group and one from the member group
- 3.4 This process allows for natural movement within the Board, affording opportunities for new members whilst retaining knowledge and skills and considering the responsibility of individual members to fulfil their role to a high standard.
- 3.5 [Where required](#), at the [relevant](#) April meeting an Appointments Panel will be formed to consider the nominations for employer representatives obtained through the annual appointments process. The standard structure of the Appointments Panel shall consist of the following:
- Chair,
 - Vice-Chair
 - Director of Pensions
 - Head of Governance and Corporate Services
- 3.6 If the Chair or Vice Chair are up for nomination, their position on the panel shall be conducted by another employer or member representative respectively.
- 3.7 If the Director of Pensions or the Head of Governance and Corporate Services is unable to fulfill their role on the appointments panel, they reserve the right to appoint a nominated officer from West Midlands Pension Fund.

- 3.8 The Fund will produce a nomination pack published on its website and provided to the Fund's employer and members groups to include the following:
- Application Form
 - Terms of Reference
 - Code of Conduct
 - Conflicts of Interest Policy
 - Role Description
- 3.9 On receipt of applications, the nominations will be considered by the Appointments Panel initially by email to generate a shortlist, followed by a formal invite to interview with the Panel.
- 3.10 Should the Fund receive more applications than available posts, the Appointments Panel will be required to select appointed persons to the Local Pensions Board.
- 3.11 The Appointment Panel will be responsible for interviewing applicants and recommending to the Pensions Board persons appointed. Persons to be appointed must be able to fulfil their duties of knowledge and capacity and will be selected in consideration of maintaining a broad representation of the Fund's employer and member group.
- 3.12 It is permissible for current members of the Board to be re-nominated or to reapply for their post. In the event of the re-nomination of members, the Board may decide to appoint without interview.
- 3.13 The Appointments Process will be completed by the start of each municipal year (June).

4.0 Employer Representatives

- 4.1 As disclosed in section 2.1 the Board has six employer representatives, five of which consist of the Fund's employer base including education authorities, local authorities, scheduled bodies and admitted bodies.

4.2 Following the April meeting, the Fund will communicate openly and engage with its employer groups to seek appropriate nominations. The Fund will endeavor to ensure that all employer groups are represented on the Board but reserve the right to fill vacant seats if an individual from the group cannot be appointed.

5.0 Member Representatives

5.1 As disclosed in section 2.1 the Board has six member representatives, five of which consist of trade union representatives from Unison, Unite and GMB.

5.2 Following the April meeting, the Head of Governance and Corporate Services will approach collectively, the four trade unions and the TUC to seek nominations to the Pensions Board. Communications may also come from the Fund's Governance Team on behalf of the Head of Governance and Corporate Services.

5.3 The trade unions will work together to provide the Fund with nominations to the vacant member positions and will present a preferred candidate to the Appointments Panel.

6.0 Failure to Obtain Nominations

6.1 Should the Fund fail to receive nominations from the employer and member groups, it may approach persons directly to apply for the vacant positions, for example through the employer peer group. Persons approached in this manner will still need to be formally interviewed and recommended by the Appointments Panel.

6.2 Where direct contact is made, persons contacted will be approached in consideration of their ability to meet the legislative requirement of knowledge and capacity and may be approached by recommendation from the Board.

7.0 Nominations mid-term

7.1 In the event that a member of the Board resigns their position, or are removed, before April in any year, the appointments process will be followed at the time the resignation is received.

Version	Author	Document Title	Approved By	Approval Date	Next Review
1	Rachel Howe	Local Pensions Board Appointments Policy	Local Pensions Board	9 July 2020	July 2021
2	Rachel Howe and Hayley Reid	Local Pensions Board Appointments Policy	Local Pensions Board	*20 July 2021*	July 2022
3	Rachel Howe and Hayley Reid	Local Pensions Board Appointments Policy	Local Pensions Board		

This page is intentionally left blank

West Midlands Pension Fund - Key Performance Indicators (KPIs)



Operations - Benefit Operations Processes		Frequency	KPI Target	21/22 Q1 % Hit	21/22 Q2 % Hit	21/22 Q2 Trend	21/22 Q3 % Hit	21/22 Q3 Trend	
Customer Engagement and Communication	KPI Summary	KPI Description							
	Refund Notification	Notify member of Refund within 10 days of receiving required information	Monthly	90%	94.77%	94.05%	↓	94.94%	↑
	Refund Payment	Refund payments processed within 5 days of receiving required information	Monthly	90%	98.88%	97.91%	↓	97.65%	↓
	Retirement Quote	Notification of Estimated Benefits within 15 days of retirement date	Monthly	90%	98.89%	99.25%	↑	99.66%	↑
	Retirement Notification	Notification of the actual benefits within 5 days of receiving member option form (Retirement Notification)	Monthly	90%	66.73%	85.71%	↑	90.98%	↑
	Retirement Payment	Payment of lump sum and creation of payroll record within 5 days of receiving election form (Retirement)	Monthly	90%	98.44%	98.35%	↓	99.49%	↑
	Deferred Retirement Quote	Issue quote letter within 30 days of the members eligible payment date or receipt of request from member	Monthly	90%	77.30%	64.58%	↓	91.83%	↑
	Deferred Retirement Notification	Notification of the actual benefits within 5 days of receiving member option form (Deferred Retirement Notification)	Monthly	90%	94.27%	96.49%	↑	95.15%	↓
	Deferred Retirement Payment	Payment of lump sum and creation of payroll record within 5 days of receiving election form (Deferred Retirement)	Monthly	90%	92.21%	94.80%	↑	94.31%	↓
	Transfer In Quote	Transfer in quotations processed within 10 days of receiving all the required information	Monthly	90%	98.10%	93.59%	↓	96.49%	↑
	Transfer In Payment	Transfer notification of transferred in membership to be notified to the scheme member within 10 days of receiving payment	Monthly	90%	94.92%	94.25%	↓	87.72%	↓
	Transfer Out Quote	Transfer out quotations processed within 20 days of receiving required information	Monthly	90%	98.30%	100.00%	↑	99.53%	↓
	Transfer Out Payment	Transfer out payments processed within 20 days of receiving required information	Monthly	90%	92.73%	95.24%	↑	98.18%	↑
	Deaths Acknowledgement	Acknowledgement of a death within 5 days of receiving the notification	Monthly	90%	96.60%	97.95%	↑	88.53%	↓
	Deaths Notification of Benefits Payable	Notification of benefits payable to dependents will be issued within 5 days of receiving the required information	Monthly	90%	94.24%	92.68%	↓	95.49%	↑
	Deaths Payment	Payment of death lump sum will be made within 10 days of receipt of all the required information	Monthly	90%	100.00%	97.97%	↓	100.00%	↑

Pension Services - Customer Satisfaction		Frequency	KPI Target	21/22 Q1 % Hit	21/22 Q2 % Hit	21/22 Q2 Trend	21/22 Q3 % Hit	21/22 Q3 Trend
Customer Engagement and Communication	KPI Summary	KPI Description						
Customer Satisfaction	Customer satisfaction	Quarterly	90%	85.23%	81.00%	↓	84.70%	↑

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

Pension Services - Complaints Monitoring		Frequency	KPI Target	21/22 Q1	21/22 Q2	21/22 Q3
Customer Engagement and Communication	KPI Summary	KPI Description				
	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%	✓	✓

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

Pension Services - Web Portal Registrations		Frequency	KPI Target	21/22 Q1	21/22 Q2	21/22 Q3
Customer Engagement and Communication	KPI Summary	KPI Description				
	Web Portal Registrations	Web Portal Registrations	Monthly	3000 increase per quarter	2875	2405

Operations - Web Portal Availability		Frequency	KPI Target	21/22 Q1 %	21/22 Q2 %	21/22 Q2 Trend	21/22 Q3 %	21/22 Q3 Trend	
Customer Engagement and Communication	KPI Summary	KPI Description							
	Web Portal Availability	Pensions Portal to be available 95% of the time (based on working hours as monitored)	Monthly	95%	98.53%	97.46%	↓	99.60%	↑
	Employer Portal Availability	Employer Portal to be available 95% of the time (based on working hours as monitored)	Monthly	95%	99.86%	100.00%	↑	100.00%	→

Governance - Effective Decision Making		Frequency	KPI Target	21/22 Half Year
Governance and Risk	KPI Summary	KPI Description		
	Pensions Committee Training	Training hours of Pensions Committee	Biannually	22 hours pp
	Pensions Board Training	Training hours of Pensions Board	Biannually	22 hours pp
	Total PC/PB Training	Total training hours of Pensions Committee and Board	Biannually	22 hours pp

Governance - Effective Decision Making		Frequency	KPI Target	21/22 Half Year
Governance and Risk	KPI Summary	KPI Description		
	Pensions Board Attendance	Attendance rate of Pensions Board	Biannually	4 per year
	Pensions Committee Attendance	Attendance rate of Pensions Committee	Biannually	4 per year
	Total PC/PB Attendance	Total attendance rate of Pensions Committee and Board	Biannually	4 per year

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

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

Operations - Data Improvement		Frequency	KPI Target	21/22
Data Management and Reporting	KPI Summary	KPI Description		
	ABS	ABS produced for 100% of active member records	Annually	100%
	DBS	DBS produced for 100% of deferred member records	Annually	100%

This page is intentionally left blank

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

	Risk Issue	Area of Concern	Current Driver	Rating	Risk ID (from operational risk map)	Responsible officer (driver)
1	Data and Information Reporting	Increased demands on the quality of Data and the ability of the Fund to meet statutory and reporting requirements	McCloud data cleansing is an ongoing project with initial data responses highlighting additional work for rectification of records.	High	G1, F7, OP1, INV2, INV7	Head of Operations
			Increased oversight on investment governance (and Pools) and the performance of LGPS Assets.			Assistant Director Investment Management and Stewardship
			Ongoing enhancements to manage and process high volumes of business data in response to reporting requirements			Head of Governance
2	Effective Governance	Ongoing resource constraints which have the potential to impact service delivery become exacerbated by change in regulation which limit the Fund's ability to effectively plan and manage Service Enhancements.	Key vacancies in key service areas and across senior roles following resource reviews which are pending recruitment against a competitive market.	High	G1, G2, F2, F3, OP2, F4, F8, OP8, PS1, PS2, PS4, INV1, INV2	Director of Pensions
			Ongoing reliance on third party suppliers/stakeholders and the collective agreement of partners on common deliverables			Head of Operations
			The changing pace of the regulated environment in which we operate, noting the delayed publication of statutory guidance over the last 18 months which has the potential to be forthcoming in the next quarter			Head of Governance
			Ongoing resource constraints in key areas with a reliance on temporary support			Head of Governance
3	Business Continuity and Cyber Risk	The Fund is unable to perform its functions due to an external threat	Global concern on increasing Cyber risk and evolving practices required to mitigate in light of current global environment	Medium	G3, G4, F11, OP5	Head of Operations
			Potential delays in move to future space could prolong the transition and period between office moves			Head of Governance
4	Resourcing	People as a resource risk, with recruitment impacted by the ability of the Fund to offer competitive salaries and opportunities for career growth in the recruitment to vacant roles with required skills	Competition in the market for skilled and specialist roles which has opened significantly post Covid resulting in increasing employee mobility offering reducing potential for job seekers.	High	G5, F1, OP4, OP7, PS7, PS8, INV6	Head of Governance
			Number of key priorities for the organisation as it builds operational resilience and transformational change in key service areas requiring additional/interim support with some reliance on existing resource			Director of Pensions
			Growing complexity in the scheme and changing demands on service delivery and the Fund's ability to keep pace with knowledge change			Director of Pensions
			Ongoing reliance on interim and 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
			Changes to system and processes will require a refresh to compliance monitoring program.			Head of Governance
			Ongoing challenge to manage and process high volumes of member, financial and asset data together with oversight of a large numbers of fund employers and asset managers			Head of Operations
6	Service Delivery - Fund	The Fund is unable to deliver its services due to the impact of system change and adequate resourcing or focus on other areas in response to regulatory change.	Pending system change over, there is a halt on system development resulting in some processes remaining inefficiently manual for the short to medium term	High	F9, PS3, PS5, INV3	Head of Operations
			Key vacancies across service areas following resource reviews which are pending recruitment against a competitive market.			Director of Pensions
			Potential to impact the Fund's budget for 2022/23 noting the increased demands on LGPS Funds and the change in service delivery approach to meet it.			Head of Finance
			Increased member awareness and wider focus upon retirement planning, combined with growing complexity in scheme rules (and constrained capacity amongst employers) resulting in increased demands for front line services.			Assistant Director, Pensions
			Multitude of regulatory change in the operational and reporting requirements of Funds			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
			Employer capacity, particularly in the provision of data, 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
			Uncertainty/volatility may have a direct impact upon contribution outcomes for employers in the near term and wider risk management over the longer-term. Increased level of employer interest in risk management options and/or exit from the LGPS combined with broader affordability considerations			Assistant Director pensions
9	Investment Risk	Market uncertainty and ongoing volatility	Current actions by the Russian state having the potential to disrupt markets for the medium to long term.	Medium	INV4,	Assistant Director Investment Management and Stewardship
			Current volatility in Markets creating increased oversight and pressure on the Fund's strategy and management arrangements			Assistant Director Investment Strategy

This page is intentionally left blank

CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 26 April 2022	Agenda Item No: 6
--	--	-------------------

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

Recommendations for 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.

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 October – 31 December 2021.

2.0 Background

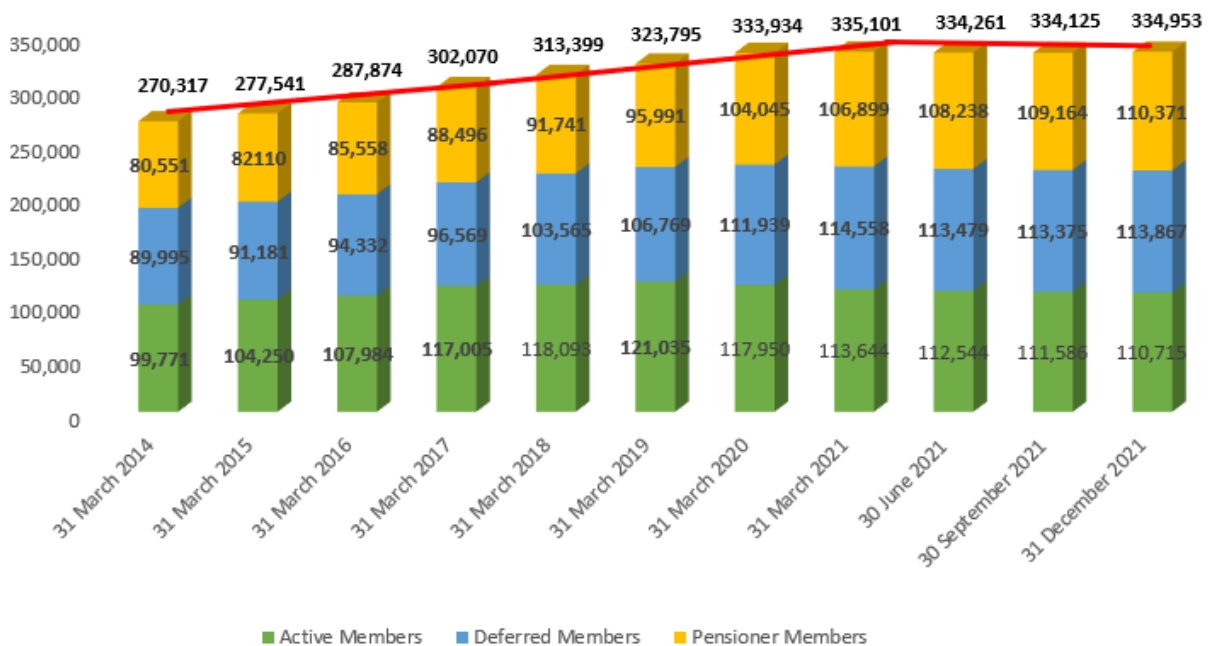
2.1 The Fund provides a pension administration service covering employer, customer and member services, data processing, benefit operations, payroll and systems/technical support. A report is provided to the Board on a quarterly basis to assist monitoring of the activity and performance of these functions 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 31 December 2021 stands at 334,953, with an overall increase since September 2021. This reporting period sees an increase in the total number of members. The long-term trend over a 12 year period in membership continues to illustrate a move towards a more mature profile whereby, in general, pensioners and deferred memberships continue to rise.

	Membership as at 30 September 2021	Net Movements during the period	Membership as at 31 December 2021
Active Members	111,586	-871	110,715
Deferred Members	113,375	492	113,867
Pensioner Members	109,164	1207	110,371
Total Members	334,125	828	334,953



3.2 Workflow Statistics

- 3.2.1 The process analysis statistics (Appendix A) show details of overall workflow within the Pensions Administration Service during the period 1 October to 31 December 2021. During the period covered by this report, 38,067 administrative processes were commenced and 40,430 processes were completed.
- 3.2.2 As we continue to see an increase in member movements, the workload volumes will also naturally remain high. On 31 December 2021 there were 41,659 items of work outstanding. This represents a decrease of 2,192 items outstanding compared to 30 September 2021 (43,851). Of the 41,659 items of work outstanding, 4,949 items were pending as a result of information awaited from a third party e.g. scheme members, employers or transferring authorities and 36,710 processes are now either proceeding to the next stage of the process or through to final completion.
- 3.2.3 The Fund continues to review the volumes of incoming work and put in place plans to monitor and address high volume areas. Opportunities for bulk processing and streamlining the management of queries back to employers continue to be explored to increase efficiency in processing.
- 3.2.4 Appendix B provides a summary of the key processes completed by volume across benefit operational functions e.g. calculating benefits for retirements, pensioner member data changes as well as the maintenance of updating membership details. This shows the trend of lower joiners and higher leavers and retirements year to date is consistent with the tail off in growth of membership and increase in deferred and pensioner membership.

4.0 Key Performance Indicators (KPIs)

- 4.1 The Fund uses a number of KPIs to measure performance when processing items such as Transfers In and Out, Retirements and Deferred Retirements.
- 4.2 During the period, all KPI year to date are within target, with two not achieving target in the quarter to 31 December 2021, as follows:
- Notification of Transfer In membership
 - Four cases fell short of the target KPI in November, three of these were due to delays by third parties. Overall, on average, casework was processed within 10 days during the quarter.
 - Notifications of Death Benefits Payable
 - In December 2021, the KPI fell short of the target. On average casework was processed in 3 days against the target of 5, with a couple of longstanding cases impacting the overall KPI.
- 4.3 Further information on achievement of target KPIs by process by month over the reporting period and Scheme year to date is included in Appendix C.

5.0 Customer Services

- 5.1 An overview of our front-line customer contact activity is shown in Appendix D. This outlines the variety and volume of support provided by the Fund to address members' pension queries. An indication of the statistics for the previous year are included within the charts as a comparative measure.
- 5.2 The most popular queries to our contact centre remain as follows:
- Customers following up on an existing Fund process
 - Requests for Pensions Portal support
 - Enquires about accessing pension benefits
 - Request for support with a Fund letter/form
 - Members updating their personal details
- 5.3 There have, unfortunately, during 2021 to date, been absence and vacancies emerging within the Customer Services team which have affected our call handling performance during the year. We have recruited to two vacancies and these staff members are currently completing a detailed induction plan to ensure that training is as efficient as possible. In addition, we are continuing to support and develop the new starters from the last quarter.
- 5.4 Calls and written responses remained stable in October - December enabling the allocation of time for staff training. We have continued to work closely with Member Services to stagger mailings sent to members, with annual benefit statement notifications being sent within this period. Staggering mailings smooths the impact on the contact centre and reduces call queues/written response times, allowing us to better serve our customers and reduce the number of chaser requests received.

6.0 Complaints

- 6.1 The Fund has a complaint monitoring framework, which enables regular monitoring and review of trends impacting performance. Where a complaint highlights an improvement area, this is investigated and monitored to help shape future services and improve overall customer satisfaction going forward. This mirrors the process undertaken for general customer feedback as outlined within the Customer Engagement Update.
- 6.2 Overall the number of complaints received by the Fund is proportionally low compared to the number of scheme members, with 99 complaints received for the last quarter. Of those complaints, 20% were upheld and lessons learned incorporated in training and process development.
- 6.3 Complaint numbers remained higher than average during the last quarter, with a number of complaints received as a result of Guaranteed Minimum Pension (GMP) reconciliation affecting some pensions in payment. The GMP reconciliation process involves comparison of Her Majesty's Revenue and Customs (HMRC) data with the Fund's data, as well as resolving any associated discrepancies in pensions in payment. The reconciliation of GMPs is a statutory exercise and, in accordance with the Local Government Pension Scheme (LGPS) Regulations, the Fund has a legal obligation to pay the correct level of benefits, which is why we have made this adjustment.

6.4 Recognising the unexpected nature of this change, we have endeavoured to provide all members with an extended period of notice ahead of amending pension payments (six months prior to adjustment in March 2022) and the Fund has agreed not to seek to recover any overpayments made up until that date.

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

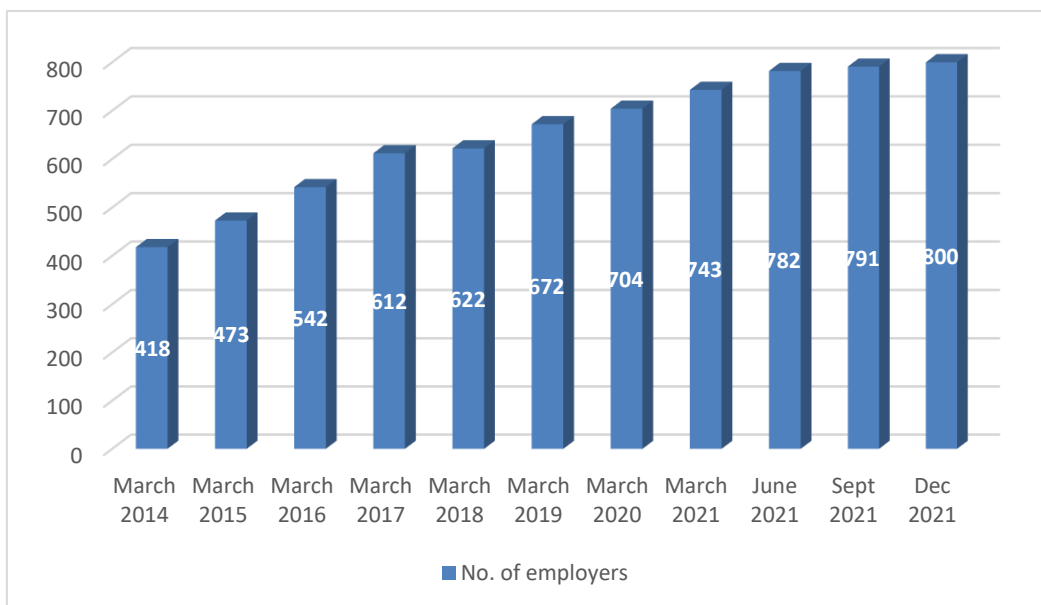
7.0 Internal Dispute Resolution Procedure (IDRP) Casework

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

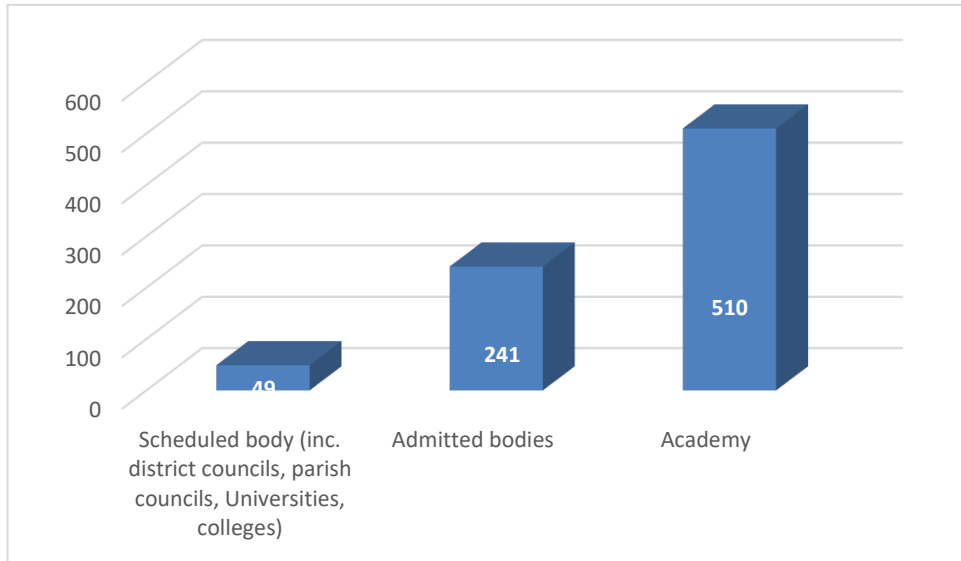
7.2 Five cases have progressed to Stage two of the procedure, four against the Fund of which two were not upheld and two are currently under investigation; and one against the employer which was partially upheld.

8.0 Employer Membership

8.1 The Fund has seen an increase in employer numbers, with the overall number of employers registered with the Fund increasing to 800 at 31 December 2021. This is an increase of 1% from the previous period and a 91% increase since March 2014 as shown in the graph below.



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



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

- 62 admission agreements
- 12 academies
- 41 employer terminations

9.0 Pensions in Payment

9.1 The gross annual value of pensions in payment to December 2021 was £552.1m, £17.0m of which (£7.4m for pensions increase and £9.6m for added year's compensation) was recovered from employing authorities and other bodies as the expenditure was incurred.

9.2 Monthly payroll details were:

Month	Number	Value (£)
October 2021	89,730	40,895,370
November 2021	90,069	41,141,478
December 2021	100,681	41,901,021

The December figure includes pensioners paid on a quarterly basis.

10.0 Overseas Existence Checking

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

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

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

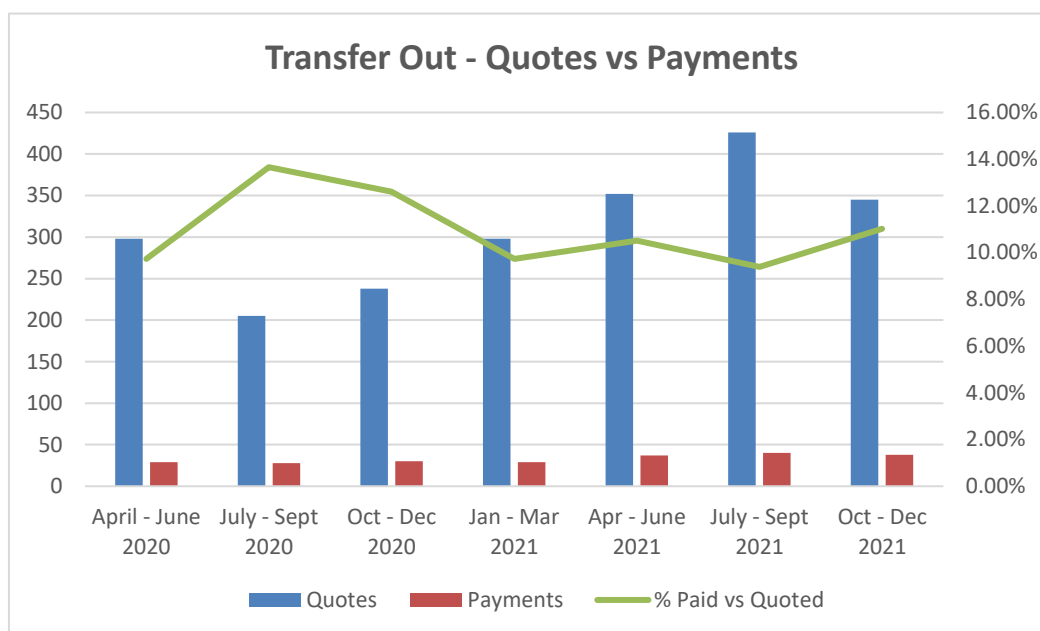
11.0 Transfer Out Cases

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

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

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

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

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 LGPS will contribute the percentage of their pensionable pay as specified in the Regulations. The Fund's actuary will initially, and at each triennial valuation or on joining intervaluation, set an appropriate employer's contribution rate based on the pension assets and liabilities of the individual employer.

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 LGPS 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 Other Potential 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

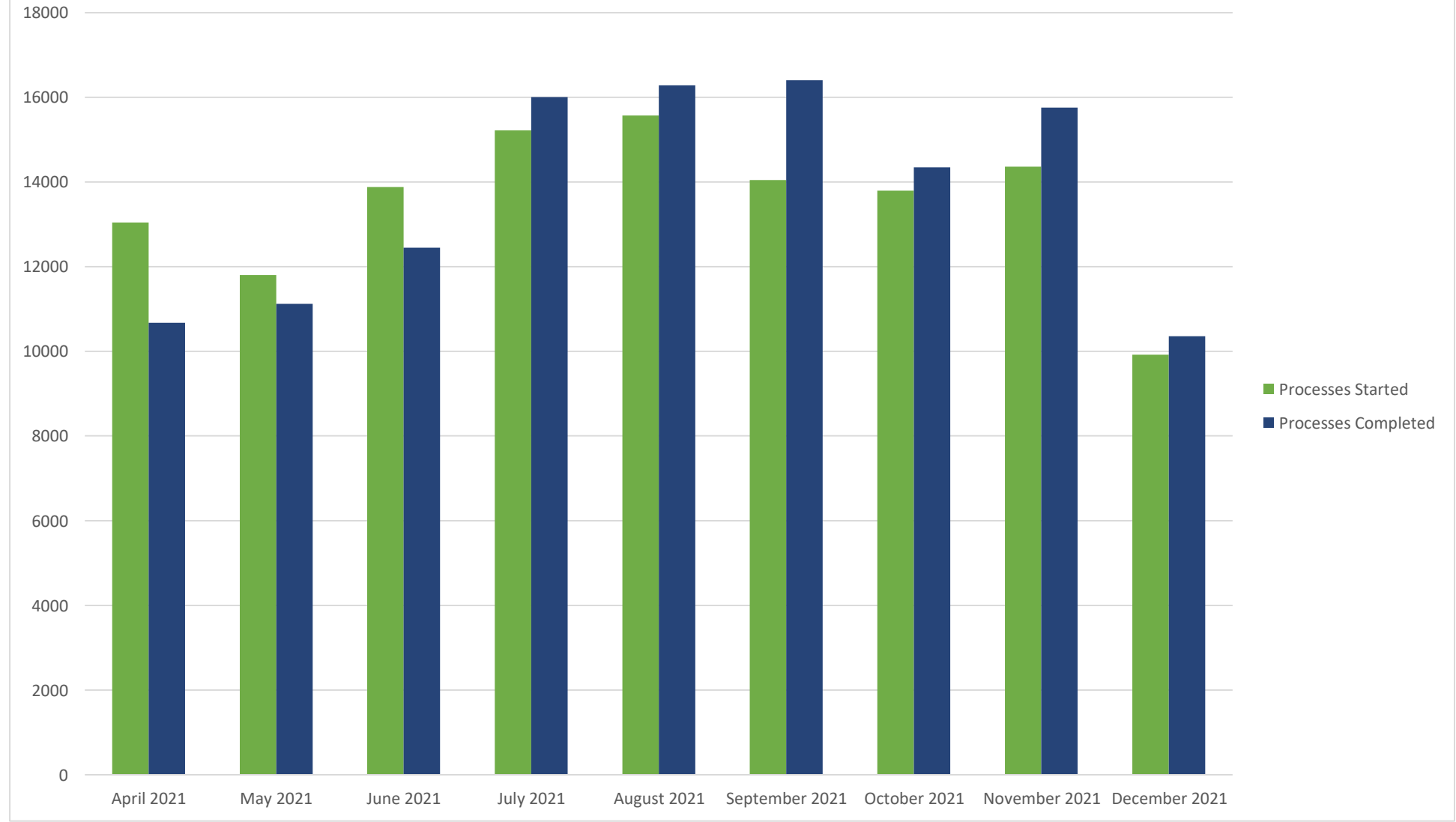
17.2 Appendix B: Detailed Process Analysis

17.3 Appendix C: Key Performance Indicators (KPIs)

17.4 Appendix D: Customer Service Statistics

This page is intentionally left blank

Total Processes Started vs Completed



This page is intentionally left blank

**Pension Committee Statistical Report
Detailed Process Analysis**

APPENDIX B

2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	20/21	April	May	June	July	August	September	October	November	December	YTD
---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	-------	-------	-----	------	------	--------	-----------	---------	----------	----------	-----

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	463	1126	2343	9547
Changes in circumstances eg change in hours	18,759	15,303	12,385	11,273	6,391	8,752	6,370	5386	5725	6658	5161	369	332	445	366	553	467	368	380	266	3546
Deferments	5,939	7,818	5,741	6,728	5,664	8,340	8,178	8629	15934	11994	9444	536	630	1039	1148	989	934	1013	1104	599	7992
Active Retirements (Employer retirements)	3,317	3,950	2,475	2,279	2,351	2,775	2,593	2676	2280	2112	1908	36	209	26	262	254	230	178	167	224	1586
Deferred Retirements	3,332	2,970	2,971	2,726	2,301	3,421	3,552	4429	4814	5071	4844	321	429	722	416	448	430	455	444	450	4115
Deaths of members	295	262	287	285	230	379	399	470	429	441	570	38	41	40	34	30	33	30	30	27	303
Refund										6877	4499	325	328	391	401	507	547	454	520	315	3788
Opt Outs										3585	1228	97	93	92	126	240	95	87	126	58	1014
Amalgamations										11628	8841	545	403	359	556	464	828	490	802	888	5335

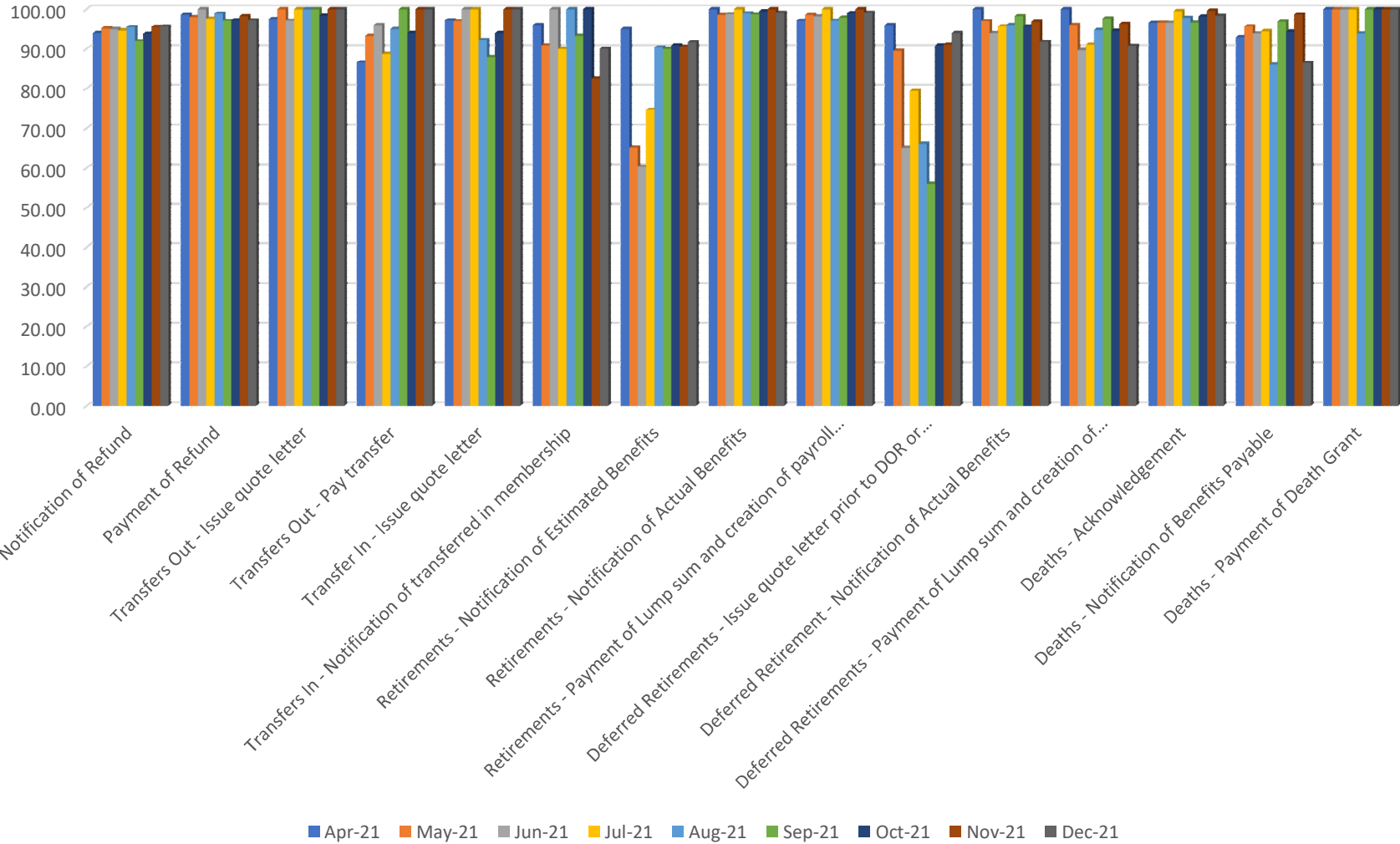
Pensioner members

Process type																					
Changes in circumstances:-																					
Data eg Passwords, NI Numbers	1,310	1,804	1,865	2,017	2,604	4,548	2,427	3105	2694	1953	1761	232	177	138	193	147	195	285	239	296	1902
Changes of Address	2,420	2,681	2,131	1,732	1,733	2,237	2,589	3004	2628	2423	2448	384	415	209	243	221	236	235	200	148	2291
Changes of Bank	2,927	2,531	2,783	3,420	3,281	1,573	2,272	2214	1957	1874	1539	208	201	183	178	179	183	191	179	124	1626
Deaths of pensioners	2,085	2,145	2,101	2,546	2,454	1,702	2,813	2919	2793	2650	3886	254	225	271	244	244	261	256	300	212	2267

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

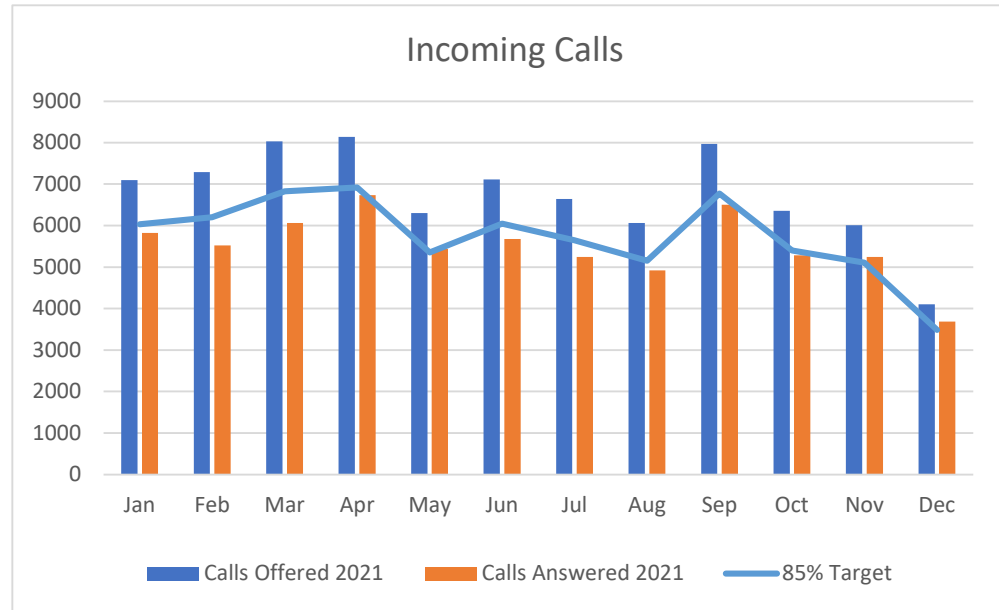
This page is intentionally left blank

KPI's - Benefit Operations



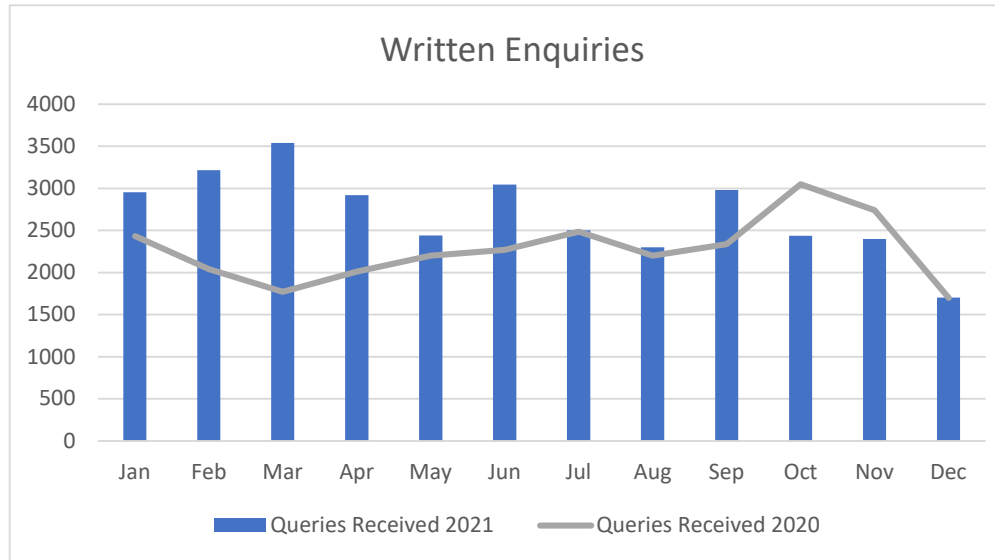
This page is intentionally left blank

Appendix D: Customer Services Statistics
October - December 2021



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Calls Offered 2021	7094	7293	8027	8142	6299	7114	6643	6063	7968	6355	6009	4102
Calls Answered 2021	5822	5523	6065	6733	5437	5675	5247	4919	6505	5281	5242	3686
Calls Offered 2020	8031	6812	5603	5552	5601	6572	6574	5587	7121	6705	5930	4109
Answer Rate (Target 85%)	82.07%	75.73%	75.56%	82.69%	86.32%	79.77%	78.99%	81.13%	81.64%	83.10%	87.24%	89.86%
Percentage increase	-11.67%	7.06%	43.26%	46.65%	12.46%	8.25%	1.05%	8.52%	11.89%	-5.22%	1.33%	-0.17%

Appendix D: Customer Services Statistics



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Queries Received 2021	2953	3217	3541	2921	2441	3043	2502	2299	2980	2437	2398	1701
Queries Received 2020	2431	2039	1770	2011	2199	2270	2485	2202	2338	3049	2741	1699
Percentage increase	21.47%	57.77%	100.06%	45.25%	11.01%	34.05%	0.68%	4.41%	27.46%	-20.07%	-12.51%	0.12%

Report Title	Customer Engagement Update	
Originating service	Pension Services	
Accountable employee	Simon Taylor	Assistant Director (Pensions)
	Tel	01902 554276
	Email	Simon.taylor2@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 engagement activity and informed service development.
2. The specific engagement with Prudential regarding Additional Voluntary Contribution (AVC) provision.

1.0 Purpose

- 1.1 To provide the Board with an update of the Fund's customer engagement activity from 1 October 2021 to 31 December 2021 and to cover future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy.
- 1.2 To also cover more specific elements of engagement including that with Prudential on AVC provision.

2.0 Background

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

3.0 Member Engagement & Communication

- 3.1 The Member Services team continues to deliver member support via digital channels including member webinars, which are followed up with individual telephone consultations as required. The webinars mirror our normal suite of member presentations and during this reporting period **998** members attended our webinars and workshops. These were followed by **256** individual member telephone consultations. Webinars have been scheduled to enable "real-time" interaction with Fund Officers, at various times throughout the day to accommodate attendance around member work commitments. This delivery and the associated feedback are summarised in appendix A.
- 3.2 During this reporting period the team provided **10** satellite support events to **60** hard to reach members who may not normally be able to access our services due to the nature of their work and location, which might include access to web-based delivery (i.e. computer facilities), working hours or 'satellite' locations.
- 3.3 Through the "Be Pension Smart & Take Control of your benefits" campaign the Fund continues to encourage members to view and manage their pension record online using the Pensions Portal. During this reporting period registrations increased by **1,292** bringing the total pension portal registrations to **114,705** at the end of December 2021.
- 3.4 The Fund continues to promote aspects of our work via the social media platform LinkedIn. Since the last reporting period a further **6,732** people have interacted with our articles which is an increase of **662** compared to the last reporting period.
- 3.5 During this reporting period the Fund's member video suite, providing on-demand support and guidance to members, has been expanded to include new videos providing information on Additional Pension Contributions, deferred member retirement planning and updating Fund nomination forms.
- 3.6 A total of **264** Pension Saving Statements were sent to members on the 5 October 2021 who had exceeded the annual allowance limit. The Member Services team followed

these statements up with offering high earners the chance to book on Pension Tax Webinars to which we received a record high of **161** registrations.

- 3.7 The Fund produced its annual “Be Pension Smart newsletter” for our active members. This newsletter was emailed out to **68,649** active members (those we hold email addresses for) during November and put on the Fund’s website. The newsletter contained important updates for members including the opportunity for them be part of a new active engagement forum.
- 3.8 Noting the importance of cleansing data, the Fund wrote out to **4,081** members on the 3rd December 2021 who we believe may have changed their email address. We asked them to update it on the Pensions Portal. The Fund has previously written to **c7,000** members about this and we can report that **c2,900** members have positively engaged with the Fund and updated their email address following the previous letter sent.
- 3.9 The Fund offers bespoke member support to all its employers; we were approached by one large district council to request support with helping members understand the impacts that mandatory leave could have on benefits and to show members how they buy back pension. The Fund created a bespoke support package which included webinars, a video, and an electronic leaflet.
- 3.10 Member information leaflets and videos have been updated and are now being uploaded to the Fund’s website. There have been **362,000** website views in this quarter.
- 3.11 Customer feedback is key to understanding our customer’s journey, highlighting our strengths and any gaps in the service we deliver so that we can continually improve the services we offer. Some service enhancements made over the period includes:
- Revising a number of telephone logs to increase the information available to the Customer Services Team during calls.
 - The procedure for sending outgoing emails to members has been streamlined.

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

4.0 Employer Engagement

4.1 Employer Peer Group

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

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

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

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

4.2 Employer Webinars

4.2.1 The Employer Services team has continued to deliver a programme of employer education over the quarter with a further 7 virtual sessions delivered to 92 attendees representing 361 organisations, some of whom provide payroll services for many other employers within the Fund. The sessions are free to attend and provide a useful refresher for existing staff or as an introduction to processes for those who are new to Fund administration.

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

- Employer discretions
- Ill health retirement processing for employers
- Early retirement estimates and associated strain costs
- Monthly data collection x 2
- Pay and service x 2
- S4 retirements, refunds and deferred x 6
- TUPE requirements
- LGPS basics

4.3 Employer Performance

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

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

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

4.4 McCloud: Employer Support

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

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

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

5.0 Prudential Engagement

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

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

5.3 Early in 2021 the Fund raised several concerns with Prudential about the levels of business performance and customer service. Whilst sympathetic to Prudential's difficulties and the impact the Covid pandemic had on their staffing levels, it was paramount that member experience should be significantly improved.

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

- 5.5 Nonetheless a handful of concerns remain, including escalated individual queries and the production of member annual statements, which Prudential have confirmed will be issued by the end of April 2022 (beyond the statutory deadline of 31 March 2022). This has been escalated by the Fund directly to Prudential, and via collective engagement through the Metropolitan Group of LGPS Pension Funds. Similarly, dialogue and escalation has been undertaken at national level through the LGPS Scheme Advisory Board.
- 5.6 Prudential have self-reported to the Pensions Regulator regarding the breach on member annual statements and the position will continue to be monitored, with regular review and dialogue. Where required, further escalation and evidence of demonstrable action from Prudential will be sought.

6.0 Future Engagement

- 6.1 As the Government guidance has now been relaxed in relation to covid restrictions, from February 2022 the Member Services team have recommenced provision of a hybrid mix of face-to-face and digital member engagement.
- 6.2 From the 17 January 2022 to 1 February 2022, the Member Services Team delivered virtual Pension Roadshows across district councils to explain members annual benefit statements and to encourage them to engage with their benefits. The team delivered **16** digital roadshows which attracted **342** members.
- 6.3 The Member Service team has now recommenced delivering face-to-face roadshows at depot locations across the West Midlands region. Further information on these events will follow in the July Customer Engagement Update report.
- 6.4 On the back of the success of the award won by the Fund for “Pensions Marketing Campaign of the Year” we have expanded our retirement planning support to deferred members. This entails notification to all deferred members as they approach age 55, highlighting a member toolkit they can use and inviting them to a new Pre-Retirement Webinar. Our first invitation was sent out to members on the 28th February 2022, and therefore we aim to provide statistics and feedback in the next report.
- 6.5 March/April is the time of year where we send out P60s and newsletters to our pensioners. This year the pensioner newsletter contains useful information such as pension pay day dates, pensions increase, explaining members P60s and updates on the Fund combatting climate change and much more (appendix B).
- 6.6 The Fund is finding that it can be challenging to locate beneficiary pensioners if they move address and do not inform the Fund, or more unfortunately if they pass away. A campaign has been designed to write out to our 13,000 beneficiary pensioners asking them to complete an alternative contact form so if we lose touch with these members, we can contact their registered alternative contact to locate them.

7.0 Financial Implications

7.1 There are no financial implications associated with this report.

8.0 Legal Implications

8.1 There are no legal implications associated with this report.

9.0 Equalities Implications

9.1 The report contains no direct equalities implications.

10.0 Other Potential Implications

10.1 This report contains no other potential implications.

11.0 Schedule of Background Papers

11.1 None

12.0 Appendices

12.1 Appendix A – Review of Member Events

12.2 Appendix B – Pensioner Newsletter

This page is intentionally left blank

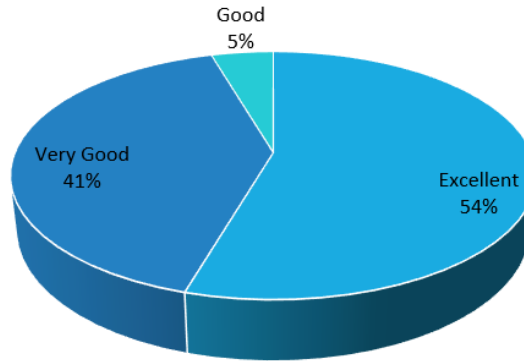
Member Services Webinar Feedback

October – December 2021 164 consultations delivered; 22 members completed our survey.

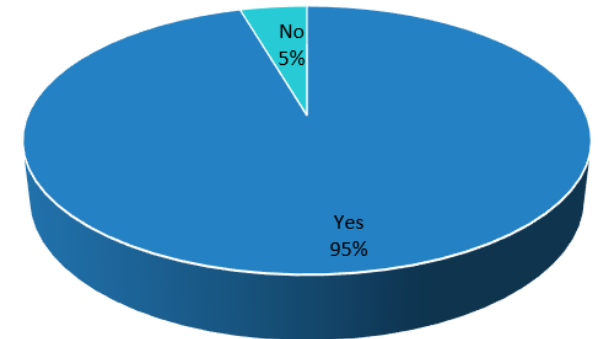
Overall, how would you rate the webinar?



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

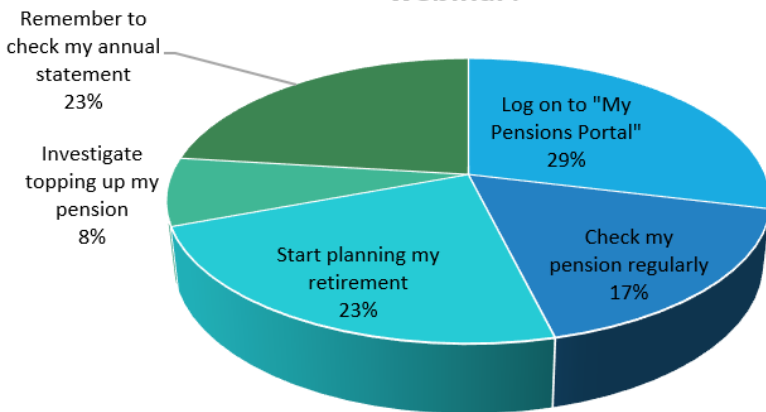


Would you recommend a colleague to attend this type of event?

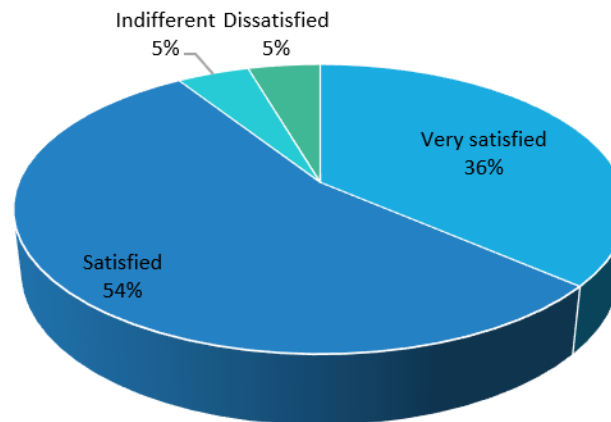


Page 61

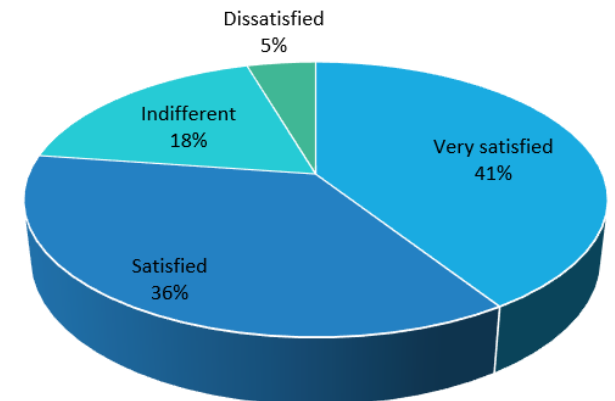
What are you going to do following this webinar?



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



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



This page is intentionally left blank

PENSIONER MEMBER

PENSIONSMART

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

WELCOME TO YOUR 2022 PENSIONER MEMBER PENSION SMART NEWSLETTER.



2022/2023 PENSION PAYMENT DATES

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

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

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

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

YOUR PENSION IS INCREASING – 3.1%

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

CPI is a government index that ensures your pension keeps up with inflation



As the cost of living increases, so does your pension

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

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

P60 End of Year Certificate

Pensioner's National Insurance number		PAYE Reference		Tax Year to 5 April		
		068/W105		2022		
Pensioner's Surname (IN BLOCK CAPITALS) First Two Forenames			Employer's Name and Address			
			West Midlands Pension Fund PO Box 3948 Wolverhampton WV1 1XP			
Pensioner's Payroll Number						
Previous Employment(s)		Pension Paid by Us*		Total For Year		Final Tax Code
Pay	Tax Deducted	Pay	Tax Deducted -R indicates refund	Pay	Tax Deducted	
£ p	£ p	£ p	£ p	£ p	£ p	
Your percentage of standard lifetime allowance (LTA) used is:				%		

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

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

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

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

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

DO NOT DESTROY

P60 (2021-22) Substitute (WMPF)

IMPORTANT DOCUMENT – P60

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

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

Gross Pension Summary

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

Tax Summary

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

Lifetime Allowance (LTA)

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

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

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

CHANGING YOUR BANK DETAILS?



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

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

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

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

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

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



Please quote reference number: 068/W105

RETURNED PAYMENTS

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

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



HAVE YOU MOVED ADDRESS?

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

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



ANNUAL LIFE CERTIFICATION - OVERSEAS MEMBERS

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

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

This exercise will be repeated again this year.



To ensure we can monitor responses and make any amendments to our records, you will be given a timeframe in which to respond. Where a member doesn't respond to the annual

certification request, and they have not contacted Target to advise them of an issue regarding meeting the timescales for response, then the pension will be suspended until we can verify the scheme member. This is to ensure all pension payments are accurate, please be assured we will not suspend your pension without reasonable justification.

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



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

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

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

ALTERNATIVE CONTACT FORM FOR BENEFICIARY PENSIONERS

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

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

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

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



West Midlands Pension Fund	
ALTERNATIVE CONTACT FORM	
Please provide details of your alternative contacts and ask them to sign at the bottom of the section.	
YOUR DETAILS	
Your Name	<input type="text"/>
Your Date of Birth	<input type="text"/>
Pension Reference Number	<input type="text"/>
CONTACT 1	
Name	<input type="text"/>
Relationship to you (if any)	<input type="text"/>
Address	<input type="text"/>
Telephone Number	<input type="text"/>
Signature	<input type="text"/>
CONTACT 2	
Name	<input type="text"/>
Relationship to you (if any)	<input type="text"/>
Address	<input type="text"/>
Telephone Number	<input type="text"/>
Signature	<input type="text"/>
<small>I warrant that the information given on this form will be stored in accordance with relevant Data Protection legislation and that I have the right to request the information. For more information on how the Fund manages your personal data, please visit West Midlands Pension Fund - Privacy Policy (www.wmpfonline.com) That my West Midlands Pension Office can be contacted via email at wmpfdp@pensionservices.co.uk or wmpfdp@wolverhampton.gov.uk Upon completion, return to West Midlands Pension Fund, PO Box 3948, Wolverhampton WV1 1XP</small>	

OVERSEAS BANK ACCOUNTS

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

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

Alternatively, you can contact us for a form.



NATIONAL FRAUD INITIATIVE

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



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

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

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

TEA & TEACH

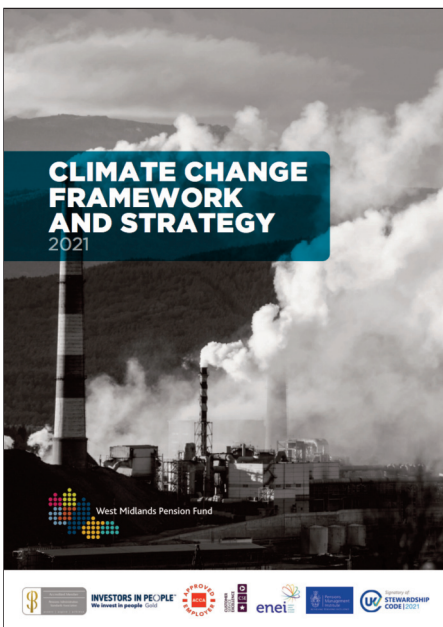
Back in 2019, before the pandemic, the Fund hosted our first 'Tea and Teach' event which was held at Wolverhampton Art Gallery. This was an opportunity for pensioner members to come along and have a cup of tea or coffee and chat with Fund officers about their pension. The event was a success and we were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

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



CLIMATE CHANGE

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



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

Over the next five years to 2026, we will:

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



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

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

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

PENSIONER ENGAGEMENT FORUM - YOU SAY, WE DO!

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

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



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

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

POWER OF ATTORNEY

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

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

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

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

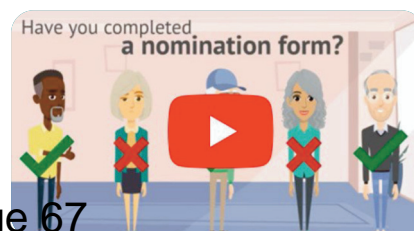


ARE YOUR NOMINATED BENEFICIARIES UP TO DATE?

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

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

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





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

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

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

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

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

Deadline for all entries is the 30 May 2022.

Full name:

Contact number:

Email address:

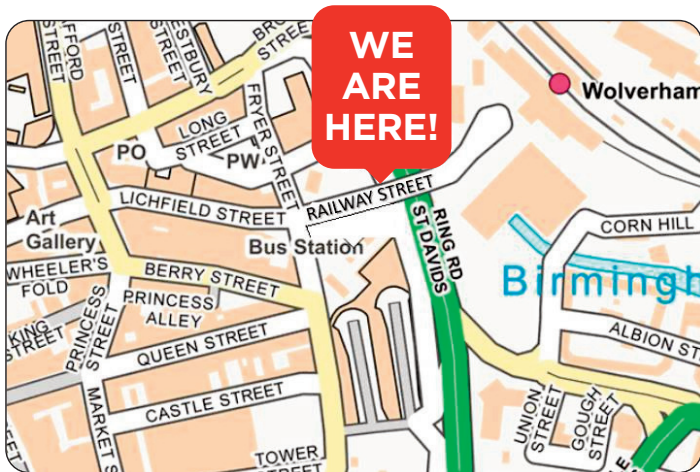


WEST MIDLANDS PENSION FUND IS MOVING OFFICES!

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

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

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



MCCLLOUD UPDATE

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

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

Over the past six months, the Fund have been liaising with employers to

ensure we have the key information to enable impacted members to be identified and once the regulations have been received, we will be working towards the implementation timescales.

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

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



ARE YOU MANAGING YOUR PENSION ONLINE?

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

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

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

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

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

IF YOU NEED ADDITIONAL SUPPORT

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



SIGNPOSTING SUPPORT

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



citizensadvice.org.uk
0345 404 0506



unbiased.co.uk
0333 271 7513



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



ageuk.org.uk/care
0800 055 6112



www.alzheimers.org.uk
0207 605 4200



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



www.moneyhelper.org.uk
0800 011 3797



www.independentage.org
0207 605 4200

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



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



www.wmpfonline.com/contactus



www.wmpfonline.com



Dedicated member helpline:
0300 111 1665

Be Pension Smart!
and take control of your pension today

CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 26 April 2022
--	--

Report title	External Audit Plan 2022	
Originating service	Pension Services	
Accountable employee	Femi Olatunde	Head of Finance (Interim)
	Tel	01902 551715
	Email	Femi.Olatunde@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 management responses to questions from the external auditors, Grant Thornton LLP, as part of their audit planning.
2. The external audit plan for the 2021/2022 Annual Report and Accounts as prepared by Grant Thornton [Appendix A].

1.0 Purpose

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

2.0 Background

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

3.0 Audit of Accounts 2021/22

- 3.1 Two documents prepared by Grant Thornton are appended to this report:
- *The Audit Plan [Appendix A]* – this sets out the scope and timing of Grant Thornton's proposed work on the external audit along with other relevant information.
 - *Informing the Audit Risk Assessment [Appendix B]* – this document sets out some of the potential areas of risk with regard to the Annual Report and Accounts. In accordance with auditing standards, Grant Thornton are required to formally seek the views of the Pension Committee on these areas. The document provides management responses to a number of questions posed by the auditor and the Pension Committee has been invited to consider whether these responses are consistent with its own understanding and if it has any further comments to make on these matters.
- 3.2 *Informing the Audit Risk Assessment* considers themes of particular relevance to the external audit under five areas:
- General Enquiries of Management.
 - Fraud Risk Assessment.
 - Impact of Laws and Regulations.
 - Related Party Considerations.
 - Accounting Estimates Considerations.
- 3.3 The ultimate outcome of Grant Thornton's work will be an opinion on the Fund's Annual Statement of Accounts and Annual Report.
- 3.4 The audited Statement of Accounts, including the audit opinion, will be presented for Pension Committee's formal approval in September ahead of this year's statutory deadline for publication by 30 September.

4.0 Financial Implications

- 4.1 External audit of the Annual Report and Accounts is a fundamental part of the system of

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

5.0 Legal Implications

5.1 This report contains no direct legal implications.

6.0 Equalities Implications

6.1 This report contains no equalities implications.

7.0 Other Potential Implications

7.1 This report contains no other potential implications.

8.0 Schedule of Background Papers

8.1 None.

9.0 Schedule of Appendices

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

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

This page is intentionally left blank

West Midlands Pension Fund Progress Report and indicative audit risks

Year ending 31 March 2022

23 March 2022

page 75



Contents



Your key Grant Thornton team members are:

Grant Patterson

Key Audit Partner

T 0121 232 5296

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

David Rowley

Manager

T 0121 232 5225

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

Ben Stevenson

In-Charge Auditor

T 0121 232 5286

E ben.stevenson@uk.gt.com

Section

Introduction

Financial Statements Audit 2021/22

Audit Deliverables

FRC annual report

Auditing developments

Sector Update

Page

3

4

5

6

8

9

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

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Introduction

This document provides an overview of the indicative planned scope and timing of the statutory audit of West Midlands Pension Fund ('the Fund') for those charged with governance. It sets out the risks that we anticipate will drive the focus of our audit based on our knowledge of the Fund from the prior year and discussions with management. It is important to note that our risk assessment is an iterative process and we will revisit our assessment on an ongoing basis bringing any new risks to your attention if and when they arise.

We will provide our formal Audit Plan for consideration subsequent to conclusion of planning and interim procedures and anticipate presenting this to the Pensions Committee in June 2022.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed engagement letter and addendum to the contract. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Pensions Committee.)

The audit of the financial statements does not relieve management or the Pensions Committee of your responsibilities. It is the responsibility of the Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Fund's business and is risk based.



Financial Statements Audit 2021/22

Materiality

The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We have set an outline planning materiality based on the Fund's September 2021 valuation adjusted downwards by approximately 10% to reflect market conditions as a result of the Ukraine crisis. We are currently working to planning materiality of £180m (performance materiality; £126m)

Informing the audit risk assessment

To inform our planning we attach with this report responses from management to a series of questions posed across the themes of fraud, laws and regulations, going concern, related parties and accounting estimates.

Significant risks

Although we have started our planning work we are not at a stage where we can formally confirm the significant risks that we will be auditing. However, the sections below indicate likely areas that we expect our work to focus on.

Presumed significant risks

ISA (UK) 240 includes two presumed risks as follows:

- Revenue recognition may be misstated due to the improper recognition of revenue. This is a rebuttable risk if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. We will consider the risk factors set out in ISA240 and the nature of the revenue streams at the Fund to determine whether there is a risk of fraud from revenue recognition. We are cognisant that the revenue funding for the Fund this year continues to fluctuate as a result of variable deficit and other contributions payment profiles from member employers and we will be documenting the business processes of these streams as part of our planning procedures to help inform our consideration of the revenue recognition risk.
- The risk of management over-ride of controls is present in all entities. The need to achieve a particular financial outturn could potentially place management under undue pressure in terms of how they report performance.

Valuation of Direct Property holdings and other Level 3 investments – The Fund revalues its property portfolio and other investment holdings throughout the year to reflect the most up to date position. To achieve this, the Fund requests valuations from its property valuation experts and fund managers. These valuations represent a significant estimate by management in the financial statements due to the value involved and the sensitivity of this estimates to changes in key assumptions. It is therefore expected that the valuation of these assets will continue to be identified as a significant risk. Due to the distinct nature of Direct Property holdings we will likely continue to treat these as a separate area of focus from the residual balance of level 3 investments and appoint our own auditor's expert to assist our work.

Other expected areas of focus

- The valuation of the former ITA Pension Fund's bulk annuity insurance buy-in is highly subjective due to a lack of observable inputs. We will continue to assess the Fund's own expert and appoint our auditor's expert to assist us in gaining appropriate assurance.
- In line with the Public Audit Forum Practice Note 10 in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition. We do not anticipate there being a significant risk in this regard, but will consider as part of our planning processes and again on receipt of the draft financial statements whether there is an increased level of risk associated with these transactions which would require additional audit effort to be made.
- We have previously provided information to the Committee on the new accounting standard on Estimates. This raises the bar in terms of what both we and management are required to do. This will continue to occur to in 2021/22 and will also apply to any other material estimates made by management.
- Whilst not deemed a significant risk, Level 2 investment valuations, completeness of contributions and completeness of benefits payable will also be areas of focus during the audit.

Audit Deliverables

2021/22 Deliverables	Planned Date	Status
<p data-bbox="120 347 629 379">Audit Plan and Interim Audit Findings</p> <p data-bbox="120 395 1541 531">We are required to issue a detailed audit plan to the Pensions Committee and the City of Wolverhampton's Audit & Risk Committee setting out our proposed approach in order to give an opinion on the Fund's 2021/22 financial statements. Where there are findings from our interim audit to report we will incorporate those within our Audit Plan or Progress Reports.</p>	June 2022	Not yet due
<p data-bbox="120 560 416 592">Audit Findings Report</p> <p data-bbox="120 608 1167 635">The Audit Findings Report will be reported to the September Pensions Committee.</p>	September 2022	Not yet due
<p data-bbox="120 663 338 695">Auditors Report</p> <p data-bbox="120 711 824 738">This includes the opinion on your financial statements.</p>	September 2022	Not yet due
<p data-bbox="120 767 1144 799">AS 19 Assurance Reports to NAO Code of Audit Practice Employer Auditors</p> <p data-bbox="120 815 1572 874">We receive requests for assurances from other auditors. We respond to these on conclusion of sufficient work on the Fund's Statement of Accounts.</p>	September 2022	Not yet due

Audit team changes

Your in-charge auditor for 2020/21 has left the Firm. Ben Stevenson has taken up the role. Ben has been introduced to your team and is looking forward to the opportunity of working with you.

Financial Reporting Council annual report

On 29 October, the Financial Reporting Council (FRC) published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here:

[FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

Our file review results

The FRC reviewed nine of our audits this year. It graded six opinion files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our "Opinion" results over the past three years are shown in the table below:

Grade	Number 2020/21	Number 2019/20	Number 2018/19
Good with limited improvements (Grade 1 or 2)	6	1	1
Improvements required (Grade 3)	3	5	2
Significant improvements required (Grade 4)	0	0	1
Total	9	6	4

Our "VFM" results over the past two years are shown in the table below. The FRC did not review VFM in 2018/19:

Grade	Number 2020/21	Number 2019/20
Good with limited improvements (Grade 1 or 2)	6	6
Improvements required (Grade 3)	0	0
Significant improvements required (Grade 4)	0	0
Total	6	6

Financial Reporting Council annual report (continued)

Quality Assurance Department (QAD) Reviews

In addition to the reviews undertaken by the FRC on major local audits, the QAD team from the ICAEW undertake annual reviews of non-major local audits as well as reviews of Foundation Trusts on behalf of NHSE&I.

The QAD reviewed five of our audits this year and graded all of them (100%) as 'Satisfactory / generally acceptable' for both the financial statements and VFM elements of the audit, which is the highest grading.

Grade	Number 2020/21	Number 2020/19	Number 2019/18
Satisfactory / generally acceptable	5	6	2
Improvement required	0	1	0
Significant improvement required	0	0	0
Total	5	7	2

Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID-19, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis.

As auditors we have shown compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Having formal internal consultations when considering complex technical issues.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

Conclusion

Local audit plays a critical role in the way public sector audits and society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.

Auditing developments

There are changes to the following ISA (UK):

- ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement' - This will impact audits of financial statement for periods commencing on or after 15 December 2021.
- ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements' - This will impact audits of financial statement for periods commencing on or after 15 December 2022.
- ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements' This will impact audits of financial statement for periods commencing on or after 15 December 2021.

A summary of the impact of the key changes on various aspects of the audit is included below:

Area of change	Impact of changes
Risk assessment	<ul style="list-style-type: none"> • The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	<ul style="list-style-type: none"> • Greater responsibilities, audit procedures and actions are assigned directly to the engagement lead, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	<ul style="list-style-type: none"> • The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	<ul style="list-style-type: none"> • The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	<ul style="list-style-type: none"> • The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	<ul style="list-style-type: none"> • The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

Sector Update

Funds and Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

Levelling up White Paper – Department for Levelling Up, Communities and Housing (“DLUCH”)

On 2 February the Department for Levelling Up, Communities and Housing (“DLUCH”) published its Levelling Up White Paper.

The paper states “Levelling up requires a focused, long-term plan of action and a clear framework to identify and act upon the drivers of spatial disparity. Evidence from a range of disciplines tells us these drivers can be encapsulated in six “capitals”:

Page 84

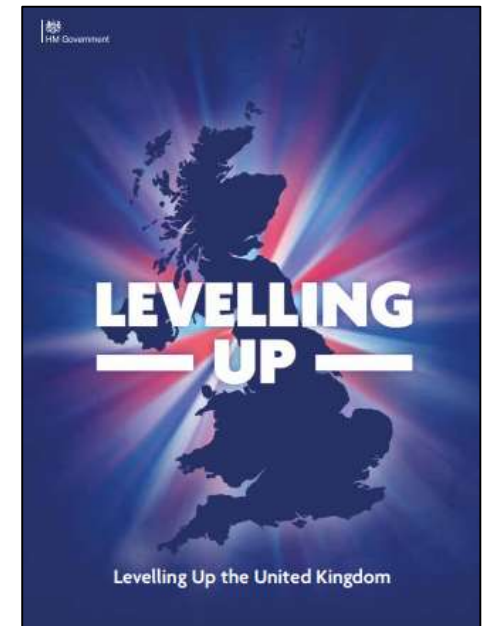
- Physical capital – infrastructure, machines and housing.
- Human capital – the skills, health and experience of the workforce.
- Intangible capital – innovation, ideas and patents.
- Financial capital – resources supporting the financing of companies.
- Social capital – the strength of communities, relationships and trust.
- Institutional capital – local leadership, capacity and capability.”

The paper also states “This new policy regime is based on five mutually reinforcing pillars.” These are set out and explained as:

- 1) The UK Government is setting clear and ambitious medium-term missions to provide consistency and clarity over levelling up policy objectives.
- 2) Central government decision-making will be fundamentally reoriented to align policies with the levelling up agenda and hardwire spatial considerations across Whitehall.

- 3) The UK Government will empower decision-makers in local areas by providing leaders and businesses with the tools they need.
- 4) The UK Government will transform its approach to data and evaluation to improve local decision-making.
- 5) The UK Government will create a new regime to oversee its levelling up missions, establishing a statutory duty to publish an annual report analysing progress and a new external Levelling Up Advisory Council.

[Levelling Up the United Kingdom - GOV.UK](https://www.gov.uk/levelling-up)
(www.gov.uk)



Grant Thornton – reaction to Levelling up White Paper

On 2 February the Department for Levelling Up, Communities and Housing (“DLUCH”) published its Levelling Up White Paper.

Commenting on the release of the government’s Levelling up White Paper plans, Phil Woolley, Head of Public Sector Consulting, Grant Thornton UK LLP, said:

“The publication of today’s White Paper plans is a welcome first step and it is reassuring to see the government recognise the need for systemic changes in order to deliver its central aim of Levelling up. The ‘12 missions’ can be seen as an attempt to consolidate existing elements of government activity behind a singular banner and now provides a clearer picture of the levelling up opportunity.

“Following a decade of successful regional devolution and mayors, the White Paper marks the next stage of the country’s devolution journey. With government now offering a clear framework of devolved powers and accountability, local leaders will need to embrace the opportunity and collaborate across the public and private sector to ensure they negotiate and then deliver the best deal for their communities. Grant Thornton’s Levelling Up Index shows that the economies of the 10 worst performing local authorities in England are on average over five times smaller than their best performing counterparts - highlighting the scale of the challenge ahead.

“To level up, these areas would need to grow their economies by £12billion, increase employment rates by 6 percentage points, create 1,700 new businesses a year and increase average weekly pay by £200. It is too early to determine whether the measures announced today will be sufficient, but it is a start. Success will ultimately depend on the ability and willingness of local and national government to translate these new frameworks into meaningful change in people’s lives.

“The Spending Review offers the next opportunity for government to show its commitment by realigning departmental objectives behind these new goals.”

Government response to MHCLG Select Committee report on Local Authority financial sustainability & the section 114 regime – MHCLG

Government has published a response to the Housing, Communities & Local Government (HCLG) Committee report on local authority financial sustainability and the section 114 regime, published in July.

The HCLG report states “In recent years, the financial sustainability of local government has faced successive challenges, including increased demand for services, especially social care, changes to the level of funding equalisation between councils and, most recently, the COVID-19 pandemic.

In some instances, councils have been in such acute financial trouble that they have approached the Ministry of Housing, Communities and Local Government for financial assistance; three of these—Northamptonshire in 2018, Croydon in late 2020 and Slough in July 2021—issued section 114 notices, essentially declaring they had run out of money. Our inquiry has sought to identify the most serious threats facing local councils’ finances. In light of the various factors we consider in the report, including the somewhat delayed Fairer Funding Review, renewed discussion about property taxes and the need to reform funding for social care, the time is right to consider a more radical review of local government finances—and our report makes various recommendations about how this should be done. We also consider what happened at Croydon—which prompted us to look at the section 114 regime—in the annex to our report.”

The report includes sections on:

- Social Care
- Funding
- COVID-19
- Local authority commercial investment
- Audit and control

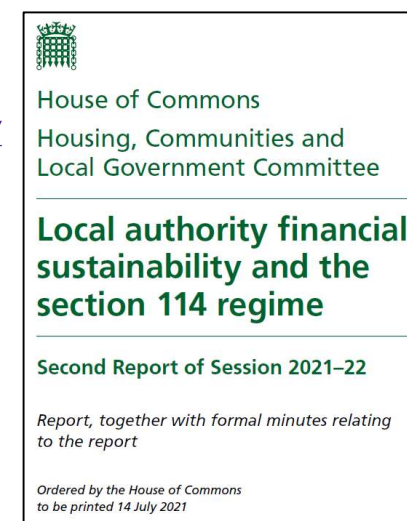
The report made 13 recommendations, and the Government response to these was published in October. The response notes “Moving forward, we will work to provide the sector with a sustainable financial footing, enabling it to deliver vital frontline service and support other government priorities. We will also take stock, including of the impact of the pandemic on local authority resources and service pressures, to determine any future reforms.”

The initial report can be found here:

<https://committees.parliament.uk/publications/6777/documents/72117/default/>

Government response can be found here:

<https://www.gov.uk/government/publications/local-authority-financial-sustainability-and-the-section-114-regime>



Emergency consultation on 2021/22 reporting requirements – CIPFA

On 4 February CIPFA released an emergency four week consultation on time limited changes to the Code to help alleviate delays to the publication of audited financial statements. This explores two possible changes that might be made as an update to the 2021/22 code and to the agreed position in the 2022/23 code.

The decision to launch the consultation came after the Department for Levelling up, Housing and Communities (DLUHC) asked CIPFA to consider amendments to the Code of Practice on Local Authority Accounting, after just 9% of local audits for 2020-21 were published on time.

After considering a wide range of options CIPFA LASAAC decided to explore two approaches:

1) An adaptation to the code to allow local authorities to pause professional valuations for operational property, plant and equipment for a period of up to two years (though the initial proposal is for the 2021/22 financial year); this approach also explores the use of an index to be used to increase or reduce that valuation

Deferring the implementation of IFRS 16 Leases for a further year and reversing the planned changes to the 2022/23 code to implement that standard.

CIPFA Chief Executive Rob Whiteman said: “DLUHC is understandably concerned about this growing crisis – and CIPFA shares this concern. We are committed to supporting CIPFA LASAAC in its exploration of the options that may improve timeliness issues, without significantly impacting accountability. But this is a difficult issue, and we need feedback from stakeholders on whether and how this might work.”

CIPFA said that the changes do not represent the best form of financial reporting for local authorities, but are a “temporary expedient to help improve an unacceptable situation”.

The consultation closed on Thursday 3 March. Any updates to the Code are subject to oversight by the Financial Reporting Advisory Board before implementation.

The consultation can be found here:

<https://www.cipfa.org/policy-and-guidance/consultations/emergency-proposals-for-update-of-202122-and-202223-codes>

Summary of the Grant Thornton response

Property, Plant & Equipment Valuations

In principle we are very supportive of changes to the measurement basis for operational property, plant and equipment. However our view is that it is too late to effect change for the 2021/22 reporting cycle. Our response highlighted a number of difficulties with this approach, including the risk that some assets then fall outside of the requirement to be revalued every five years as a minimum, and the challenge of consistent application of indexation. The proposed amendments to the Code do not appear to override the requirement that the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period, which stems from IAS 16:31. If the financial reporting requirements are not sufficiently tightly defined and auditors therefore cannot obtain sufficient and appropriate audit evidence to support this requirement, there is a risk that audit opinions could be modified as a result.

Deferral of IFRS 16 - Leases

The removal of the requirement for disclosure (based upon IAS 8) in 2021/22 is not likely to have a significant impact in terms of freeing up auditor time and audit work covering the disclosures in 2022/23 would then be required in the 2022/23 audit. Savings to preparer time and effort would depend on what progress has already been made in preparing for the imminent implementation of IFRS 16.

17 March 2022 Update

CIPFA/LASAAC published its preliminary decision and feedback statement in response to the emergency Code consultation on 17 March 2022:

- CIPFA/LASAAC has decided not to progress any of the proposals around pausing formal valuation of assets.
- At this stage, CIPFA/LASAAC is pursuing the proposal on deferring IFRS 16 – however, it should be noted that this is subject to approval by the Financial Reporting Advisory Board.

The CIPFA/LASAAC feedback statement can be found at:

<https://www.cipfa.org/policy-and-guidance/cipfa-lasaac-local-authority-code-board>

Climate change risk: A good practice guide for Audit and Risk Assurance Committees – NAO

The National Audit Office (NAO) has published this guide to help Audit Committees recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks.

The NAO comment “Audit and Risk Assurance Committees (ARACs) play a key role in supporting and advising the board and Accounting Officer in their responsibilities over risk management.

This guide will help ARACs recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks. We have outlined specific reporting requirements that currently apply.

Our primary audience is ARAC chairs of bodies that we audit, but the principles of the guide will be relevant for bodies across the wider public sector. It promotes good practice and should not be viewed as mandatory guidance.

Climate change and the nature of its impacts on organisations globally is changing rapidly. This guide acknowledges the evolving nature of climate change and its associated risks and opportunities and will be refreshed in the future to reflect those changes.”

The guide includes sections on “How to support and challenge management”. This includes sections on governance and leadership; collaboration; risk identification and assessment; risk treatment, monitoring and reporting and continual improvement. There is also a “Complete list of questions that Audit and Risk Assurance Committees can ask” for each of these areas. The guide also includes “Key guidance and good practice materials” with links.



The report can be found here:

[Climate change risk: A good practice guide for Audit and Risk Assurance Committees - National Audit Office \(NAO\) Report](#)

Local government and net zero in England – NAO

The National Audit Office (NAO) report responds to a request from the Environmental Audit Committee to examine local government and net zero. It considers how effectively central government and local authorities in England are collaborating on net zero, in particular to:

- clarify the role of local authorities in contributing to the UK’s statutory net zero target; and
- ensure local authorities have the right resources and skills for net zero.

The NAO comment “While the exact scale and nature of local authorities’ roles and responsibilities in reaching the UK’s national net zero target are to be decided, it is already clear that they have an important part to play, as a result of the sector’s powers and responsibilities for waste, local transport and social housing, and through their influence in local communities.

Government departments have supported local authority work related to net zero through targeted support and funding. However, there are serious weaknesses in central government’s approach to working with local authorities on decarbonisation, stemming from a lack of clarity over local authorities’ overall roles, piecemeal funding, and diffuse accountabilities. This hampers local authorities’ ability to plan effectively for the long-term, build skills and capacity, and prioritise effort. It creates significant risks to value for money as spending is likely to increase quickly.

MHCLG, BEIS and other departments recognise these challenges and are taking steps to improve their approach. Their progress has understandably been slowed by the COVID-19 pandemic, but there is now great urgency to the development of a more coherent approach.”

Key findings include:

- Central government has not yet developed with local authorities any overall expectations about their roles in achieving the national net zero target.
- There is little consistency in local authorities’ reporting on net zero, which makes it difficult to get an overall picture of what local authorities have achieved.
- Neither MHCLG nor HM Treasury has assessed the totality of funding that central government provides to local government that is linked with net zero.

The report can be found here:

<https://www.nao.org.uk/report/local-government-and-net-zero-in-england/>



Cyber and information security: Good practice guide – NAO

The National Audit Office (NAO) has published this guide to help Audit Committees scrutinise cyber security arrangements. To aid them, this guidance complements government advice by setting out high-level questions and issues for audit committees to consider.

The NAO state “Audit committees should gain the appropriate assurance for the critical management and control of cyber security and information risk.

Cyber security is the activity required to protect an organisation’s data, devices, networks and software from unintended or unauthorised access, change or destruction via the internet or other communications systems or technologies. Effective cyber security relies on people and management of processes as well as technical controls.

Our guide supports audit committees to work through this complexity, being able to understand and question the management of cyber security and information risk.

It takes into account several changes which affect the way in which we interact with and manage our information and can drive increased risk. These include changes to the way we work and live due to the COVID-19 pandemic and the ongoing demand to digitise and move to cloud-based services.

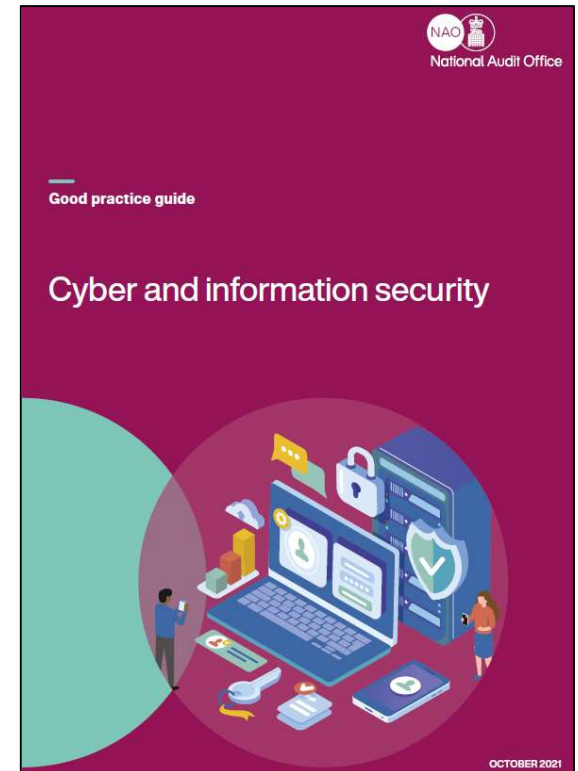
The strategic advice, guidance and support provided by government has also been updated to keep pace with these changes, detailing the impact and risks on the management of cyber security and information risk.

The guide provides a checklist of questions and issues covering:

- The overall approach to cyber security and risk management
- Capability needed to manage cyber security
- Specific aspects, such as information risk management, engagement and training, asset management, architecture and configuration, vulnerability management, identity and access management, data security, logging and monitoring and incident management.”

The report can be found here:

<https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/>





© 2022 Grant Thornton UK LLP.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

This page is intentionally left blank

Informing the audit risk assessment for West Midlands Pension Fund 2021/22

Page 93

Grant B Patterson
Director
T 0121 232 5296
E Grant.B.Patterson@uk.gt.com

David M Rowley
Manager
T 0121 232 5225
E David.M.Rowley@uk.gt.com

Ben Stevenson
Associate
T 0121 232 5286
E Ben.Stevenson@uk.gt.com



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

Table of Contents

Section	Page
Purpose	4
General Enquiries of Management	6
Fraud	9
Fraud Risk Assessment	10
Laws and Regulations	16
Impact of Laws and Regulations	17
Related Parties	19
Accounting Estimates	22
Accounting Estimates - General Enquiries of Management	23
Appendix A – Accounting Estimates	27

Purpose

The purpose of this report is to contribute towards the effective two-way communication between West Midlands Pension Fund's external auditors and the City of Wolverhampton Council's Pensions Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Pensions Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Pensions Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Pensions Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Pensions Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Pensions Committee and supports the Pensions Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Pension Funds's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from West Midlands Pension Fund's management. The Pensions Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?</p>	<p>Following the finalisation of the actuarial valuation as at 31 March 2019, a new certificate of future service contribution rates and past service deficit requirements became effective on 1 April 2020. A number of larger employers elected to pay their full three year future service and past service deficit contributions in advance as lump sums in April 2020. Consequently the 2021/22 accounts will report significantly lower contributions receivable as compared with 2020/21.</p> <p>In addition, the ongoing increase in market values driven by markets based performance to Q3 have the potential to result in higher management costs.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by West Midlands Pension Fund? Have there been any events or transactions that may cause you to change or adopt new accounting policies?</p>	<p>The policies are currently under review in readiness for presentation to Pensions Committee in March 2022.</p>
<p>3. Is there any use of financial instruments, including derivatives?</p>	<p>The Fund has made use of derivatives.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business?</p>	<p>Management are not aware of any significant transaction outside the normal course of business.</p>

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	Management are not aware of changes in WMPF's circumstances that would lead to impairment of non-current assets.
6. Are you aware of any guarantee contracts?	No, the Fund does not provide guarantee to third party contracts.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	No.
8. Other than in house solicitors, can you provide details of those solicitors utilised by West Midlands Pension Fund during the year. Please indicate where they are working on open litigation or contingencies from prior years?	No.

General Enquiries of Management

Question	Management response
9. Have any of the West Midlands Pension Fund's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	None have been reported. The Fund requests AAF reporting from its Fund Managers, there have been no instances reported.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	The Fund's appointed advisors are listed in its Annual Report along with a description of the nature of their relationship to the Fund.

Fraud

Issue

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Pensions Committee and management. Management, with the oversight of the Pensions Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Pensions Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As West Midlands Pension Fund's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Pensions Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Pensions Committee oversees the above processes. We are also required to make inquiries of both management and the Pensions Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from West Midlands Pension Fund's management.

Fraud risk assessment

Page 102

Question	Management response
<p>1. Have West Midlands Pension Fund assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Pension Fund's risk management processes link to financial reporting?</p>	<p>The process for accounts close and budget monitoring take into account the potential risk of fraud, the Fund has adopted a Fraud Risk policy (under review with the new Cyber Strategy adopted by Committee in the year), which requires individual ownership for the reporting of potential fraud. Quarterly finance reports are presented to the Fund's Senior Management Team, Pensions Committee, and Local Pensions Board, the papers of which are available to the Internal Audit team.</p> <p>The Fund has effected its risk management framework through the introduction of operational risk maps owned individually by each service area and reviewed by the Governance and Risk teams. The finance team undertake monthly review of their risk map reporting quarterly to Governance. Risks are collated into the organisational risk presented to Committee and Board on a quarterly basis.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>The Fund has determined that potential fraud by or against pension fund members to be the areas most at risk both in terms of identity and pension scams encouraging members to transfer out to scam schemes.</p> <p>There is the potential for fraudulent claims for monies paid from or due to the Fund in relation to suppliers and investment transactions.</p>

Fraud risk assessment

Question	Management response
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within West Midlands Pension Fund as a whole or within specific departments since 1 April 2021? As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>No</p> <p>The Fund reports on a quarterly basis its risk management to the Pensions Committee and Local Pensions Board noting movements in risks together with horizon scanning potential future events which could impact service delivery. In addition training was provided in October 2021 to the Fund's Governing Bodies on the Fund's approach to reporting and monitoring risks presented in the strategic risk register.</p>
<p>4. Have you identified any specific fraud risks?</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within West Midlands Pension Fund where fraud is more likely to occur?</p>	<p>On a quarterly basis the Fund reports to Committee and Board its compliance monitoring and includes by exception any instances of fraud. No instance of fraud have been reported this year.</p> <p>The Fund continues to enhance its processes for monitoring fraud risk on transfer out and grant payments. The Fund has signed up to the Pension Regulator's pledge on scams to support this work together with launching its Cyber Risk Strategy in 2021. The Fund's internal audit team undertook a review of high value payments to ensure robust controls were in place. no significant issues were identified. In line with these adopted strategies, the Fund is undertaking a review of duties and processes to enhance payment authorisation processes including those for investment transactions.</p> <p>The Fund is aware of potential scam transfer out schemes seeking to scam members of their pension, additional controls have been put in place in response to the requirements of the pensions act 2020.</p>

Fraud risk assessment

Question	Management response
5. What processes do West Midlands Pensions Fund have in place to identify and respond to risks of fraud?	<p>The Fund's Governance Team monitor instances of potential fraud through it's monitoring of safeguarding, data protection and transfer out requests (where individuals are seeking recourse due to lost pension).</p> <p>All employees have been provided with training on data protection and safeguarding and are alert to potential instances of fraud. The Fund has implemented a reporting line to Governance who undertake formal investigation of instances and report them as appropriate to relevant bodies.</p> <p>In addition to the above outlined actions on transfer outs, and in relation to pensioner payroll, the Fund undertakes monthly mortality screening with a third party provider and also participates in the biennial National Fraud Initiative scheme. Any queries identified are investigated and resolved. Together with increase controls on transfer out noted above. The Fund has also undertaken an internal audit review of its large payment process.</p>

Fraud risk assessment

Question	Management response
<p>6. How do you assess the overall control environment for West Midlands Pension Fund, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>The Fund has an outline internal controls framework noting the 3 lines of defence model and how it applies to the Fund. The above references to enhancements in the protection of fraud risk, outline the enhancements made to line 1 processes, the Fund works with internal audit (as line 3) to review changes to processes or service developments seeking additional assurance on the changes and improvements made.</p> <p>The Fund has reviewed it's internal delegations to senior officers with limits and controls on level of authority and sign off to provide separation of responsibilities from decision makers to consultees.</p> <p>The Fund has adopted a conflicts of interest policy for its Governing Body members and is awaiting response from DLUHC on proposed changes recommended by the Scheme Advisory Board (SAB) for the LGPS, to the requirements of the policy arising from the SAB's good governance review.</p> <p>The Fund's risk management process identifies actions and controls in the mitigation of risk.</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>As outlined above, the Fund has a controlled process for the reporting and preparation of financial statements.</p>

Fraud risk assessment

Question	Management response
<p>8. How do West Midlands Pension Fund communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p> <p>Have any significant issues been reported?</p>	<p>The Pension Fund follows the Council's Whistle Blowing policy and guidelines. The Whistle Blowing policy is available to the public and all contractors. The terms and conditions within Pension Fund contracts also include ethical considerations for contractors and suppliers. The vision and values for the Pension Fund identify the need for staff to act with integrity in all undertakings and presented to all employees as part of their induction into the Fund. The Fund is in the process of developing a local framework which seeks to enhance the CWC policies in response to the Scheme Advisory Board recommendation to have a conflicts of interest policy for officers of the Fund.</p> <p>Employees are encouraged to report their concerns about fraud as set out in the speaking up about wrongdoing (Whistle Blowing) policy and the Council's Counter Fraud, Bribery and Anti-Corruption Strategy.</p> <p>The Fund is in the process of updating its compliance manual to reflect current working protocols and arrangements where additional enhancements have been made (e.g. as outlined in fraud risk and cyber controls), together with officer responsibilities reflecting recent changes in team roles and delegations.</p> <p>As part of annual compliance training and new employee inductions, all employees are provided with information regarding their duties as an employee, including their responsibilities on data protection and safeguarding and to highlight any concerns.</p> <p>None have been reported this year.</p>
<p>9. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>High risk posts are identified as those with access to financial systems and with responsibility for authorising payments. A staff structure chart can be provided on request.</p> <p>In addition the Council identifies roles which have the potential to influence or shape decisions, those posts are designated politically restricted, in addition, all roles above heads of service are required to complete an annual declaration of interest.</p>
<p>10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>The Fund adheres to procurement rules and procedures in relation to the award of contracts and payments. The process requires suppliers to identify relationships with Council employees or Councillors. In addition, employee contracts require individuals to notify of any conflicts of interest which may arise in procurement. the Council's monitoring officer keeps a record of personal interests of employees.</p> <p>All suppliers are named in the Fund's annual accounts</p>

Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Pensions Committee?</p> <p>How does the Pensions Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>The Fund partakes in the National Fraud Initiative. The mortality screening of members is an element of this initiative as are its overseas members existing checks. The Fund links in with other LGPS Authorities through the national database to ensure there is no duplication of benefit payments.</p> <p>The Fund is in the process of updating and reviewing its fraud risk policies in light of the above stated enhancements and following the adoption of the cyber risk strategy.</p> <p>The Fund's Governing Bodies receive annual training on the Fund's risk management approach (the latest in October 2021). They receive a report each quarter on the risk activity and management together with quarterly compliance reporting on statutory compliance. The Fund reports to Governing Bodies on a quarterly basis its compliance monitoring activity.</p> <p>The Fund's Governing Bodies have raised no concern on the process for managing risk.</p>
<p>12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>Management are not aware of any whistle blowing complaints in relation to the Pension Fund.</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>None.</p>

Law and regulations

Issue

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Pensions Committee, is responsible for ensuring that West Midlands Pension Fund's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Pensions Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does West Midlands Pension Fund have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Pension Fund's regulatory environment that may have a significant impact on the Pension Fund's financial statements?</p>	<p>The Fund's Governance team support service areas through relevant internal committees in the monitoring and assessment of change management and regulatory implementation.</p> <p>Regular training is delivered to the Fund's governing bodies (training hours are recorded in the annual report) hosted by external experts on relevant topics.</p> <p>The Internal Audit support in assessing at the 3rd line the Fund's compliance both with statutory requirements and best practice, compliance report by exception to senior management and committee on any breaches (including non compliance with statutory deadlines such as FOI).</p> <p>None.</p>
<p>2. How is the Pensions Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The Pensions Committee receive reports of compliance from officers who are suitably qualified. Any non compliance would be reported to management and the Pensions Committee via Internal Audit reports.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements?</p>	<p>There has been no known instance of non-compliance or suspected non-compliance with laws and regulations.</p>

Page 109

Impact of laws and regulations

Question	Management response
4. Is there any actual or potential litigation or claims that would affect the financial statements?	None known
5. What arrangements does West Midlands Pension Fund have in place to identify, evaluate and account for litigation or claims?	All litigation claims are presented to the Fund's Head of Governance (Solicitor) for review and consideration, where required external advice may be sought or the issue may be discussed with the Council's insurance advisors. The Head of Governance, has regular 1-2-1 sessions with the Council's Monitoring Officer to inform of any claims and the action taken.
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	None

Related Parties

Issue

Matters in relation to Related Parties

West Midlands Pension Fund are required to disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by West Midlands Pension Fund;
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the Pension Fund;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Pension Fund, or of any entity that is a related party of the Pension Fund.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the Pension Fund must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties disclosed in West Midlands Pension Fund's 2020/21 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and West Midlands Pension Fund whether West Midlands Pension Fund has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	<p>The Fund requires all pension committee members (including trade union observers) together with local pension board members to undertake an annual declaration of interest including the requirement to inform where an interest arises during the year.</p> <p>For governing body members, membership of the pension fund is not considered to be a disclosable interest.</p>
<p>2. What controls does West Midlands Pension Fund have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>The Fund adheres to procurement rules and procedures in relation to the award of contracts and payments. The process requires suppliers to identify relationships with Council employees or Councillors.</p> <p>In addition, employee contracts require individuals to notify of any conflicts of interest which may arise in procurement. As outlined above, the Council's monitoring officer keeps a record of personal interests of relevant employees.</p>

Related Parties

Question	Management response
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>The Fund has adopted contract procedure rules which require 2 signatories on supplier contracts over a set limit. Where contracts are in place an annual audit has been undertaken to monitor spend against approved amounts.</p> <p>The Fund has adopted authorisation processes including those to commit payments, these are kept under review.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>The Fund has adopted financial limits and contract procedure rules which require 2 signatories on contracts relating to significant transactions, preventing the approval of payments by one individual. Where contracts are in place an annual audit has been undertaken to monitor spend against approved amounts.</p> <p>Formal authorisation processes are in place to approve large payments and these are typically recorded through decision notices and/or minuted at senior management or sub committee meetings. Approvals required outside of this process are confirmed by email exchange between authorised persons.</p>

Accounting estimates

Issue

Matters in relation to Related Accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess an entity's internal controls over accounting estimates, including:

- Page 114.
- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
 - How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
 - How the entity's risk management process identifies and addresses risks relating to accounting estimates;
 - The entity's information system as it relates to accounting estimates;
 - The entity's control activities in relation to accounting estimates; and
 - How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Pensions Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Pensions Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	<p>Private Equity and Infrastructure investment holdings are valued at fair value in accordance with relevant accounting standards and industry guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.</p> <p>Direct property is valued at fair value by external independent property valuation experts.</p>
2. How does the Pension Fund's risk management process identify and addresses risks relating to accounting estimates?	<p>The Fund's risk management process includes the creation and management of risk maps by individual heads of service, the head of finance is responsible for the financial risk map. The Pension Fund's Accounting Policies is disclosed in the annual report and accounts and covers areas of accounting estimates.</p>
3. How do management identify the methods, assumptions or source data, and the need for changes them, in relation to key accounting estimates?	<p>The Fund regularly reviews appropriate guidance (CIPFA) and best practice in the assessment of methods and processes used together with any enhancements which support its accounting responsibilities.</p> <p>Accounting reports are presented on an annual basis to Senior Management with subject experts called where required.</p>
4. How do management review the outcomes of previous accounting estimates?	<p>Accounting estimates are made in line with IASs/IFRSs and Generally Acceptable Accounting Practices. When the actual year end external assessments are received management compares them to the respective historical valuation estimates. Variances are analysed with a view to improving the estimation process.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?	No
6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?	The Fund's head of finance is also the Deputy S151 officer which requires relevant knowledge and experience to identify any needs. The Fund appoints specialist advisors where required.
7. How does the Pension Fund determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	The Fund documents its methodology for accounting estimates with the accounting policies presented to pensions committee for approval each year in March. There is a routine review of specialist advisors who support in the accounting estimates (asset valuations in particular).

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>In addition to the reporting to pensions committee, the Fund's statement of accounts are presented to the Council's Audit and Risk Committee before being signed off by the S151 officer.</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> - Management's process for making significant accounting estimates The methods and models used The resultant accounting estimates included in the financial statements. 	<p>As outlined above, the Fund reports to senior managers, pensions committee and the council's audit and risk committee.</p> <p>The internal audit team include a relevant area of finance accounting on their internal audit plan each year.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)?	Management is not aware of any such transactions, events or conditions.
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	They are reasonable and proportionate.
12. How is the Pensions Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Pensions Committee are assured via the annual external audit of the Pension Fund Statement of Accounts which is prepared using the arrangement for accounting estimates where appropriate.

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Pension Fund Liability	The administering authority engage the Actuary who provides the estimate of the pension liability.	Payroll data is provided to the Actuary. Management reconcile this estimate of contributions to the actuals paid out in the year.	Scheme actuary	As disclosed in the actuary's report. Assumptions and illustrations of sensitivity to these are included to demonstrate where judgement is applied in relation to the rate at which inflation and pension benefits are projected to increase, mortality rates and expected returns on pension fund assets.	No
Private Equity	Private Equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	December valuation is received and cash flow adjustments are used to roll forward the valuation to 31 March as appropriate. Valuation is then compared to the year end capital statement to determine any significant fluctuations.	Custodian and Fund Manager Capital Statement	Asset values are adjusted for cashflows generated by the underlying assets, leading to distributions to or payments from the Fund.	No

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Accruals	Finance team collate accruals of expenditure and income. Activity is accounted for in the financial year that it takes place, not when money is paid or received.	Review financial systems to identified where goods have been received or benefits accrued but not paid for. Requests of service managers to identify any other goods or services received or provided but not paid for.	No	Accruals for income and expenditure often based on known values. Where accruals are estimated the latest available information is used.	No
Contributions	If March values will not be readily available at the time of compiling the accounts then there maybe a degree of estimation involved in calculating month 12 contributions. Finance team would then estimate the month 12 contributions based on actual figures to the end of March 2022.	Management reconcile this estimate of contributions to the actuals received for month 12.	No	Monthly contributions are usually based on known values. Where month 12 figures are estimated the latest available information is used.	No
Property Valuations	Property is valued at fair value by property valuations experts. If March values will not be readily available at the time of compiling the accounts then there maybe a degree of estimation involved in the valuation.	December valuation is received and cash flow adjustments are used to roll forward the valuation to 31 March as appropriate. Valuation is then compared to the year end valuation to determine any significant fluctuations.	Property valuer		No

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions for liabilities	Accruals would made in the year end financial statements. No provisions are expected for 2021/22.	Not applicable.	No	Not applicable	No
Non Adjusting events – events after the balance sheet date	Reasonable estimates will be used to assess significant post balance sheet events unless actual numbers become available between year end and finalisation of the accounts for audit purposes.	Review financial systems to assess whether significant financial transactions or adjustments to valuations have taken place post the year end.	No		No

Page 121

Appendix A Accounting Estimates

Estimate [Examples]	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities	Actuarially assessed at the triennial valuations and annual IAS 19 valuations.	Reliance is placed on the work of experts.	Yes	As disclosed in the actuary's report. Assumptions and illustrations of sensitivity to these are included to demonstrate where judgement is applied in relation to the rate at which inflation and pension benefits are projected to increase, mortality rates and expected returns on pension fund assets.	No
Level 2 investments	Fair valuation of assets in line with accounting standards, GAAP and industry practice.	Reliance on the work of experts including independent auditor.	Investment Manager	Not applicable	No
Level 3 investments	Fair valuation of assets in line with accounting standards, GAAP and industry practice.	Reliance on the work of experts.	Investment Manager	Not applicable	No
Fair value estimates	Assets and liabilities are recorded at fair values in line with relevant IFRSs	As above	Yes, where applicable	Not applicable	No



[grantthornton.co.uk](https://www.grantthornton.co.uk)

© 2021 Grant Thornton UK LLP

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

This page is intentionally left blank

CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 26 April 2022
--	--

Report title	Internal Audit Plan 2022 - 2023	
Originating service	Pension Services	
Accountable employee	Amanda MacDonald	Client Lead Auditor
	Tel	01902 550411
	Email	Amanda.macdonald@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 internal audit plan for 2022 - 2023

1.0 Purpose

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

2.0 Background

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

3.0 Work Plan 2022 - 2023

- 3.1 The plan has been developed taking into account the changing regulatory environment, planned service developments together with the Fund's latest strategic risk register.
- 3.2 A copy of the agreed work plan for 2022 – 2023 is attached at Appendix A.

4.0 Financial Implications

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

5.0 Legal Implications

- 5.1 This report contains no direct legal implications.

6.0 Equalities Implications

- 6.1 This report contains no direct equalities implications.

7.0 Other Potential Implications

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

8.0 Schedule of Background Papers

- 8.1 None.

9.0 Schedule of Appendices

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

West Midlands Pension Fund

Internal Audit Plan

2022/2023



Index

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

Appendix A

1. Introduction

- 1.1 The purpose of internal audit is to provide the Director, Pensions Committee, Board and Section 151 Officer with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the Fund's agreed objectives. In order to provide this opinion, we are required to review annually the risk management and governance processes within the Fund. We also need to review on a cyclical basis, the operation of the internal control systems. It should be pointed out that internal audit is not a substitute for effective internal control. The true role of internal audit is to contribute to internal control by examining, evaluating, and reporting to management on its adequacy and effectiveness.
- 1.2 The purpose of this document is to provide the Fund with an internal audit plan for the 2022-23 financial year. This plan has been subject to Senior Management Team approval and individual audit dates and timings will be agreed with managers during the year.

2. Assessing the effectiveness of risk management and governance

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

3. Assessing the effectiveness of the system of control

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

Establish and monitor the achievement of the Fund's objectives and facilitate policy and decision making.

Identify, assess and manage the risks to achieving the Fund's objectives.

Ensure the economical, effective and efficient use of resources.

Ensure compliance with established policies, procedures, laws and regulations.

Safeguard the Fund's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.

Ensure the integrity and reliability of information, accounts and data.

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

Appendix A

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

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

The following are the Fund's Core Objectives:

P Partnering for success

R Responsible asset owner, employer and local community partner

I Investing to increase capacity

D Deliver value and added services

E Engage to improve outcomes for customers

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

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

WMPF Key Risks: Details from latest risk register:

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

5. The framework of assurance

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

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

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

Assessing the risk of auditable areas within the assurance framework

- 5.2 Risk is defined as "The threat that an event or action will adversely affect an organisation's ability to achieve its business objectives and execute its strategies."

(Source: Economist Intelligence Unit - Executive Briefing)

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

Materiality

Business impact

Audit experience

Risk

Potential for fraud

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

6. Developing an internal audit plan

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

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

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

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

Appendix A

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

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

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

Does the plan include all the areas which would be expected to be subject to internal audit?

Does the plan cover the key risks as they are recognised?

Is the allocation of audit resource accepted, and agreed as appropriate, given the level of risk identified?

8. How the internal audit service will be delivered

Resources required

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

Communication of results

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

Staffing

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

Quality assurance

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

Combined assurance

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

9. Audit Services Plan 2022 - 2023

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

Appendix A

LGPS Central Pool	Participation in the LGPS Central Pool internal audit group and review of key assurance documents to give assurance over pooling arrangements.	Ongoing throughout the year
-------------------	--	-----------------------------

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

CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 26 April 2022
--	--

Report title	Regulatory Update Report	
Originating service	Pension Services	
Accountable employee	Rachel Howe	Head of Governance & Corporate Services
	Tel	01902 552091
	Email	Rachel.Howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	Rachel.Brothwood@wolverhampton.gov.uk

Recommendations for noting:

1. The Pensions Board is asked to note the forthcoming regulatory changes across the Local Government Pension Scheme (LGPS) environment and the Fund's response to them.

1.0 Purpose

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

2.0 McCloud

- 2.1 As previously reported, in 2014 LGPS regulations were amended, and the scheme transitioned from a final salary scheme to career average revalued earnings (CARE). The new regulations contained provisions to protect older members closer to their retirement age (within 10 years of normal pension age) from a reduction in benefit, this protection is known as the final salary underpin.
- 2.2 However, in 2018 legal challenges (in relation to McCloud and Sargeant) from the Judges and Firefighters schemes were successful at the court of appeal, ruling that the protections put in place were age discriminatory. In 2019 the Government stated that it would make amendments to all Public Sector Pension Schemes to remove the discrimination, a consultation on the proposed changes was issued in July 2020.
- 2.3 In May 2021 the Government issued a statement with regards to the LGPS and McCloud ruling confirming that changes to the key elements of protection as outlined in the consultation would be made in due course, it is envisaged that these changes to LGPS regulations will come into force following a period of consultation with LGPS Funds noting the work needed to develop administration processes and systems. Amendments to the Public Sector Pensions Act 2013 are being made through the Public Service Pensions and Judicial Offices (PSPJO) Bill (discussed in more detail later in this paper), with changes to LGPS Regulations expected to be published by the Department for Levelling Up, Housing & Communities (DLUHC) and consulted on once the Act is passed and is currently not expected to be effective until April 2023.
- 2.4 The proposed remedy for the LGPS (in line with the PSPJO Bill) involves the removal of the age-related criteria for the underpin and would apply to members in service on or before 31 March 2021 who also have service after 31 March 2012. Implementation requires a significant data collection, with request for employers who were not required to provide certain data following the introduction of CARE in 2014, now required to supply historic pay and working hours data to enable the LGPS underpin to be recalculated.
- 2.5 The Fund has recruited a project team who are responsible for the management and implementation of the McCloud remedy. Collection of additional data began in October 2021 and will be completed in stages with a dedicated team in place to analyse data and rectify errors. At the time of reporting, approximately 66% of employers had submitted data relating to 22% of members. A programme of support for employers has been developed and is being rolled out. In addition, engagement with the Fund's pension administration system provider is underway to understand and develop the system changes required to implement the remedy as efficiently as possible.

3.0 Pensions Dashboards

- 3.1 The Government's consultation on the draft regulations detailing how pension dashboards will come into effect closed on 13 March 2022, the Fund having submitted a response. It is envisaged that public service pension schemes will onboard onto dashboards by April 2024, with concerns raised across the industry and sector and the tight timescales for implementation in context of unknown requirements and material challenges to address including, data protection, security and liability. The introduction of pension dashboards will mean that all members that are not in receipt of benefits (i.e. non pensioner members) will be able to access information about their retirement savings and benefits across pensions schemes in one place, in order to support improved retirement planning and engagement.
- 3.2 Whilst not all of the requirements for pension dashboard are known at this time with work ongoing to build the data specification, significant work will be required by the Fund for the preparation and introduction of dashboards. Preparatory work is already underway to support the Fund's interaction with pension dashboards which includes, data cleansing, member tracing and engagement with key stakeholders. The cost of pension dashboards will be met by the Pensions Industry itself; it is also anticipated that their introduction will increase demand on pension funds' customer service teams and contact centres as members will be encouraged and enabled to more easily make contact with schemes with whom they hold retirement benefits and with whom they may have lost contact due to the passage of time.
- 3.3 Dashboard delivery will require significant cross-industry and provider co-ordination, with an extensive programme of work underway. The Fund continues to engage through industry forum and with its own peers, advisers and providers to aid implementation and positive outcomes for pension members.

4.0 Pension Regulator Code of Practice

- 4.1 The Pensions Regulator consulted on the implementation of their single code of practice during March 2021, the consultation proposed combining their 15 existing codes into one single online code covering the following five areas;
- Administration
 - Communication and Disclosure
 - Reporting to The Pensions Regulator (tPR)
 - Funding and Investment
 - The Governing Body
- 4.2 The proposed single code will cover all pension funds, however, not all areas would be directly applicable to the LGPS (but may provide examples of good practice). An interim response to the consultation was published in August 2021 and it is currently envisaged that the final version of the code will be published during summer 2022. Whilst the code is not a fundamental change from the regulator's current public service pension scheme

code, it does include a number of new areas where additional work will be required to meet requirements.

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

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

- 5.1 The Public Service Pensions and Judicial Offices Bill aims to bring together a number of legislative changes which seeks to ensure consistency and reform in the application of pension legislation following cases such as McCloud and the Supreme Court Judgment on LGPS investment guidance. Whilst originally focused on amendments to address implications of the rulings on age discrimination across the Public Sector Pension Schemes (noted earlier in this paper), the proposed changes in relation to LGPS investment matters have come into the Bill through amendments tabled through the Commons in February 2022.
- 5.2 In April 2020 the Supreme Court ruled that Local Government Pension Schemes could not be guided in setting their investment strategy where that guidance sought to specifically exclude certain types of investments. Currently, Law Commission guidance states that LGPS Funds may take into account environment, social and governance (ESG) factors when determining investment decisions, provided they have good reason to believe their scheme members share the same concern and there is no material risk of financial detriment.
- 5.3 On 23 February 2022 a proposed amendment to the wording in the Bill was tabled which would enable the Secretary of State to issue *guidance* to LGPS Funds that they "*may not make investment decisions that conflict with the UK's foreign and defence policy*". This followed an announcement in the Queen's speech in May 2021 that the government's legislative programme would include a Boycotts, Divestment and Sanctions (BDS) Bill to prevent public bodies from imposing their own approach and views on international relations against foreign countries. The LGPS amendment was debated and accepted by the Lords on 9 March, with a wider BDS Bill still expected to develop at a later stage.
- 5.4 Prior to the Lord's debate representations were made by both the Scheme Advisory Board for the LGPS and the industry body Pensions Lifetime Savings Association (PLSA). During the debate it was noted that regulations and guidance are already in place to require pensions schemes to consider ESG risks; pension funds have fiduciary responsibilities; and that there are many employers and members participating in the Local Government Pension Scheme that are not part of Local Government. It was noted that the amendment would place no immediate duty on scheme managers to take investment or divestment decisions and that any guidance subsequently issued by the responsible authority (DLUHC) would be subject to a formal 12-week consultation. Reference was also made to the established Law Commission's test for investment decision in relation to non-financial considerations, with an expectation that guidance would be aimed at decisions which appeared not to meet this test. Further information

including initial Q&A and the letter issued to Pension Committee Chairs by the Secretary of State on 9 March can be found on the Scheme Advisory Board website, referenced in the background papers to this report.

- 5.5 The PSPJO Bill is expected to gain Royal Assent this month, with (as noted above) any guidance expected to be subject to a period of consultation with the LGPS.

6.0 Levelling Up White Paper

- 6.1 On 2 February 2022 the Department (DLUHC) published its Levelling Up for the UK whitepaper. This set out the Government's vision for ending geographical inequality in the UK, focusing on six key drivers of capital and noting that monies held by the LGPS was a potentially underutilised source of capital. This included ambition for the LGPS to invest 5% of assets into projects supporting local areas. We currently await further information to understand how the Government will work with LGPS Funds to develop these plans. In the meantime, the Scheme Advisory Board has noted on its website that it understands "local area" to refer to "UK" rather than local to the LGPS Fund. We await further clarification with further details expected to emerge over the summer, alongside the long-awaited guidance on climate risk reporting and regulations and pooling within the LGPS.

7.0 Financial Implications

- 7.1 Failure by the Fund to meet statutory requirements of effective governance and administration could result in fines imposed by Regulators.

8.0 Legal Implications

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

9.0 Equalities Implications

- 9.1 There are no direct equalities implications.

10.0 Other Potential Implications

- 10.1 There are no other potential implications.

11.0 Schedule of Background Papers

- 11.1 [LGPS Scheme Advisory Board - BDS \(lgpsboard.org\)](https://www.lgpsboard.org/)
11.2 [SoS_DLUHC to Committee Chairs9Mar22.pdf \(lgpsboard.org\)](https://www.lgpsboard.org/SoS_DLUHC_to_Committee_Chairs9Mar22.pdf)

12.0 Schedule of Appendices

- 12.1 None

This report is PUBLIC

CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 26 April 2022
--	--

Report title	Corporate Plan 2022 - 2027	
Originating service	Pension Services	
Accountable employee	Rachel Howe	Head of Governance and Corporate Services
	Tel	01902 552091
	Email	Rachel.Howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	Rachel.Brothwood@wolverhampton.gov.uk

Recommendation for noting:

The Pensions Board is recommended to note:

1. The Corporate Plan 2022 - 2027

1.0 Purpose

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

2.0 Corporate Plan 2022 – 2027

- 2.1 In our Corporate Plan 2021 – 2026 the Fund set out several key goals and ambitions which would enhance service delivery to members and employers, be responsive to regulatory change and take opportunities to actively participate in the development of the Fund to the benefit of both our people and our customers.
- 2.2 Over the last 12 months, the Fund has made significant steps to deliver on its ambitions with active engagement on regulatory changes such as the McCloud Remedy and Pensions Dashboards, together with being one of the first LGPS Funds to become a signatory to the new UK Stewardship Code. With the ongoing Covid restrictions, the Fund's member and employer services teams adapted and enhanced their offering to our customers with digital delivery of events and individual support. This saw the Fund deliver over 75 employer events and reach over 3,500 members. The Fund has continued to see a growth in employers during the year and an increase in the number of members engaging with their pension savings and drawing retirement benefits.
- 2.3 The Fund continued to deliver on its ambition of becoming a people development champion and saw the successful recruitment to over 30 roles across all service areas, with many facilitating internal development/promotion, including the successful appointment to permanent roles for a number of our Graduates and Trainees.
- 2.4 As we look forward, the pensions industry and the LGPS continues to go through a period of change with many drivers identified in our 2021 Plan remaining a prominent consideration in how we shape our service in the context of rising governance standards and further regulatory change. We continue to see increased member awareness commanding ongoing focus on service development and strong governance. Our Corporate Plan outlines how we will continue to promote sustainable futures for all over the medium term, drawing on drivers for change, ongoing dialogue with our stakeholders and aligned to the commitments we have made to our customers.
- 2.5 Our Corporate Plan 2022-2027 is structured around seven key themes which feed our goals and ambitions:

People and Customers

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

enabling retirement planning and avoiding expectation gaps.

Corporate Communications

Building on the Fund's strong customer services proposition, the Fund aims to promote standards and best practice through increasing awareness of the activity undertaken by the Fund to deliver on the commitments made to good governance, global influence, customer service excellence and delivering for local people. Through brand and reputation as a leader within the LGPS and wider industry, the Fund aims to attract and retain people, strengthen partnership working and demonstrate value for money.

Compliance and Risk

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

Operational Resilience

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

Investment Implementation

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

Stewardship

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

Corporate Responsibility

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

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

3.0 Financial Implications

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

4.0 Legal Implications

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

5.0 Equalities Implications

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

6.0 Other Potential Implications

6.1 There are no other potential implications.

7.0 Schedule of Background Papers

7.1 None.

8.0 Schedule of Appendices

8.1 Appendix A: Corporate Plan 2022 – 2027.

CORPORATE PLAN 2022 - 2027

Creating sustainable futures for all

Page 145



West Midlands Pension Fund

OUR FUND

The West Midlands Pension Fund is steeped in local history; borne out of the West Midlands County Council, the Fund now works in partnership with all seven metropolitan district councils and 800 participating employers who provide public services across the West Midlands region. 2022 sees the Local Government Pension Scheme and the Fund celebrate its 50th year – set up to provide pension benefits to employees of public sector bodies across the region – administering and investing contributions to provide a cost-effective and valued income in retirement. Our mission is to enable all our members to take control of their savings and plan for a sustainable future.

Page 146

£20.6bn assets under management

336,953 members

800 employers



Information correct as at 31 December 2021

FOREWORD

Our corporate plan for 2022-2027 builds on the goals and ambitions we set in 2021.

We've monitored our success in delivering these over the last year and reflected on how our environment is changing and how recent events have informed our outlook for the next five years.

We remain focused on our core mission and purpose – to enable all our members to take control of their savings and plan for a sustainable future. In doing so we aim to increase the accessibility and awareness around the value of pension saving, as we aspire to create and deliver sustainable futures for our members.

Working in partnership has had increasing relevance and importance over 2021/22, as we've worked closely with our employers to adapt our support services to meet their evolving requirements and worked together to prepare for implementation of regulatory change in the Local Government Pension Scheme.

Our PRIDE values continue to guide how we work and focus our time; with our successes over the last year attributable to our approach to engaging our customers, partners and our people, as we continue to create capacity, deliver value added services, actively contribute to our local community and invest for real world change.

Faced with further scheme and regulatory change, an evolving investment landscape and further growth and diversity in our employer base, our ongoing operational development and resilience is critical. We aim to be agile to our developing customer needs, ensuring we continue to focus on those initiatives which deliver valued services and outcomes. Over the last year we have onboarded 45 new employers to our Fund and supported 5,730 members taking retirement. Alongside this we have continued to invest in our people and target training to develop knowledge and skills and the support we are able to provide to our members. Over 2021 we set out a revised and stretching ambition within our Climate Change Framework and Strategy and are developing a monitoring framework to track our progress towards net zero.

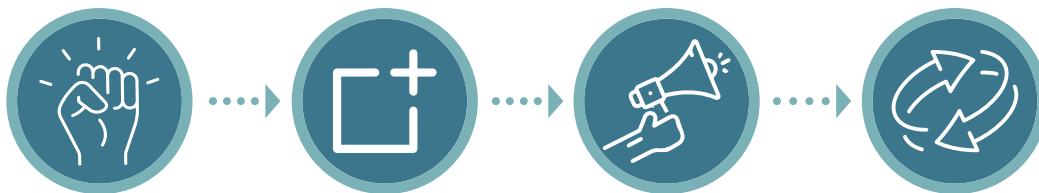
Our drive to promote sustainability can be seen through the selection and development of our new office space, designed in collaboration with our employees – a base from which we will serve our customers and support collaboration and learning through agile working. Our People Strategy has developed to support our broader employee development, recruitment and retention programme with the Fund recruiting to 21 additional posts through the year.

Looking ahead over the medium term, aligned to the commitments made to our customers and governing bodies, we have identified seven key themes to provide stronger governance, customer focus, global influence and deliver for local people and will monitor the outcomes from these over the next year.

It is through our collective active participation that we are able to contribute together and create sustainable futures for all.



Rachel Brothwood
Director of Pensions



EMPOWER INCLUDE INFORM DRIVE CHANGE

This plan has been developed in collaboration with key stakeholders, many of whom will play a vital role in its delivery and we thank them for their ongoing support.

OUR YEAR IN REVIEW



Page 148

The Fund has made good progress in delivering against the aims and ambitions set in the 2021 Corporate Plan, with highlights outlined below:

OUTWARD LOOKING

- The Fund has actively engaged in policy development through our memberships and participation with industry bodies, developing consultation responses on Pensions Dashboard, the McCloud remedy, academy consolidation within the LGPS, and reporting standards developed by the Task Force for Climate-Related Financial Disclosures.
- The Fund has continued and extended support for investment in the West Midlands area, across a range of assets, partnering with authorities in the region to enable the pilot Help to Own Scheme in our local area.



- The Fund has continued to support and founder the development of LGPS National Frameworks, including those for Actuarial and Benefit Consultancy services (available to all LGPS funds and employers) and investment stewardship.

ACTIVE PARTICIPANT

- The Fund was part of a group of Asset Owners who developed and launched the Asset Owner Diversity Charter - championing change within the investment management industry.
- As part of the LGPS Central pool the Fund has been active in the development of investment products which align to the strategic requirements of Partner Funds and following launch has made commitments in excess of £1.3bn to these during the financial year.
- The Fund has participated in various industry events, debating issues pertinent to the LGPS and pensions industry and championing best practice.

ACCESSIBLE INFORMATION AND SUPPORT

- Despite the challenges of the pandemic and impact on available forms of service delivery, the Fund has continued to proactively and creatively engage across our growing employer base, issuing seven briefing notes, hosting a virtual mid-year review event together with 35 employer coaching webinars during the year, alongside facilitating meetings with the employer peer group and continuing to meet one on one with employers.



- The member retirement planning campaign targeting those members reaching minimum retirement age was recognised by the Pension Age Award for "Best Marketing Campaign" in July 2021.

INFORMED ACTION

- The Fund has continued to develop its own internal management information through the roll out of monitoring dashboards across a number of service areas. This has automated and increased the accuracy and efficiency of management information.

- For the second year, the Fund published its Climate Risk monitoring report, demonstrating how changes made to the Fund's investment strategy and the development of climate-aware strategies has increased portfolio carbon efficiency.

INSTALLING CONFIDENCE THROUGH TRANSPARENCY

- Following a period of development the Fund launched and onboarded all employers to the self-service Employer Hub platform, including online worktrays. This has provided all employers with greater visibility of the data held by the Fund and improved task management.

RESPONSIBLE ASSET OWNER AND EMPLOYER

- The Fund was part of the first group of asset owners to gain signatory status to the UK Stewardship Code 2020, along with pool company LGPS Central.
- The Fund’s Climate Change Framework and Strategy was enhanced over the year, with revised ambition, and commitment to net zero, with the Fund joining the alliance of Net Zero Asset Owners recognised by the Institutional Investors Group on Climate Change (partnered with the Race to Zero campaign).
- Selection and development of the Fund’s new office space in i9 has had employer responsibility at its heart – with fit-out targeting BREEAM (very good) standard, waste management strategy and commitment to support local workers and their training and development linked to the Fund’s commitment to social value.

- Protecting employees and members has been a core focus, with enhanced safeguarding training and oversight of pension transfer requests introduced in response to pensions schemes gaining increased powers to protect against scams from November 2021.

PLACE OF OPPORTUNITY

- The Fund has continued to grow and attract employees, with five individuals from the 2021/22 year graduate and trainee programme moving into permanent roles together with two apprentices securing permanent positions.
- Through agile working and the considered development of our future space we are facilitating greater opportunity for flexible working and career development.

PEOPLE DEVELOPMENT CHAMPION

- We have actively targeted additional wellbeing support and training in areas needed more than ever, with mental health, first aid, safeguarding and peer-to-peer development initiatives rolled out during the year.
- Outlined within our 2021 Corporate Plan was our focus on “growing our own talent” equipping our employees with the tools they need to succeed and support their future careers. Throughout the year, the Fund has supported the qualification and development of its people across all service areas with 45 employees undertaking study and exams towards qualification including those in pension administration (PMI) and finance (ACCA).



OUR VISION

“Contributing together to create sustainable futures for all”

As a public service pension scheme, the West Midlands Pension Fund is focussed on delivering value to our customers, by ensuring information and support is available to them throughout their journey with the Fund. Through our developing services we enable members to effectively plan for their retirement and to support our employers in delivering a valued and cost-effective benefit for their employees.

By investing responsibly on their behalf, we generate returns to reduce the cost of providing long-term defined benefits in retirement, at the same time as utilising our scale to drive positive change through our investments around the world.

Now, more than ever, there is a shared motivation to address environmental, social and governance risks, to protect the value of Fund investments and raise standards to support the long-term sustainability of our people and our planet.

As the industry comes together to enhance action on climate risk and develop initiatives and tools to aid pension savings, we continue to partner for shared gain and remain committed to delivering a valued and sustainable fund, ready and able to drive efficiencies through a proactive approach to change.

Over the next five years to 2027, we remain committed to ensuring our customers are informed and engaged in our services, as we continue to demonstrate the long-term value we are able to bring to the West Midlands region and further afield.



OUR PRIDE

“Our core values guide how we work and engage with each other, our customers and industry – it’s what makes us different and stand out from the crowd”

P Partnering for Success
We work with our partners, customers, peers and stakeholders to design, enhance and deliver services that meet their needs as well as supporting the wider LGPS and pension industry to shape the environment in which we work. Through partnerships we are able to deliver our investment beliefs and support development of sustainable futures.

R Responsible Asset Owner, Employer and Local Community Partner
Through our Responsible Investment Framework we support active stewardship, engagement and seek positive change to protect and enhance the Fund’s assets, ensuring they deliver the returns to support the payment of members’ pension benefits over the long term. As an employer we work with our people to support and promote inclusion and opportunity, seeking opportunities for adding social value in our local community.

I Investing to Increase Capacity
We are committed to investing in resources and tools which increase efficiency and enhance capability. Enhancing self-service platforms and information services to customers while also continuing to invest in our people. Developing and retaining the right skills, knowledge and behaviour is fundamental to the work of the Fund and our people strategy ensuring we are able to respond to our customers’ needs.

D Delivering Value Added Services
As a public organisation we are committed to ensuring value for money in all our offerings, from our approach to resourcing, selection of partners and service providers, through to managing investment cost through transparent reporting. We regularly test customer satisfaction and commission independent benchmarking, to ensure the ongoing value of the services we deliver to our customers and measure the benefits of work undertaken to deliver enhancements and drive efficiencies.

E Engage to Improve Outcomes for Customers
Our Customer Engagement Strategy encourages regular feedback from our customers which serves to inform our ongoing service development. For the Fund, how we act as shareholders and owners says a lot about how we expect our assets to perform and how we expect the companies in which we hold those assets to be governed. As a leader within the LGPS, our role on national and industry bodies ensures the voices of our customers are heard by those responsible for the Scheme and its regulation, placing our members and employers at the centre of decisions which impact their futures.

OUR OUTLOOK AND DRIVERS FOR CHANGE

“By horizon scanning and monitoring emerging drivers for change we are able to be more agile and effective in identifying both risks and opportunities”

We routinely monitor and engage in industry and scheme change, alongside our own organisational development. The LGPS and pensions industry continues to see a heavy programme of regulatory change, with increasing asks and expectations on funds to do more to achieve and demonstrate higher standards of governance and reporting, at the same time as responding to change.

Our assessment of the outlook and drivers for change has identified areas of focus to inform the Fund’s priorities.

Increasing demand from growing membership and employer base, together with interest in a wider range of ways to access information means the Fund will need to continue to build capacity including through ongoing development of operational activity. We continue to see an ongoing cycle of organisational and service development as key to building resilience and capacity to respond to change.



PENSION DASHBOARDS



Data cleansing



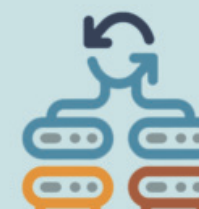
Member tracing



Target key casework



Engagement with key stakeholders



Multiple workstreams

AREAS OF FOCUS FOR 2022 – 2027

We head into 2022/23 anticipating a range of changes on the horizon, together with our own ambitions to continue to develop the Fund to the benefit of our members and employers.

Area of Focus in Response to Change	Action Required
Data Management and Scheme Remedy	<p>With Scheme Remedy required and expected to impact one in four member benefit records, all public sector pension schemes face the dual challenge of individual data review alongside preparations for a large scale digital revolution in the launch of the Pension Dashboards.</p> <ul style="list-style-type: none"> • Ongoing data collection, cleansing and maintenance of scheme member records ahead of legislation requiring the LGPS to implement the McCloud remedy • Development of the pensions administration system and employee knowledge and expertise to implement the remedy over the next two years • System development and additional services procured to enable the Fund to link to Pension Dashboards as these roll out across the industry over the next two years • Employee training and development to respond to an expected increase in volume of member enquiries
Strong Governance and Enhanced Reporting	<p>In addition to the development of broad governance standards for the LGPS by The Pensions Regulator and Scheme Advisory Board, a range of more specific initiatives are expected in relation to investment guidance for the LGPS. In addition to the introduction of climate risk reporting standards, new guidance is expected to cover investment pooling and fund actions on a wider range of ESG-topics, with further clarity needed on the ambition for the LGPS to engage in the Government’s Levelling-Up agenda.</p> <ul style="list-style-type: none"> • Active participation in developing policy and guidance, with reassessment of gap analysis, as this materialises • Appraisal of options for developing capabilities to meet higher standards • Review of operational process and assurance monitoring frameworks • Ongoing monitoring and development of the Fund’s approach to cyber security

Area of Focus in Response to Change	Action Required
Investment Management, Oversight and Reporting	<p>With an increasing focus on investment governance and continuing to strive for efficient portfolio management, we seek to:</p> <ul style="list-style-type: none"> • Allocate and transition assets, in context of a developing and moving market backdrop • Build on our enhanced approach to stewardship, ensuring alignment and integration of responsible investment across the investment chain • Continue to develop through the LGPS Central pool opportunities for scale benefit and enhanced monitoring and oversight
Developing In-House Expertise Responsive to Change	<p>Recognising the value and efficiencies which can be achieved through developing the in-house team, ensuring a sustainable workforce alongside:</p> <ul style="list-style-type: none"> • Further development of knowledge and skills to reflect the changing nature of the Scheme and evolving workforce • Appraisal of in/out sourcing opportunities to ensure the right balance of risk and operational resilience • Sufficient capacity with the Fund and key providers to take a proactive and enterprise-led approach to change <p>This is particularly important over 2022/23 as the Fund steps up its approach to protecting and safeguarding member benefits and engages with employers on the triennial funding review. It will also require close monitoring of industry-wide resource and capacity constraint, driving current levels of market attrition.</p>
Meaningful Engagement With Our Customers	<p>Recognising that substantial change can distract and disengage key stakeholders, ensuring a focus on:</p> <ul style="list-style-type: none"> • Developing customer feedback, including on channels and forums to support member planning • Collaborative approach to resolution of emerging issues, ensuring these are acted on and lessons learned • Holistic approach to employer funding and risk, appropriate to the nature of the employer and appetite to utilise funding flexibilities

OUR GOALS AND AMBITIONS 2022-2027

Our Corporate Plan identifies seven key themes which feed our goals and ambitions

PEOPLE AND CUSTOMERS

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

CORPORATE COMMUNICATIONS

Building on the Fund’s strong customer services proposition, the Fund aims to promote standards and best practice through increasing awareness of the activity undertaken by the Fund to deliver on the commitments made to good governance, global influence, customer service excellence and delivering for local people. Through brand and reputation as a leader within the LGPS and wider industry, the Fund aims to attract and retain people, strengthen partnership working and demonstrate value for money.

COMPLIANCE AND RISK

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

OPERATIONAL RESILIENCE

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



OUR GOALS AND AMBITIONS 2022-2027

INVESTMENT IMPLEMENTATION

Recent worldwide events have highlighted the need for the Fund to have resilience within its investments, building a long-term diverse portfolio able to withstand volatility in markets whilst responding to the long-term changing profile of the Fund's membership.

2022/23 will see the Fund deliver its triennial valuation, funding, and investment reviews. Reassessing the economic and financial outlook and risk, as well as the Fund's demographic development will be a core part of our engagement with Fund employers.

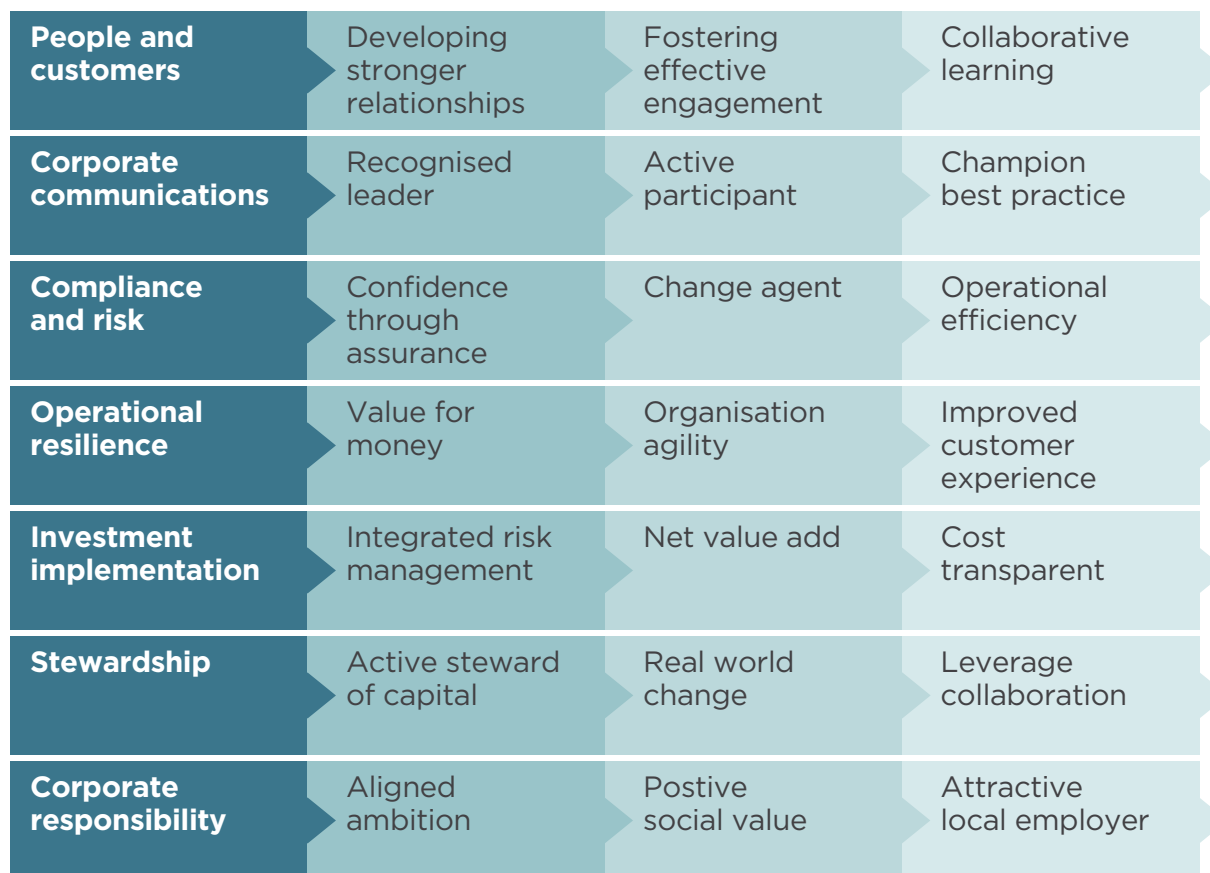
STEWARDSHIP

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

CORPORATE RESPONSIBILITY

The above theme's centre around our corporate responsibility to ensure we are developing our own organisation that lives up to the standards we set for others. As a Fund, we aim to manage our own

environmental impact, add social value and continue to support our employees and local community.



SPOTLIGHT ON OPERATIONAL RESILIENCE

OUR AMBITION

To develop a robust operational capability focused on value for money, organisational agility and improved customer experience.

Going beyond cyber and technology resilience, ensuring we have processes and controls supporting full end to end business-critical activities, focused on meeting our customer requirements and enabling an efficient response to regulatory changes.

To remain a trusted leader, with embedded resilience with both internal operations, routine deliverables and customer service.

WHAT IS OPERATIONAL RESILIENCE?

Operational resilience is our ability to protect and sustain the core business services that are key for our customers and key stakeholders, both during business as usual and in times of change and disruption.

The environment in which the Fund operates has seen some significant change over the last five to ten years, and the pace of change and increased oversight on our activities is continuing to grow. Ensuring operational resilience means we are able to prevent, adapt, respond to, recover and learn from operational disruption; and sustain the core business services that are key for our customers.

Resilience capability incorporates much of the traditional disciplines of business continuity management, operational risk across the Fund and its activities, cyber security and third-party risk management, but also introduces new perspectives including measuring overall resilience within functions and assessing the end-to-end deliverables.

The Fund has proactively responded to the changes, through the development of our core business activities and adapted these to meet and manage the new requirements. Most recently this has been demonstrated through our independent assessment of “substantial control” around our response to the Covid-19 pandemic.



The Fund’s approach to operational resilience ensures we operate an integrated range of activities connected to our people, the operating systems we use, and how we manage risks. Thinking about our business as a set of end-to-end services and using a holistic approach to managing our third-party service suppliers is key.

KEY DRIVERS AND BENEFITS OF OPERATIONAL RESILIENCE INCLUDE:

- Enhanced assurance in context of increased regulatory scrutiny and oversight
- Creating capacity to respond to rising customer number and expectations
- Ensuring appropriate oversight and action across the Fund’s diverse investment portfolio
- Enabling delivery and implementation of funding and pension administration strategy
- Early action in response to risks on capability components

Through the development and integration of activities into an Operational Resilience Framework we aim to realise these benefits and build on our existing and established business continuity management, cyber and risk management frameworks.

SPOTLIGHT ON RESPONSIBLE INVESTMENT

OUR AMBITION

- To invest for real world change
- Be active stewards of capital
- Collaborate to drive change and improve outcomes

WHAT WILL WE DO?

The Fund continues to take responsible investment seriously and develop its approach to integrating responsible investment into the selection and stewardship of the Fund’s assets.

As long-term owners of capital the Fund believes that investing responsibly is key to ensuring the long-term value of the assets in which it invests is protected and where possible, enhanced. Investing responsibly and engaging as long-term owners reduces risk over time and has been proven to positively impact investment returns. Therefore, we see the integration of responsible investment into the Fund’s broader investment strategy as an integral part of our fiduciary duty in managing the Fund’s assets and securing members’ benefits.

We will build and develop our climate strategy to meet targets and our longer-term ambition (including our ambition to transition to a net zero future), as set out in our September 2021 Climate Framework and Strategy. This will be developed in conjunction with the strategic review of the investment strategy in line with the 2022 actuarial valuation.

It’s important that we can hold ourselves to account and monitor progress along our journey to net zero to highlight if we are on track or need to take further action if we are falling behind. In order to do this, we will formalise interim targets which we will measure and report against annually.

We will implement a robust monitoring framework across all assets and investment providers for us to actively monitor our investments. The monitoring process will be delivered in line with our responsible investment framework, ensuring responsible investment is fully integrated across all our investment activities.

Our approach will be targeted and measured. We will focus on areas that drive the most value and have the biggest impact – namely decisions in relation to asset allocation and setting the investment strategy. We will best utilise resources available to us, looking to leverage our investment manager and partner relationships, with day-to-day asset management delegated to investment managers who are best positioned to capitalise on market opportunities where appropriate.

We will use our voice as one of the largest UK pension schemes to collaborate with industry working groups and like-minded investors. We will collaborate with purpose with the intention of influencing regulation and policy, leading by example and instilling best practice.

We have recently undertaken a review to prioritise our memberships and participation in working groups. We have chosen to focus on areas that are consistent with our engagement themes and issues that are underrepresented by the market, reiterating our desire to lead by example and drive positive impact.

Our climate strategy and monitoring framework will be developed by working closely with our specialist advisors. We will look for opportunities to invest in new technologies where possible and will set out a plan to improve the coverage of data across our assets. This will give us clear targets along our journey which can be monitored, evaluated and refined accordingly. We’re aware that this is a complex and evolving piece and therefore will need to be reviewed as and when best practice, data availability and regulation develops.

Being active stewards of capital will be central to achieving our ambitions. In addition to collaborating with like-minded investors we will continue to look to improve outcomes through our voting and engagement practices. We will coordinate our views with our voting partner and LGPS Central for scale and efficiency, ensuring there is a clear alignment of policies and intentions. Our approach will be targeted and consistent with our engagement themes and issues we deem to be of the highest importance.

CREATING SUSTAINABLE FUTURES

Creating a space of learning and engagement, empowering individuals to become informed, engaged and enabled to take action in planning for their retirement.

Page 160

CUSTOMER SERVICE EXCELLENCE



The Fund is keen to maintain its role as a community partner; engaging at local, regional, and national levels to enact meaningful change in the interests of our customers and stakeholders. It's crucial that the Fund's workspace allows it to deliver to a high standard. Equipment, space, and connectivity all factor into how well our people can connect with and serve our pension community. Playing a major role in instilling confidence in the Fund as the industry leader, it is these factors that provide the infrastructure to enable the Fund to act as an information hub and supportive partner.

Our new home within the i9 building maintains the Fund's presence within the West Midlands region, making sure we're accessible to our members and employers. The location's strong transport links also make it easy to collaborate and engage with the wider LGPS and our partners and peers across the industry. The inclusion of a large event space and the technology to support a range of face-to-face, hybrid, and digital engagements allows the Fund to reach

wider audiences and further cement itself as an industry leader, providing the best possible support we can to all our stakeholders.

The Fund's commitment to equality and inclusion ensures that our organisation is representative of the region we serve. Providing equal opportunity for all to become engaged in their pension ensuring our service and space is accessible, both in terms of location and the technology to support all individual needs.



CREATING SUSTAINABLE FUTURES

To create an environment of opportunity and inclusion for our people, facilitating their ability to become involved in the shaping of their careers and the future of the organisation

Page 161

INVESTORS IN PEOPLE™
We invest in people Gold



The Fund relies on its people, or more accurately, the commitment, skills, and knowledge of its people, to meet the ever-changing needs of our organisation’s growing customer base. Supporting colleagues across the Fund is critical in making sure that they can continue to serve our customers with the high levels of care and quality that they’ve come to expect from us. Our environment, and the space in which we cultivate it, plays a huge role in providing that support, enabling the Fund to be responsive to our customers’ needs.

Ensuring people feel confident and effective in their roles is fundamental to the delivery of our people strategy as this drives improved efficiency and productivity in how we serve our customers. Our People Strategy aims to promote an inclusive environment that outlines how we will realise our workforce ambition enabling individuals to reach their full potential.

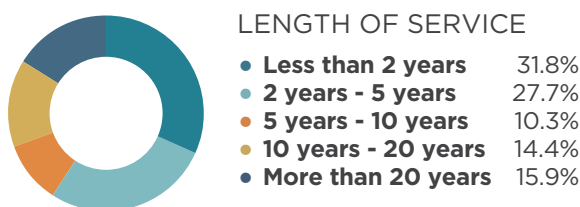
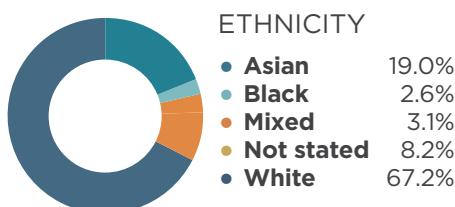
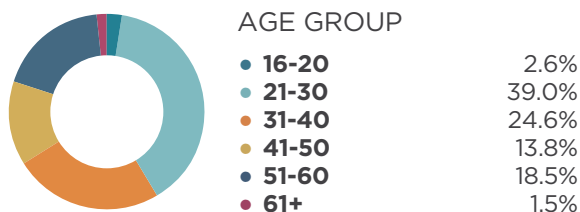
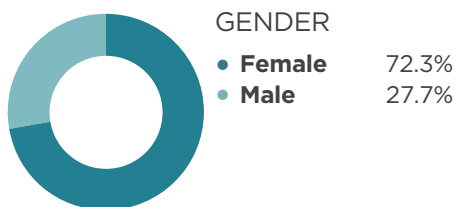


People are proud to work for the Fund and feel valued, supported and included in our focuses and priorities. Having the right environment that supports our people and customers is critical to the service we provide including how we work now and in the future.

Investors in People



FUND DIVERSITY



CREATING SUSTAINABLE FUTURES

To create opportunities to be involved in the discussion, voting and engaging on our investments, effecting good stewardship and taking an active voice in the changing environment in which we operate.

Page 162



West Midlands Pension Fund has been a leader in the development of Responsible Investment (RI) and Stewardship practices – as a founding authority within the Local Authority Pension Fund Forum (LAPFF) established in the early 1990s and more recently through early adoption of reporting in line with the recommendation of the Taskforce for Climate-related Financial Disclosure (TCFD) since 2017. The Fund is a longstanding advocate of collaborative engagement and aims to protect and enhance asset values over the long term through increasing dialogue, transparency, and disclosure. We utilise scale to influence, build partnerships and demonstrate value for money by integrating consideration of environmental, social and governance (ESG) factors into our investment beliefs, strategy, selection decisions and ongoing stewardship practices.

Through our Responsible Investment Framework we support active stewardship and engagement and seek positive change to protect and enhance the Fund’s assets,

ensuring they deliver the investment returns to support the payment of members’ pension benefits.

As a leader in the industry Fund officers actively participate a number of national forums together with actively participating in debate and discussion that shape our regulatory environment, representing our members and employers ensuring their views are carried at national debate on proposed scheme changes. This in turn affords foresight of change enabling the strong governance and operational resilience in the Fund’s service planning.



OUR COMMITMENT



STRONG GOVERNANCE

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



CUSTOMER FOCUSED

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



GLOBAL INFLUENCE

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



DELIVERING FOR LOCAL PEOPLE

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

OUR RESOURCES

WEST MIDLANDS PENSION FUND

INVESTMENTS

- Investment Strategy
- Responsible Investment
- Investment Pooling
- Asset Allocation
- Oversight of Management Arrangements
- Investment Partnerships

FINANCE

- Accounting
- Treasury
- Technical Accounting
- Budget Management

PENSION SERVICES

- Customer Engagement
- Funding and Risk Management
- Employer Onboarding and Coaching
- Communications and Events

OPERATIONS

- Benefit Operations (including Payroll)
- Systems
- Technical
- Programme and Product Delivery

GOVERNANCE AND CORPORATE SERVICES

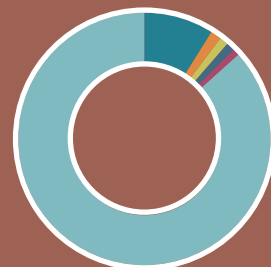
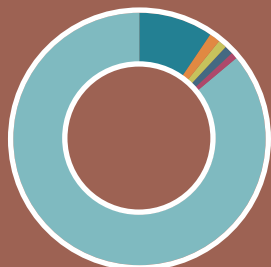
- Compliance and Assurance
- Data Management
- People Services
- Governance
- Corporate Services

Page 164

FINANCE - OPERATING BUDGET

Budget 2021/2022

Budget 2022/2023



Total operating budget
£102.0 million

Employees	9.7
Advisers	1.5
Corporate costs	1.2
Service development	1.1
Support systems and services	0.8
Investment management cost	87.7

Total operating budget
£115.9 million

Employees	10.4
Advisers	1.8
Corporate costs	1.1
Service development	1.4
Support systems and services	1.0
Investment management cost	100.2

ASSETS UNDER MANAGEMENT[†]

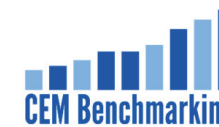
AUM 2020/21
as at 31 March

2021 **£18.9bn**

Invested assets 2021/22[†]
as at 31 December

2021 **£20.6bn**

[†] Unaudited figures



INVESTMENT PERFORMANCE

Absolute return
over six years **6.7** %p.a.

vs
LGPS median **6.1** %p.a.

Benchmark **5.9** %p.a.

OUR SPACE

At the West Midlands Pension Fund, we believe that our environment plays a vital role in supporting our people, our members, and our employers.

We will complete our move to Wolverhampton's i9 development in April 2022 – a highly accessible and modern space which has been purpose-built to support our members, employers and employees as we engage in our core mission of contributing together to create sustainable futures for all.

Our new space provides a hub for engagement and platform for the further development of our face-to-face and hybrid support services and events.

In the year to March 2021, the Fund delivered 75 employer events, and reached over 3,500 members through its digital engagement, an area which became a priority for our communication team in the absence of face-to-face events. We have invested in our technology and meeting and event space to support employee collaboration and training and facilitate region and industry participation as the Local Government Pension Scheme continues to grow and evolve.

It is important to the Fund that we continue our work as a responsible employer and local community partner. This has been reflected in the sourcing and development of our site and will continue on to its in-use phase. In managing and reducing waste and seeking opportunity to offer social value, the Fund has been able to donate items no longer needed to local community groups. The Fund will continue to invest in both its people and the environment it creates, providing career opportunities, retaining and building on the skills and knowledge in the local area.





Councillor Milkinder Jaspal
Chair – Pensions Committee



Councillor Craig Collingswood
Vice Chair – Pensions Committee



Rachel Brothwood
Director of Pensions



Tom Davies
Assistant Director –
Investments Strategy



Shiventa Sivanesan
Assistant Director - Investment
Management & Stewardship



Rachel Howe
Head of Governance and
Corporate Services



Simon Taylor
Assistant Director – Pensions



Amy Regler
Head of Operations



West Midlands Pension Fund

Tel: 0300 111 1665

Website: www.wmpfonline.com

Email Us: www.wmpfonline.com/emailus

West Midlands Pension Fund

PO Box 3948

Wolverhampton

WV1 1XP

CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 26 April 2022	Agenda Item No: 12
--	--	--------------------

Report Title	2022 Actuarial Valuation Update	
Originating service	Pension Services	
Accountable employee	Simon Taylor	Assistant Director (Pensions)
	Tel	01902 554276
	Email	Simon.taylor2@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. Progress on the transition of Fund actuary service provider
2. The report and the associated update on progress with the 2022 actuarial valuation for the Fund
3. The update on the associated employer covenant review in the context of the Fund's Integrated Risk Management Framework, to include exposure aligned to climate risk

1.0 Purpose

- 1.1 To provide the Board with an update on matters relevant to the triennial review of the Funding Strategy Statement over 2022/23 and delivery of the 2022 actuarial valuation.

2.0 Background

- 2.1 The Fund provided the Board with an overview of the 2022 actuarial valuation preparatory work and associated planning on a report dated 25 January 2022.
- 2.2 This report is to update the Board on the progress of the 2022 valuation since the January 2022 report, including replication of 2019 actuarial valuation results and development of the Fund's employer risk management approach through greater consideration of exposures to Climate Change risk.

3.0 Transition of Fund Actuary

- 3.1 As noted in the procurement update provided to Board on 25 January, the Fund used the National Local Government Pension Scheme Framework to procure an actuarial and benefits consultancy services provider, with Hymans Robertson having been awarded the contract with effect from 1 January 2022.
- 3.2 To enable the transition from the incumbent provider, Barnett Waddingham, an extensive programme of activity has been scoped and planned to ensure a seamless transfer including the exchange of data, use of systems, and alignment of methodologies and timelines. This has ensured the ongoing delivery of employer accounting disclosures and preparatory work for the 2022 actuarial valuation.
- 3.3 A key element of the transition of services was for Hymans Robertson to be able to recreate the outcomes of the 2019 valuation to within a reasonable degree of accuracy. The 2019 valuation results will provide the foundation for the upcoming 2022 valuation calculations, data reconciliation and validations and by replicating the outcomes it also acts as a check against the results prepared by the prior Fund actuary, with any significant discrepancies investigated further, as required.
- 3.4 At Fund level the results are encouraging with Hymans Robertson having been able to replicate the liability value to within c2%. This is well within their expected tolerances for this type of exercise. Possible reasons behind this variance include:
 - Changes to, or estimations applied, between the raw data and the final data set
 - Interpretation and application of actuarial assumptions
 - Actuarial calculation methods
- 3.5 The Fund will continue to work closely with Hymans Robertson to ensure that we are satisfied with this 2019 'baseline' position as we progress through the 2022 valuation preparations.

4.0 Project Management and Planning

- 4.1 A detailed project plan has now been compiled to define the key milestones and workstreams involved, emphasising the scope which is Fund-wide. An overview of the key workstreams is provided in appendix A.
- 4.2 Project group meetings have already been held with workstream leads to confirm involvement and expectations on timing for key deliverables. These meetings have also extended to factoring in wider Fund objectives and priorities alongside the valuation timetable.
- 4.3 A Fund-wide internal briefing session took place on 25 March 2022, which provided background to the purpose and outcomes for the valuation, as well as confirming the important roles played by all service areas in ensuring its delivery. Compared to 2019, the Fund expects to be servicing around 150 additional employers during the 2022 review, noting the increase in participating employers over the last 3 years.

5.0 Data Collection

- 5.1 With the formal valuation date being 31 March 2022, employer data will be captured up to that date, with final monthly membership data and contribution files submitted by employers on 19th April 2022. This data will be validated for the appropriate level of accuracy before forwarding to the Fund actuary for use in the calculation of the individual results.
- 5.2 Any data issues/queries encountered, will be resolved by the Fund in conjunction with the Fund actuary or returned to the employer in question to be corrected prior to re-submission.
- 5.3 In addition to the data extracted by the Fund from the employer returns, the Fund will also supply the Fund actuary with accurate cash-flow information in the three years since the last valuation and details of the Fund's invested assets and investment returns.
- 5.4 Another key data source, as elaborated upon later in this report, will be the employer covenant review outcomes, to inform the risk categorisation.

6.0 Employer Covenant

- 6.1 As outlined in the previous paper presented to Board in January, the Fund has reappointed PricewaterhouseCoopers LLP (PwC) as independent covenant advisers to support implementation of the Employer Risk Management Framework and activity conducted in-house and specifically to aid review of employer risk and affordability, both across the employer base and in more detail in a handful of individual cases.
- 6.2 The covenant review will be aligned to the 2022 actuarial valuation in that it will inform the application of the Funding Statement Strategy used by the Actuary as a basis of calculation for employer contribution rates and this will form a key part of the engagement with employers prior to provisional results being released.

- 6.3 PwC will undertake a review of the Fund's overarching Employer Risk Management Framework, the baseline covenant metrics which generate the employer risk categorisation, and the questionnaires sent to employers to obtain key information to inform the review. This review will enable the Fund to finesse its approach where required and increase the efficiency and self-sufficiency of its officers undertaking this work.
- 6.4 PwC will also carry out more detailed analysis on certain employer sectors (including for individual Fund employers participating in the Admitted Body Sub Funds), particularly those where there is no local or central government backing and to consider the appropriateness and consideration of any existing security arrangements.
- 6.5 The covenant review will also include consideration of climate risk related factors. This will extend to consideration of how the transition to a low carbon economy and/or physical risk (such as flooding) could impact employers in terms of their business model and ultimately the underlying long-term covenant to the Fund. Focus to date has been based upon developing employer awareness, understanding and mitigation of such risks, explored through one-to-one dialogue and/or information supplied through questionnaires.

7.0 Funding Strategy and Outlook

- 7.1 The Fund has begun working with the recently appointed Fund actuary on key elements of the funding strategy for review and development since the 2019 valuation. This will confirm mechanisms already in place and identify areas for wider review and drafting of the Funding Strategy Statement (FSS) for consultation with employers as part of the 2022 valuation.
- 7.2 The Fund continues to monitor the development of the funding position and has noted strong investment returns over the inter-valuation period, together with rising outlook for future inflation and more challenging future global economic environment. The position for each employer will be considered in the context of contribution outcomes and subject to review of member experience (including increasing maturity of membership profile), changing employer covenant and risk, changing market outlook and consideration of future investment strategy, and noting there may be potential to reduce risk and volatility in future contribution levels. Over the coming months, Fund officers will be working with advisers to consider the balance of risks and integration in order to review and develop the long-term funding and investment strategies for the Fund, ahead of consultation with employers in the Autumn.
- 7.3 The funding strategy and outcomes for the 2022 valuation will be reviewed in the context of the Government Actuary Department (GAD) Section 13 report published in November 2021. GAD confirmed that they do not expect to see funds reducing contributions and extending recovery periods and focus should not be on a fixed end point, but rather a period over which it is appropriate to fund any appearing deficit. GAD emphasised a more important focus is that of stability of contributions for affordability and cash flow reasons.c

8.0 Engagement

- 8.1 As noted in the January 2022 report, the Fund is required to consult with “such persons as it considers appropriate” on revision to the funding strategy.
- 8.2 Ahead of formal consultation, the Fund has already begun engagement with key stakeholders, to include the West Midlands Local Authority Finance Directors on 18th November 2021 and 17th March 2022, and the Association of Colleges West Midlands Finance Directors on 27 January 2022.
- 8.3 As part of the interactive e-Book, issued to all employers in place of the 2021 Annual General Meeting, a section was dedicated to the employer covenant review, how employers will play their part in the review, and potential outcomes.
- 8.4 Moving forward, participating employers will receive an invitation to group consultation meetings (to be grouped based on type of employer) around June/July 2022, which will serve as an overview of what to expect with the 2022 valuation and outlook.

9.0 Next steps

- 9.1 Going forwards, the Fund is working with the Fund actuary to cover a range of experience analysis, looking at the assumptions cast for the 2019 valuation versus the experience in the years to date, to derive the proposed initial key assumptions, for instance:
- Short-term salary growth experience analysis
 - 50:50 scheme uptake analysis
 - Mortality analysis
- 9.2 The Fund actuary will be undertaking a mortality study to compare the Fund’s actual mortality experience to the basis adopted for the 2019 valuation of the Fund. Against the backdrop of the Covid-19 pandemic, there will be a greater focus on the experience of the Fund over the inter-valuation period and an increased interest in the mortality assumptions to be set going forward. Although an interim assessment commissioned over 2021 confirmed the impact to date had not been material, evidence and outlook scenarios are still developing and the Fund will work with its advisers to test and inform the approach adopted for the 2022 valuation.

10.0 Financial Implications

- 10.1 This report has financial implications for employers and guarantors in that the outcomes will drive contribution outcomes from the 2022 actuarial valuation, effective from 1 April 2023.

11.0 Legal Implications

- 11.1 The report contains no direct legal implications.

12.0 Equalities Implications

12.1 The report contains no direct equalities implications.

13.0 Other Potential Implications

13.1 This report contains no other potential implications.

14.0 Schedule of Background Papers

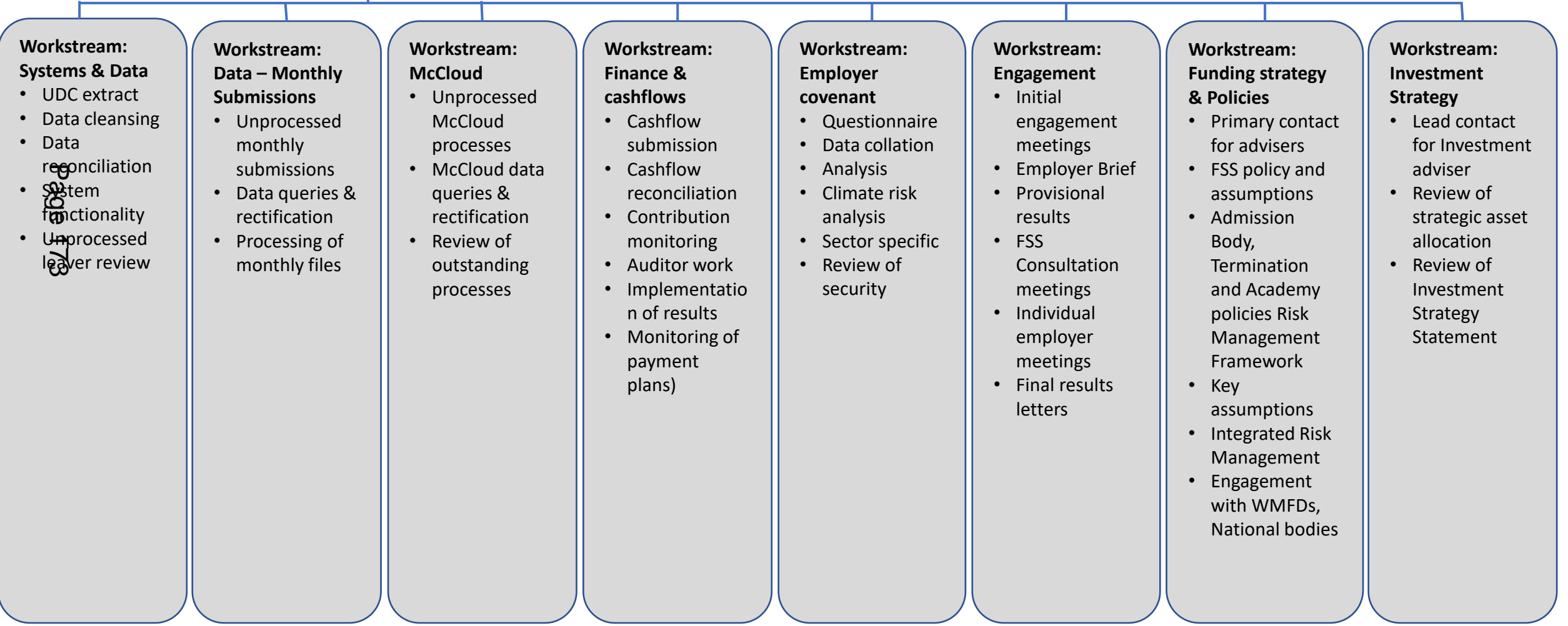
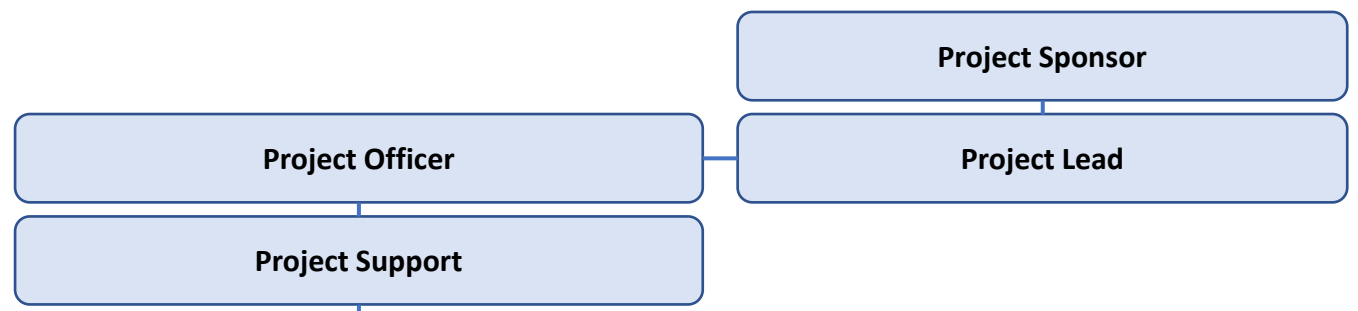
14.1 Preparations for 2022 Actuarial Valuation – 25 January 2022 Board paper.

14.2 Procurement Update – 25 January 2022 Board Paper.

15.0 Schedule of Appendices

15.1 Appendix A: 2022 valuation key project workstreams.

Appendix A: 2022 Actuarial Valuation – Project Workstream Overview



This page is intentionally left blank

CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 26 April 2022
--	--

Report title	Investment Governance	
Originating service	Pension Services	
Accountable employee	Tom Davies	Assistant Director, Investment Strategy
	Tel	01902 558867
	Email	Tom.davies@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 update on investment governance matters including those in relation to responsible investment and investment pooling.
2. The annual review of WMPF's Investment Strategy Statement (ISS), (Appendix A)

1.0 Purpose and Background

- 1.1 This report provides an update on investment related matters, an update on responsible investment activities, together with the ongoing development of Local Government Pension Scheme (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. Work is currently ongoing to review the infrastructure fund recently developed by LGPS Central to determine a strategic fit alongside the Fund's existing infrastructure assets.
- 2.2 The Fund's Investment Advisory Panel (IAP), comprising external advisers, the Director of Pensions, Assistant Director, Investment Strategy and Assistant Director, Investment Management and Stewardship, continue to review strategic asset allocation, implementation and adherence to of the Fund's Investment Strategy Statement (ISS), including development and allocation to sub-funds as these are developed by the pool, taking into account the strategic fit for the Fund. The Pensions Committee receive an annual report from the IAP.

3.0 Investment Strategy Statement (ISS) Annual Review

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

- 3.2 A full in-depth review of the Fund's ISS is completed every 3 years in conjunction with the triennial funding and valuation process. In addition, interim annual reviews are also completed to complement this cycle.
- 3.3 As previously reported, the Fund completed a full review of its investment strategy over 2019/20 resulting in significant changes to the Fund's SIAB being approved in March 2020. As the Fund is significantly increasing its allocation to private markets it will take time until the Fund's positioning closely matches the policy targets stated in the ISS. The next in-depth review will be undertaken over 2022/23, in conjunction with the triennial actuarial valuation.
- 3.4 The interim review referenced here confirms these strategy changes remain appropriate for the Fund to meet its longer-term objectives. The Fund's Investment Consultant, Redington, who advised the Fund during the 2019/20 review has provided Fund Officers with a confirmation statement confirming their ongoing support for the strategic changes being implemented over 2022.
- 3.5 Whilst the longer-term strategy remains the focus and is unchanged, Fund Officers are alive to the significant changes to the investment and economic landscape that have occurred since 2020 and more recently the geopolitical risks prevalent with the Russian invasion of Ukraine. Given this backdrop and the Fund's overarching goals, including with regards to sustainability objectives, Pensions Committee has agreed to the proposal that the increase in allocation to emerging markets equities, which was agreed within the Liquid Growth portion of the SIAB, is put on hold for the time being pending a full review of the Fund's existing and potential holdings in this area.
- 3.6 The updated ISS 2022, was approved by the Pensions Committee on 29 March and is included as appendix A for the Board to note.

4.0 Responsible Investment

- 4.1 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 Economic, Social and Governance (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).
- 4.2 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, the Local Authority Pension Fund Forum (LAPFF) and EOS at Federated Hermes.

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

5.0 LGPS Central Investment Pool Governance

5.1 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. The Shareholder Forum and Company meetings on 22 February 2022 were held via Microsoft Teams with representatives of all Central Pool Authorities and the Company present.

5.2 The Shareholder Forum reviewed and approved a refresh of its terms of reference and received a briefing from the Practitioners Advisory Forum (PAF) on the items presented in Shareholder Resolutions for approval at the Company General Meeting held later the same day.

5.3 At the General Meeting Shareholders received the following items:

- Chair’s Report on Company progress and Board evaluation
- Company operations and resilience, noting the move to the i9 offices in Wolverhampton and the Company response to COVID-19
- Prior year activities and performance review
- Business Plan for 2022/23 and associated Company budget

5.4 Shareholder resolutions were presented and approved unanimously in respect of:

- Review and appointment of the External Auditor
- The Board Development Plan including succession of Non-Executive Directors
- The Strategic Plan and Regulatory Capital Statement for the periods 1 April 2022 to 31 March 2023

5.5 The next meeting of the Joint Committee has been confirmed for 23 June 2022. Board members will continue to receive invites to pool-wide events including stakeholder days and the Responsible Investment summit, as these are arranged during the year.

6.0 Financial Implications

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

7.0 Legal Implications

7.1 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.

8.0 Equalities Implications

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

9.0 All Other Implications

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

10.0 Schedule of Background Papers

10.1 There are no background papers associated with this report.

11.0 Schedule of appendices

11.1 Appendix A – Investment Strategy Statement 2022.

This page is intentionally left blank



INVESTMENT STRATEGY STATEMENT MARCH 2022



West Midlands Pension Fund

CONTENTS

1	Introduction	3
2	Purpose of the ISS	5
3	Investment Objectives	5
4	Investment Beliefs	6
5	Identification and Management of Risks	7
6	Investment Strategy	9
7	Day-to-Day Management of the Assets	9
8	Day-to-Day Custody of the Assets	11
9	Securities Lending	11
10	Investment Pooling	11
11	Responsible Investment	12
12	Climate Change	13
13	Compliance With This Statement	13
14	Compliance With Myners	13
	List Of Appendices	14
	Appendix A: Roles And Responsibilities	15
	Appendix B: WMPF Main Fund Investment Allocation Benchmark and Ranges	18
	Appendix C: Statement of Investment Beliefs	19
	Appendix D: WMPF Separate Fund WMTL Strategic Investment Allocation Benchmark and Ranges	24
	Appendix E: WMPF Separate Fund PBL Strategic Investment Allocation Benchmark and Ranges	25

1 INTRODUCTION

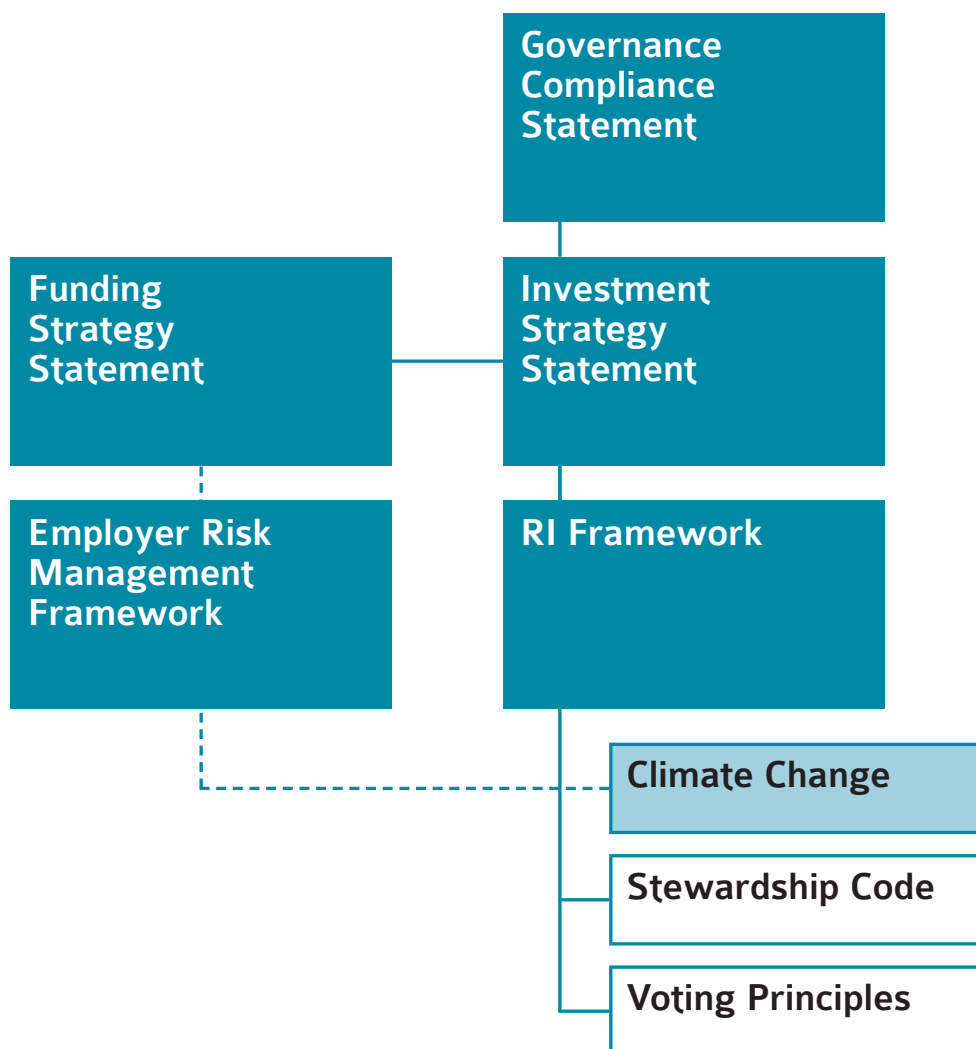
Local Government Pension Scheme (LGPS) regulations require administering authorities to prepare and maintain an Investment Strategy Statement ('ISS'). This ISS has been prepared by the West Midlands Pension Fund (the Fund) in accordance with regulation 7 of the Local Government Pension Scheme (Management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

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

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

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

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



Investment Governance Framework

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

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

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

ISS Review

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

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

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

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

2 PURPOSE OF THE ISS

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

The aims of the Fund are to:

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

The purpose of the Fund is to:

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

The purpose of the ISS is:

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

3 INVESTMENT OBJECTIVES

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

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

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

4 INVESTMENT BELIEFS

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

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

5 IDENTIFICATION AND MANAGEMENT OF RISKS

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

Financial Risks	Management / Control
<p>Investment risk - Assets do not deliver the return required to meet the cost of benefits payable from the Fund; potential drivers:</p> <ul style="list-style-type: none"> • Inappropriate asset allocation and risk management • Investment market performance/volatility • Manager underperformance • The possibility that inflation is higher than expected increasing the Fund's liabilities and/or that the assets held deliver a level of return lower than inflation 	<ul style="list-style-type: none"> • Investment strategy considered in context of Fund liabilities and return requirement set within the Funding Strategy Statement • Asset liability modelling and stress testing to set strategic benchmarks within Investment Strategy Statement (ISS), with annual review • Regular monitoring of strategic asset allocation and returns relative to benchmark • Regular monitoring of manager performance • Diversified portfolio with exposure to a wide range of asset classes, portfolio holdings and different management styles • Mitigates inflation risk through holding a diversified portfolio of growth and inflation-linked assets. Inflation risk is considered annually in the review of the SIAB and triennially as part of the actuarial valuation
<p>Increasing maturity and benefit cashflow requirement; potential drivers:</p> <ul style="list-style-type: none"> • Falling contribution income and increasing total benefit payments as more members start to draw their benefits • Declining active membership due to change in local authority service delivery models • Increasing reliance on income-generating assets 	<ul style="list-style-type: none"> • Investment strategy review develop based on future benefit cashflow projection • Modelling of investment strategy and future asset income streams • Regular monitoring of membership movements and liability profile
<p>Changing scheme regulations and guidance – impacting scheme benefits, funding strategy, actuarial valuations, investment strategy; potential drivers include:</p> <ul style="list-style-type: none"> • Changes to scheme benefits from the LGPS cost management process • Changes to the approach for setting actuarial factors (for example on early retirement) 	<ul style="list-style-type: none"> • Ongoing horizon scanning and consideration on the Fund risk register • Review and response to consultations on changes to the LGPS regulations and guidance which may impact scheme funding • Participation in national review and consideration of emerging issues within the LGPS

Financial Risks	Management / Control
<ul style="list-style-type: none"> • Changing regulations and guidance for administering authorities within the LGPS 	
<p>Asset risks (the portfolio versus the SIAB)</p> <ul style="list-style-type: none"> • Concentration risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives. • Illiquidity risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets. • Currency risk that the currency of the Fund's assets underperforms relative to the SIAB. • Manager underperformance when the Fund managers fail to achieve the rate of investment return assumed in setting their mandates. 	<p>Asset risks at the fund level are mitigated by the setting and review of the SIAB. At the asset class level asset risks are mitigated by risk controls within individual asset mandates.</p> <ul style="list-style-type: none"> • Constraining how far Fund investments deviate from the SIAB by setting diversification guidelines and the SIAB strategic ranges; • Investing in a range of investment asset mandates, each of which has a defined objective, performance benchmark, eligibility criteria and permitted ranges for individual securities which, taken in aggregate, constrain risk within the Fund's expected parameters; • Investing across a range of liquid assets, including quoted equities and bonds. This recognises the Fund's need for some access to liquidity in the short term; • Robust financial planning and clear operating procedures for all significant activities including regular review and monitoring manager performance against their mandate and investment process; • Appointing several investment managers. In doing so the Fund has considered the risk of underperformance by any single investment manager
<p>Responsible investment (RI) risks that are not given due consideration by the Fund or its investment managers.</p>	<ul style="list-style-type: none"> • The Fund actively addresses environmental, social and governance risks through implementation of its Responsible Investment (RI) Framework and its Compliance with the UK Stewardship Code for Institutional Investors. Key elements include selection, stewardship and disclosure.
<p>Climate change - The Fund adopts an evidence-based approach to climate change and believes there is overwhelming evidence to support that climate changes poses both risks and opportunities to the Fund's investments. The Fund will consider the impact of climate change in both its asset allocation and individual investments when making decisions.</p>	<ul style="list-style-type: none"> • Establishment of a separate climate change framework and strategy setting out its approach to this risk • Monitoring and measuring the impact of climate change risks

Operational Risks	Management / Control
Investment pooling: <ul style="list-style-type: none"> • Expected benefits and cost savings do not emerge over the long-term 	<ul style="list-style-type: none"> • Investment Pool Risk Register • Collaboration on product development – protocol in place • Monitoring and management of costs
Transactional: <ul style="list-style-type: none"> • Transition risks – unexpected costs or losses arising from transition of assets • Custody – risk of losing economic rights to Fund assets when in custody or being traded • Credit or counterparty – potential default of counterparty • Financial recording of assets is inaccurate 	<ul style="list-style-type: none"> • Professional advice from specialist transition managers, due diligence and oversight on transitions • Use of global custodian for directly held assets, contractual management and accounting records • Due diligence prior to appointment, review of credit ratings, internal controls reporting and compliance monitoring • Reconciliation of assets, internal and external audit

6 INVESTMENT STRATEGY

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

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

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

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

7 DAY-TO-DAY MANAGEMENT OF THE ASSETS

Investment Management Structure

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

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

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

External Investment Managers

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

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

Investment Pooling

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

Oversight of performance is the responsibility of the IIC.

Expected Return on the Investments

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

Suitable Investments

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

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

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

Additional Assets

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

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

Realisation of Investments

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

Monitoring the Performance of Fund Investments

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

8 DAY-TO-DAY CUSTODY OF THE ASSETS

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

9 SECURITIES LENDING

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

10 INVESTMENT POOLING

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

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

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

11 RESPONSIBLE INVESTMENT

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

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

RI Beliefs and Guiding Principles

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

RI Integration

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

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

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

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

Engagement Versus Exclusion

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

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

Voting

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

12 CLIMATE CHANGE

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

13 COMPLIANCE WITH THIS STATEMENT

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

14 COMPLIANCE WITH MYNERS

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

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

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

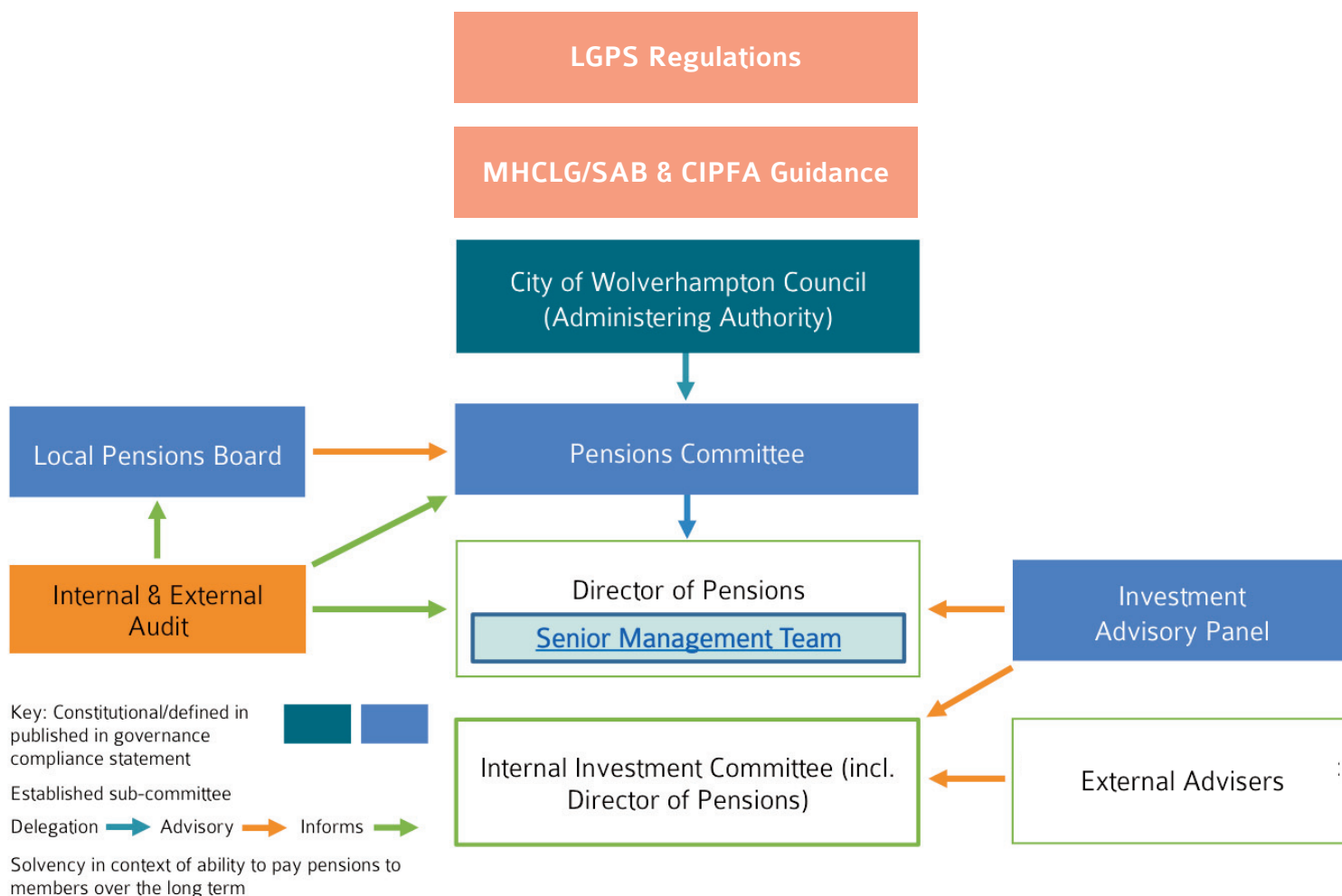
The Myners' principles have since been updated, and the Fund continues to support and comply with them. Full details of compliance are set out in the Fund's Compliance with Myners' Statement which can be found on the Fund's website.

LIST OF APPENDICES

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

APPENDIX A: ROLES AND RESPONSIBILITIES

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



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

Pensions Committee	<ul style="list-style-type: none"> Effect decisions on the management and administration of the Fund including investment decisions, annual approval of the Investment Strategy Statement
Local Pensions Board	<ul style="list-style-type: none"> Review the process of effective decision-making
Director of Pensions	<ul style="list-style-type: none"> Delegation for day to day management of Pension Fund including investments and implementation of investment strategy
Investment Advisory Panel	<ul style="list-style-type: none"> Supports the Director of Pensions and Internal Investment Committee with strategic advice, challenge, market commentary and oversight of portfolio management
Internal Investment Committee	<ul style="list-style-type: none"> Day-to-day asset allocation and investment strategy decision-making and implementation of investment strategy, together with oversight and monitoring of investment management arrangements
Investment Advisors	<ul style="list-style-type: none"> Provision of advice on markets, investment strategy, risk management and individual investment ideas
Internal & External Audit	<ul style="list-style-type: none"> Review process, decisions and implementation and to provide assurance to those charged with governance of the Pension Fund

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

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

The key duties in discharging this role are:

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

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

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

Local Pensions Board

The role of the Local Pensions Board is to assist in the good governance of the scheme through the monitoring of Fund performance and adherence to statutory duties.

The Board consists of six employer and six member representatives consisting of five employer and five member representatives together with two City of Wolverhampton Councillors, each sitting one as an employer representative and one as a member representative.

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

Investment Advisory Panel

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

The Investment Manager

Appointed Investment Managers carry out the investments for the Fund. Investment managers encompass both LGPS Central Limited and external providers with investment activity governed by investment management agreements (external providers) and the terms of the LGPS Central Limited Authorised Contractual Scheme and other legal entities (eg, limited partnerships).

The Fund also maintains a number of investment advisory agreements with LGPS Central Limited which are subject to review on an ongoing basis.

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

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

APPENDIX C: STATEMENT OF INVESTMENT BELIEFS

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

Headline beliefs

Objectives beliefs – As a pension fund the primary objective is to ensure that the Fund is able to meet the pension promises (liabilities) made to scheme members as they fall due. The Fund has a range of other objectives which include considering the needs of all key stakeholders which are supplementary to the primary objective

Financial market beliefs – The Fund takes a long-term approach to investing as its liabilities stretch into the future.

The Fund has a proactive approach to the management of assets taking into account the risk/return profile of different investment opportunities over a range of time periods.

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

Investment strategy – The Fund's investment strategy will encompass its approach to risk management, risk tolerance, liquidity and levels of return required to meet its strategic objectives. The Fund will set its strategic asset allocation to deliver the long-term returns required to meet its funding needs taking into account diversification, the requirement to remain agile, risk and cost of implementation, recognising that risk should be viewed both qualitatively and quantitatively.

Responsible investment – As long-term owners of capital (assets), the Fund believes that investing responsibly is key to ensuring the long-term value of the assets in which it invests is protected and where possible, enhanced. Investing responsibly and engaging as long-term owners reduces risk over time and has been proven to positively impact investment returns. The Fund is integrating responsible investment into the way it selects and stewards all assets.

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

Objectives

Headline objectives – As a pension fund the ultimate objective is to ensure that the Fund is able to meet the pension promises (liabilities) made to scheme members as they fall due. The Fund has a range of other objectives which include considering the needs of all key stakeholders which are supplementary to the primary objective.

- Setting clear and well-defined objectives are essential to reflect the Fund's long-term direction of travel
- Use of an integrated risk management framework including interlinking with both employer covenant monitoring and funding work to assist in delivering the sustainability of the Fund

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

Financial market beliefs

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

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

Governance and organisational beliefs

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

- Effective governance and clear decision-making structures promote clear accountability, audit and transparency in decision making leading to appropriate levels of challenge and improved investment outcomes
- Internal investment management can lead to lower costs, improved transparency and greater responsiveness in meeting the Fund's broader strategic objectives including those aligned with responsible investment. **Page 200**

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

Investment Strategy beliefs

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

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

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

Responsible investment beliefs

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

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

Climate change beliefs

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

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

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

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

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

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

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

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

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

West Midlands Pension Fund
PO Box 3948
Wolverhampton
WV1 1XP