

**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 Sandra Samuels OBE

### Member Representatives

Adrian Turner (Unison) (Chair)  
Terry Dingley (GMB)  
Julian Allam (Unite)  
Stan Ruddock (Unite)  
Sharon Champion (Unison)  
Cllr Rupinderjit Kaur

### Observer Member

Steve Smith

The Quorum requires, at least one member from each category of member and employer representatives. If the Chair and Vice Chair are not present a Chair will be nominated by majority from those in attendance.

## 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 552873  
**Address** Democratic Services, Civic Centre, 1st floor, St Peter's Square,  
Wolverhampton WV1 1RL

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**Tel** 01902 550320

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

# Agenda

## Part 1 – items open to the press and public

<i>Item No.</i>	<i>Title</i>
1	<b>Election of Chair</b>
2	<b>Election of Vice Chair</b>
3	<b>Apologies for Absence</b>
4	<b>Declaration of Interests</b>
5	<b>Minutes of Previous Meeting</b> (Pages 3 - 8) [For approval.]
6	<b>Matters Arising</b>
7	<b>Annual Governance Report</b> (Pages 9 - 20) [To seek approval for the Annual Governance matters of the Local Pensions Board (the Board), including approval of the Board's Workplan.]
8	<b>Compliance and Assurance</b> (Pages 21 - 50) [To provide the Board with an update on the work of the Fund to deliver a well governed scheme.]
9	<b>Internal Audit Annual Report 2021 - 2022</b> (Pages 51 - 62) [To provide the Board with the outcome of the work programme for Internal Audit for 2021-22.]
10	<b>Statement of Accounts 2021- 2022</b> (Pages 63 - 126) [To update the Board on the preparation, approval and audit of the Statement of Accounts and the Annual Report for the year ending 31 March 2022 and the latter's publication on the Fund's website.]
11	<b>Investment Governance</b> (Pages 127 - 130) [To update the Board on investment related matters, an update on responsible investment activities, together with the ongoing development of Local Government Pension Scheme (LGPS) Central Investment Pool.]
12	<b>Pensions Administration Report to 31 March 2022</b> (Pages 131 - 148) [To inform the Board of the routine operational work undertaken by the Pensions administration service areas during the period 1 January – 30 March 2022.]
13	<b>Customer Engagement Update</b> (Pages 149 - 164) [To receive an update on the Fund's customer engagement activity from 1 January – 31 March 2022 and to cover future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy.]

## Attendance

### Members of the Pensions Board

#### Employer Representatives

Paul Johnson (Vice-Chair)

Ian Martin - V

Joe McCormick

Mark Smith

#### Member Representatives

Adrian Turner (Chair)

Julian Allam

Sharon Champion

#### Observer Member

Steve Smith

#### Employees

Rachel Brothwood

Rachel Howe

Hayley Reid

Shiventa Sivanesan

Holly Slater

Simon Taylor

Amy Regler

Director of Pensions - West Midlands Pension Fund

Head of Governance and Corporate Services - West

Midlands Pension Fund

Regulatory Governance Manager

Assistant Director – Investment Management and

Stewardship

Governance Officer

Assistant Director – Pensions

Head of Operations

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## Part 1 – items open to the press and public

*Item No.*    *Title*

- 1        **Apologies for Absence**  
Apologies were received from:  
Cllr Reynolds, Employer Representative, Stan Ruddock, Member Representative  
and Jacqueline Carman, Employer 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 outlined the proposed changes to both the Board's Terms of Reference and the Appointments Policy which included the proposal to move to a two-year nomination cycle, enabling the Board to retain knowledge and skills in light of forthcoming regulatory changes.

Marginal improvement across the Fund's Operational Key Performance Indicators (KPI's) were highlighted during the quarter.

On presentation of the Fund's Strategic Risk Register, it was noted that the risk around ensuring effective governance had been increased to reflect forthcoming regulatory changes and the impact on Fund resources. A new risk, market volatility, had been added to the risk register this quarter to reflect the market uncertainty and ongoing volatility resulting from changing geopolitical and economic environment.

The Board were provided with an overview of Governing Body training activities for the quarter and reminded to submit training hours so they could be included in monitoring records.

Resolved:

1. That the revised Terms of Reference for the West Midlands Pension Fund (WMPF) Local Pensions Board be approved.
2. That the revised Local Pensions Board Appointments policy be approved.
3. That the Board note the Fund's key performance indicators.
4. That the Board note the latest Strategic Risk Register and the areas being closely monitored in the current environment.
5. That the Board note the compliance monitoring activity undertaken during the quarter.
6. That the Board note the Governing Body Training activities undertaken during the quarter.

6 **Pensions Administration Report from 1 October to 31 December 2021**

Amy Regler, Head of Operations, presented the report on the routine operational work undertaken by the Pensions Administration service area during the period 1 October to 31 December 2021.

The Board were advised that there had been a slight fall in KPI performance during the quarter and that this reflected higher workload volumes. The Operations Team continue to review incoming work and put plans in place to address high volume areas.

The Head of Operations provided an overview of the process for overseas existing checking, it was noted that this year's check had seen an improvement in response rate with 91% verification success.



Resolved:

1. That the Board note performance and workloads of the key pension administration functions.
2. That the Board note the development of the Fund's membership and participating employers.

## 7 **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.

It was noted that customer satisfaction for the period had fallen below target to 85%, this was in part due to a higher than usual volume of queries alongside the delivery of statutory exercises such as the Guaranteed Minimum Pension (GMP) reconciliation.

An update with regards to engagement with Prudential, the Fund's Additional Voluntary Contribution (AVC) provider, was given. It was noted that since initial engagement and ongoing dialogue with Prudential, retirement benefits were now being paid in accordance with KPI's and call waiting times had reduced.

In response to a question regarding whose responsibility it was to review Prudential's performance, the Head of Governance and Corporate Services confirmed that contracts for AVC's were between the member and Prudential and that Prudential were regulated by the Financial Conduct Authority (FCA). The Fund is responsible for providing the AVC facility, appointing and monitoring the provider, and options available to members.

It was noted that the Member Services Team had been providing a mixture of face to face and digital engagement since February 2022 and that pensions roadshows had recommenced with an average of 50 attendees per roadshow.

Following a question with regards to operational impact on both administration and engagement from the office move, the Assistant Director of Pensions and the Head of Operations noted that there had been no operational impacts as a result of the office move, with teams now transitioned across to the new space and hybrid working arrangements.

The Director of Pensions noted that the new office space would allow the Fund to further develop and deliver services in line with customer requests and expectations.

Resolved:

1. That the Board note the engagement activity and informed service development.
2. That the Board note the specific engagement with Prudential regarding AVC provision.

## 8 **External Audit Plan 2022**

Femi Olatunde, Interim Head of Finance, presented the report informing Board members of the plan for the external audit of the Fund's Annual Report and Accounts for 2021/22. The Interim Head of Finance outlined the process for completion of the

external audit and highlighted the following documents produced by the Grant Thornton, the Fund's external auditors:

1. Audit Plan
2. Audit Risk Assessment.

Resolved:

1. That the Board notes the management responses to questions from the external auditors, Grant Thornton LLP, as part of their audit planning.
2. That the Board notes the external audit plan for the 2021/2022 Annual Report and Accounts as prepared by Grant Thornton.

9 **Internal Audit Plan 2022 - 2023**

Amanda MacDonald, Audit Business Partner, presented the report outlining the work programme for internal audit during 2022-23. It was noted that the plan had been informed by the Fund's Risk Register and covered key areas that had been discussed and agreed with Senior Managers.

A report outlining the outcomes from audits completed during 2021-22 is due to be presented to the next meeting of the Pensions Board.

Resolved:

1. That the Board notes the internal audit plan for 2022-23.

10 **Regulatory Update**

The Board received an update on the Regulatory Environment from the Director of Pensions, the Head of Operations and the Head of Governance and Corporate Services, covering the areas highlighted below and noting the work the Fund is doing to stay informed and prepare for change:

1. McCloud Remedy
2. Pensions Dashboards
3. Review of Transfer Out Requests
4. Pension Regulator's Code of Practice
5. Public Service Pensions and Judicial Officers Bill (PSPJO Bill)
6. Levelling Up White Paper.

In response to a question on checks completed when members transfer their pension to overseas pension schemes, the Head of Operations confirmed that necessary checks were completed in respect of overseas schemes and that these checks were in accordance with relevant regulatory requirements. Amanda MacDonald, Audit Business Partner, noted that Internal Audit had completed a review in respect of the Fund's procedures for transfers out and concluded substantial controls were in place.

Resolved:

1. That the Board notes the forthcoming regulatory changes across the Local Government Pension Scheme (LGPS) environment and the Fund's response to them.

11 **Corporate Plan 2022 - 2027**

Rachel Howe, Head of Governance and Corporate Services, presented the report providing an overview of 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.

The Head of Governance and Corporate Services confirmed that the plan was still in draft format and would be updated with final figures following the approval of the Fund's accounts and publication on the Fund's website.

Resolved:

1. That the Board notes the Corporate Plan 2022-2027.

## 12 **2022 Actuarial Valuation Update**

Simon Taylor, Assistant Director for Pensions, presented the report providing 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. The Assistant Director highlighted the inclusion of climate related risk assessments within employer covenant monitoring and thanked Board members for their engagement and involvement in 'road testing' some of the work being undertaken by the Fund in preparation for the valuation.

Resolved:

1. That the Board notes the Progress on the transition of the Fund actuary service provider.
2. That the Board notes the report and the associated update on progress with the 2022 Actuarial Valuation for the Fund.
3. That the Board notes 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.

## 13 **Investment Governance**

Shiventa Sivanesan, Assistant Director for Investment Management and Stewardship, presented the report providing an update on investment related matters and an update on responsible investment activities, together with the ongoing development of LGPS Central Investment Pool.

It was noted that the Fund's Investment Strategy Statement had been subject to annual review and approval by the Pensions Committee, prior to the in-depth review scheduled for 2023, in line with the valuation. The Assistant Director highlighted the approval from the Pensions Committee to place a hold on the Fund's increased allocation to emerging market equities pending wider review.

Resolved:

1. That the Board notes the update on investment governance matters including those in relation to responsible investment and investment pooling.
2. That the Board notes the annual review of WMPF's Investment Strategy Statement (ISS).

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<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Pensions Board</b> 19 July 2022
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<b>Report title</b>	Annual Governance Report	
<b>Originating service</b>	Pension Services	
<b>Accountable employee</b>	Rachel Howe	Head of Governance and Corporate Services
	Tel	01902 55 2091
	Email	<a href="mailto:Rachel.Howe@wolverhampton.gov.uk">Rachel.Howe@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Rachel Brothwood	Director of Pensions
	Tel	01902 55 1715
	Email	<a href="mailto:Rachel.Brothwood@wolverhampton.gov.uk">Rachel.Brothwood@wolverhampton.gov.uk</a>

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**Recommendation for action:**

The Pensions Board is recommended to approve:

1. The Local Pension Board Work-plan for the 2022-2023 municipal year.

**Recommendations for noting:**

The Pensions Board is asked to note.

1. The appointments from the City of Wolverhampton Council to the member and employer representative elected member seats.
2. The following dates and time of the meetings of the Local Pension Board (14.00):
  - i. 19 July 2022
  - ii. 18 October 2022
  - iii. 24 January 2023
  - iv. 25 April 2023
3. The Governing Body Member Training Policy developed for members of the Fund's Governing Bodies which was approved by the Pensions Committee on 29 June 2022.
4. The publication of the national Scheme Advisory Board (SAB)'s annual report.

## **1.0 Purpose**

- 1.1 To seek approval for the Annual Governance matters of Local Pensions Board in line with the good governance requirements of statutory regulation and guidance.

## **2.0 Background**

- 2.1 The Local Pensions Board is a statutory Board created by the Public Services Pensions Act 2013 and governed in line with guidance from the Scheme Advisory Board (SAB) with oversight from the Pensions Regulator.
- 2.2 The Local Pensions Board is required by statute to publish information about its membership, responsibilities and work within its Local Government Pension Scheme (LGPS) Fund.
- 2.3 The Local Pensions Board meets four times a year to review and consider the actions of the Fund in line with governance requirements, their role is to aid the Pensions Committee and ensure the Fund is managed, taking into account in equal measure the interest and representation of Fund members and employers (customers). The two bodies are collectively referred to as Fund Governing Bodies who aim to work collaboratively to ensure the Fund delivers its long-term obligations to pay benefits promised by employers to its members. Joint training sessions are held with the Pensions Committee throughout the year, providing the opportunity for engagement on topical issues between Pensions Board and Committee members.

## **3.0 Local Pension Board Appointments 2022-23**

- 3.1 The Board are asked to note the appointment of Cllr Sandra Samuels OBE from the City of Wolverhampton Council to the employer representative elected member seat. There have been no other changes to Board membership for the 2022-23 municipal year, with Councillor Rupinderjit Kaur retaining the member representative seat.

## **4.0 Dates and Times of Meetings for 2022-23**

- 4.1 The Board are asked to note the following dates and time of meetings for the remainder of the current municipal year:

### **Pensions Board – 2pm**

- i. 19 July 2022
- ii. 18 October 2022
- iii. 24 January 2023
- iv. 25 April 2023

## **5.0 Local Pension Board Work-Plan**

- 5.1 Guidance from SAB on the role of local pension boards includes a requirement for local boards to publish information about their work. In considering the work of the Local Pensions Board going forward to ensure the continued good governance of the Scheme,

areas of focus for 2022/23 will continue to be focused around effective governance, customer engagement, regulatory change, service delivery and operational resilience to ensure the Fund is able to adapt and respond to the changing demands of service from its customers and to the changing regulatory landscape of the LGPS. The Board themselves may also add items as they review the Fund's governance in line with their statutory duty.

5.2 The Board will also continue to monitor delivery of the Fund's Corporate Plan 2022 – 27, having supported the Pensions Committee and officers to shape the goals and objectives of the Fund and to develop its areas of focus to support the achievement of those goals, as outlined below;

- People and Customers – ensuring we provide an inclusive and supportive working environment and create opportunities to build careers, securing future knowledge and skills.
- Corporate Communications – increasing accessibility to the Fund's support services and engaging wider stakeholders in the Fund's stewardship and partnership activity.
- Compliance and Risk – building and maintaining integrated assurance to instil confidence in our outcomes.
- Operational Resilience – ensuring that the Fund is able to flex, adapt and successfully respond to change.
- Investment Implementation – continuing to build a long-term, diverse portfolio with the ability to withstand volatility in markets.
- Stewardship – ongoing review and reporting to demonstrate that our outcomes are aligned to our stewardship ambitions, which seek to invest for real world change.
- Corporate Responsibility – to ensure that we are developing our own organisation in line with the standards that we set for others.

5.3 A copy of the Board's Annual Work-plan for 2022-23, is included at Appendix A for approval.

## **6.0 Governing Body Training Policy**

6.1 The West Midlands Pension Fund believes a well governed scheme is led from the top, by its Governing Bodies and decision makers. To support the members of those bodies in their roles, equipping them with the knowledge and understanding of relevant issues, the Fund has established a formal training policy which details the minimum requirements expected of Governing Body members to support and enable policy decision and oversight of implementation, where delegated.

6.2 The training policy has been developed in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA)'s Code of Practice on Knowledge and Skills, which covers knowledge requirements for both Governing Body members and officers and the potential requirements which are anticipated from both the Pensions Regulator's Draft Single Code of Practice and the draft recommendations included in SAB's Good Governance review. The Fund will continue to review and update its policy, any further updates will be presented to the Board.

6.3 Recognising the importance of training in the developing landscape of the Scheme, the Fund have included details on the training requirements of the Governing Bodies within its Governance Compliance Statement. The Fund reviews its training policy on an annual basis to ensure it remains compliant with best practice and delivers a comprehensive suite of opportunities for the Local Pensions Board (and Pensions Committee) to develop knowledge and understanding.

## **7.0 Scheme Advisory Board (SAB) Annual Report**

7.1 In line with its regulatory duty, the national SAB has, every year since 2013, produced its Scheme Annual Report highlighting national averages in areas such as investment returns, asset allocation, funding and governance.

7.2 SAB produces its report based on the published Annual Report and Accounts of the LGPS Funds across England and Wales. It is therefore produced retrospectively each year. This latest report highlights the aggregated position from the 2021 reports and provides a useful point of reference for a variety of stakeholders.

7.3 The LGPS highlights for 2021, as noted by SAB (covering LGPS England & Wales), include;

- The total membership of the LGPS grew by 66,624 (1.08%) to 6.226m members in 2021 from 6.16m in 2020
- The total number of active LGPS employers in 2021 was over 14,448
- The total assets of the LGPS increased to £342bn (change of 23.4%) during 2021
- The net investment return on these assets (after fees) as at 31 March 2021 was 20.56%, reflecting market conditions during the year
- The Scheme held a positive cash-flow position in 2020, including investment income
- The most recent Scheme funding level, aggregated across local valuations, remains at 98% (2019 valuation)

7.4 In comparison, the Fund's highlights for the year to 31 March 2021 show;

- The total membership grew from 333,934 to 335,101 (0.4%)
- Employers increased from 704 to 743 (5.2%)
- The Fund's total assets increased from £15.3 billion to £18.91 billion (20%), reflecting the market recovery post the Covid pandemic
- The Fund's local funding level was 94% (2019 valuation)

7.5 Throughout the year, SAB has issued a number of communications reporting on the outcomes of their meetings and delivery of their own workplan, all of which have been presented to the Local Pension Board and Committee in update reports at formal meetings, through training events or communication roundups. SAB is undertaking a "forward look" to agree its future strategic priorities following the appointment of new Board secretariat earlier this year and its workplan for 2022/23 is expected to be published in due course.



## **8.0 Financial Implications**

- 8.1 The cost of the Local Pensions Board is contained within the Fund's Governance budget approved by the Committee at its March meeting.
- 8.2 A failure to comply with statutory requirements and/or guidance could result in a fine imposed by the Pensions Regulator.

## **9.0 Legal Implications**

- 9.1 The requirement for a Local Pensions Board is set out in the Public Service Pensions Act 2013. It is a statutory body with statutory responsibilities. Failure by an LGPS Fund to comply with the statutory requirements could result in a fine or legal notice being imposed.

## **10.0 Equalities Implications**

- 10.1 There are no implications.

## **11.0 All Other Implications**

- 11.1 There are no other implications.

## **12.0 Schedule of Background Papers**

- 12.1 Public Service Pensions Act 2013  
<http://www.legislation.gov.uk/ukpga/2013/25/contents>
- 12.2 Scheme Advisory Board Guidance for Local Pensions Board  
[https://lgpsboard.org/images/Guidance/LGPS\\_Board\\_Guidance\\_FINAL\\_PUBLISHEDv1%201clean.pdf](https://lgpsboard.org/images/Guidance/LGPS_Board_Guidance_FINAL_PUBLISHEDv1%201clean.pdf)
- 12.3 Governing Body's Training Policy  
<https://wolverhamptonintranet.moderngov.co.uk/documents/s177477/Appendix%20B%20-%20Governing%20Bodies%20Training%20Policy.pdf>

## **13.0 Schedule of Appendices**

- 13.1 Appendix A: Local Pension Board Workplan

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## Pension Board Workplan - 2022 - 2023

**The West Midlands Pension Fund's Local Pension Board is responsible for assisting the Fund with the good governance and administration of the scheme by ensuring its compliance with the legislation, meeting the requirements of the Pensions Regulator (tPR) and its adherence to statutory guidance.**

Area of Focus	Detail	How undertaken	Governing Requirement	Cycle of work
Governance of the Fund	Decision Making - Delegations - Policy	Governance compliance statement policy review framework	tPR Single Code of Practice	Annual
	Advisor Appointments	Board reports	tPR Single Code of Practice	As required
	Risk Management - internal controls and audit - BCP - Cyber	Quarterly reporting on Risk Register  Annual Assurance on BCP/Cyber	tPR Single Code of Practice	Quarterly
	Conflict Management	Annual approval of policy with reporting on exceptions basis	tPR Single Code of Practice / Good Governance	Annual
	Performance (KPIs)	Quarterly reporting	tPR Single Code of Practice	Quarterly
	Compliance - ORA	Quarterly reporting with annual ORA	tPR Single Code of Practice	Bi-annual
Funding	Employer Funding - exit	Annual policy review	tPR Single Code	Annual
	Valuation - Financial contribution/ contributions	Annual reporting	tPR Single Code	Annual

Area of Focus	Detail	How undertaken	Governing Requirement	Cycle of work
Administration	Admissions	Quarterly reporting	tPR Single Code	Quarterly
	IT/Cyber	Annual assurance on cyber	tPR Single Code	Annual
	Member benefits /movements	Quarterly reporting	tPR Single Code	Quarterly
Communication	Customer Engagement	Quarterly reporting review of customer engagement plan	tPR Single Code	Quarterly
	Statutory communications	Reporting as required	tPR Single Code	As required
Investment Governance	Responsible Investment	Quarterly reporting	tPR Single Code	Quarterly
	Stewardship	Quarterly reporting	tPR Single Code	Quarterly
	Climate	Quarterly reporting	tPR Single Code	Quarterly
	Pooling Governance	Quarterly reporting	tPR Single Code	Quarterly
Data Management	Pension Admin Strategy	Annual review of policy quarterly performance reporting	tPR Single Code Good Governance	Annual/quarterly

## Pension Board Workplan - 2022 - 2023

**The West Midlands Pension Fund's Local Pension Board is responsible for assisting the Fund with the good governance and administration of the scheme by ensuring its compliance with the legislation, meeting the requirements of the Pensions Regulator (tPR) and its adherence to statutory guidance.**

Area of Focus	Detail	Cycle of work	Governing Requirement
Governance of the Fund	To ensure the effective process of decisions with a transparent and clear structure of responsibility	Annual	tPR Single Code of Practice
	To support the use of professional advice, including in the training of Governing Bodies	As required	tPR Single Code of Practice
	Instilling confidence in our outcomes that we are effectively managing risks through flexible resilience and an ability to respond to change.	Quarterly	tPR Single Code of Practice
	Ensuring the effective management of actual and perceived conflicts	Annual	tPR Single Code of Practice / Good Governance

Area of Focus	Detail	Cycle of work	Governing Requirement
Governance of the Fund Continued	Monitoring the performance of the Fund's service delivery	Quarterly	tPR Single Code of Practice
	Monitoring the effectiveness of the Fund's assurance programme and its compliance with statutory requirements	Bi-annual	tPR Single Code of Practice

Funding	Ensuring the Fund has effective strategies (Funding and Financial Controls) for determining and paying pension benefits now and in the future.	Annual	tPR Single Code
	Ensuring the Fund has effective strategies for managing covenant risk	Triennial	tPR Single Code Best Practice

Administration	Ensuring the Fund has effective engagement channels for members to engage with their pension, enabling retirement planning.	Annual	tPR Single Code
	Ensuring the Fund has effective planning and cyber strategy plans to ensure continuity of key service delivery	Annual	tPR Single Code
	Supporting employers' understanding of their LGPS responsibilities	Ongoing	tPR Single Code

Area of Focus	Detail	Cycle of work	Governing Requirement
Communication	Ensuring members are communicated to about their pension benefits including statutory changes	Quarterly	tPR Single Code
	To support active participation in the LGPS, championing best practice	Ongoing	tPR Single Code Good Governance

Investment Governance	To ensure the Fund has effective processes to make sure investment decisions can be made in an effective and timely manner	Ongoing	tPR Single Code
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Data Management	Ensuring the Fund has appropriate mechanisms for monitoring and rectifying data quality	Quarterly	tPR Single Code Data Protection Act 2018
	Ensuring the Fund has appropriate procedures for the protection of personal data	Annual	tPR Single Code Data Protection Act 2018

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<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Pensions Board</b> 19 July 2022
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<b>Report title</b>	Compliance and Assurance	
<b>Originating service</b>	Pension Services	
<b>Accountable employee</b>	Rachel Howe	Head of Governance and Corporate Services
	Tel	01902 55 2091
	Email	<a href="mailto:Rachel.Howe@wolverhampton.gov.uk">Rachel.Howe@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Rachel Brothwood	Director of Pensions
	Tel	01902 55 1715
	Email	<a href="mailto:Rachel.Brothwood@wolverhampton.gov.uk">Rachel.Brothwood@wolverhampton.gov.uk</a>

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**Recommendations for action:**

The Pensions Board is asked to note:

1. The latest Strategic Risk-Register and areas being closely monitored in the current environment.
2. The compliance monitoring activity undertaken during the quarter.
3. The Fund's Key Performance Indicators and action taken to support service delivery.
4. The release of the Pensions Regulator's Corporate Plan 2022 – 2024.
5. The 2022 Governance and Compliance Statement approved by Committee.

## **1.0 Purpose**

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

## **2.0 Governance and Compliance Statement**

- 2.1 In accordance with Local Government Pension Scheme (LGPS) Regulations the Fund is required to produce a Governance and Compliance statement confirming its approach to delegation for decision making.
- 2.2 At the time of writing, the Fund is awaiting publication of statutory guidance and regulation including the Pension Regulator's Code of Practice and the Department of Levelling Up Housing and Communities (DLUHC)'s response to the Scheme Advisory Board's recommendations following the Good Governance Review, which are expected to outline additional content and requirements for the Governance Compliance Statement. The review undertaken at this time notes any amendments to working practices adopted throughout the year, with a full review expected to be completed following publication of the statutory guidance.
- 2.3 The 2022 Governance and Compliance Statement is included as Appendix A and has been updated with grammatical amendments and the change from the Ministry of Housing, Communities and Local Government (MHCLG) to DLUHC. Alongside the Governance and Compliance statement the Fund's Representation Policy has also been reviewed to ensure it is in line with working practices, a link to the Representation Policy which was approved by the Pensions Committee on 29 June is included in the background papers to this report.

## **3.0 Key Performance Indicators**

- 3.1 Attached at Appendix B are the Fund's Key Performance Indicators (KPIs).
- 3.2 These note the year-on-year performance of the Fund from April 21 to March 22, with comparative performance against key indicators in the prior year.
- 3.3 Where performance has reduced, this has been attributable to a combination of rising work volumes, staffing shortages and changes during the year. As has been reported to the Board throughout the year, these have been largely driven by external factors with the Fund seeing an increase in member activity including leavers, retirements, an increase in complaints and contact incoming to customer services linked to the statutory guaranteed minimum pension (GMP) reconciliation exercise and scheme change, with the team taking more time to support members with their benefits and retirement planning, alongside training new hires. Where performance has dropped, efforts have been made to reallocate resource and in-year improvement has been observed.
- 3.4 Throughout the year, the Fund's Member Services team have continued to support members with their pension queries, adapting services to a hybrid model during periods

of lockdown. This, together with the launch of the Fund's deferred retire online, has seen an increase of web portal registrations over the year by over 10,000 members.

- 3.5 As reported to Board, the Fund's Internal Dispute Resolution Procedure (IDRP) process has been delayed slightly this year due to the need to wait for supporting medical information (with the delay attributable to the pandemic), the majority of cases relating to ill health retirement disputes for which the employer holds the discretion to agree and must obtain and take a view based on Independent Medical Practitioner opinion.
- 3.6 Our Governing Bodies continue to meet their requirements for knowledge and skills, with the final reported training hours to be published in the Fund's Report and Accounts.
- 3.7 As noted in section 4 of this report the complexity of requests from third parties continues to increase, this is reflected in the compliance with statutory timeliness KPI.

#### **4.0 Risk Management - Strategic Risk Register**

- 4.1 The Fund's Strategic Risk Register is attached at Appendix C.
- 4.2 The Fund continues to operate within an ever-changing environment which places increased pull on the Fund's resource and service delivery. While noted as individual areas of concern, the risks included in the attached risk register are interconnected in their impacts across the Fund.
- 4.3 The last two years have seen the delayed issuance of regulation and statutory guidance which would dictate operational practices of the Fund (including governance and oversight). There is potential for this to be forthcoming over the Autumn/Winter which would put increased pull on the Fund's resources with the ongoing need to flex resource to support service delivery and the potential for ongoing reliance on interim support.
- 4.4 The Fund continues to see competition in the market for all roles across the organisation with key challenges in the more senior/technical roles. Work continues to develop our people to support the succession of knowledge and skills as part of the wider priority on operational resilience.
- 4.5 Noting the delayed release of key statutory and best practice guidance over the last two years, the Fund is anticipating publication of a number of consultations and changes to LGPS regulations and guidance over the course of the next 3 – 6 months. This will add additional pull on resources as the Fund seeks to engage and respond to the change.
- 4.6 Changing financial and investment market conditions have the potential to affect Fund members and employers (with rising costs) and influence the outcomes of the triennial funding valuation and investment strategy reviews. We anticipate increasing customer contact and engagement, together with increasing budget pressures as all parties seek to manage increased pressures on their finances.

## **5.0 Compliance Monitoring**

### **5.1 Data Protection**

This quarter the Fund is reporting two data breaches, compared to the six reported during the previous quarter. Both breaches were minor and involved minimal amounts of low-risk data.

In total for 2021/22 the Fund has reported 18 data breaches, this compares to 25 reported during 2020/21, all breaches were reported to the Information Governance Team within the 72-hour deadline. The Governance Team continue to analyse breaches and identify actions to improve procedures and make recommendations to enhance controls. The root cause of breaches during 2021/22 has been human error with a small number of instances of information being indexed incorrectly within the Fund's administration system or information being sent to incorrect recipients, where errors occur feedback and if necessary additional training is provided to Managers and Fund employees by the Governance Team.

### **5.2 Freedom of Information (FOI) Requests**

The Fund have received six FOI requests, five were dealt with in accordance with the deadlines set by City of Wolverhampton Council (CWC), with one being granted an extension to allow the information being provided to be validated. As previously reported, requests are administered by CWC who are ultimately responsible for responding to requests, CWC set internal deadlines for response to ensure compliance with statutory timescales. All requests were responded to within statutory timescales.

During 2021/22 the Fund received 21 requests in total, this compares 28 received during 2020/21. As reported during the previous quarter, the complexity of FOI requests received by the Fund continues to increase. Whilst the majority of requests relate to the Fund's investment holdings, information on the Fund's staffing and structure as well as information relating to cyber security has been requested during the year. The Governance Team continue to monitor requests received and liaise with the Information Governance Team at CWC to ensure that requests are responded to appropriately. The Board have received reports throughout the year on the Fund's work in these areas of interest.

### **5.3 Subject Access Requests (SARs)**

This quarter the Fund has received five Subject Access Requests, a reduction from the eight 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. All requests were responded to within the deadlines set by CWC.

This year the Fund has received 24 SARs in total (the same amount as during 2020/21), 21 of the requests received were from third parties. It is noted that the Local Government Association (LGA), recently issued guidance on how to deal with SARs from third parties, analysis of the guidance in comparison with the Fund's procedures has identified robust processes are in place in line with relevant data protection legislation.

## **6.0 Cyber Security**

- 6.1 The Fund's updated Cyber Security Strategy was approved by the Pensions Committee on 29 June, the strategy outlines the Fund's guidelines for preserving the security of data and technology infrastructure. As part of the annual review of the strategy the Fund engaged with a third-party provider, AON to undertake an independent review of the strategy to identify any areas for amendment in line with best practice. AON noted that the Fund's strategy is very comprehensive and includes internal controls in line with those expected and recommended within a pension scheme's cyber strategy.
- 6.2 The Fund is in the process of undertaking its annual programme of cyber assurance, the Fund has an annual programme of activity, which includes defining and managing our cyber footprint and oversight of our third-party suppliers. Further details on this exercise will be provided to the Board in due course.
- 6.3 Annual cyber security training for Fund employees is due to take place in July. Training for Governing Body members was undertaken during 2021 and further training will be provided later this year.

## **7.0 Governing Body Training**

- 7.1 The Fund's Governing Body Training Policy was reviewed and approved by the Pensions Committee on 29 June 2022, a link to the policy is included in the background papers to this report.
- 7.2 Governing Body training events undertaken during the previous quarter included the following;
- An update on the LGPS environment.
  - An update on the Fund's Climate Strategy.
  - A round up on regulatory change impacting the LGPS.
  - Introduction to the Actuarial Valuation 2022.
  - Case studies from the Fund's direct property and sustainable infrastructure portfolios.
  - Updates and media roundups issued by the Governance Team.

Training hours continue to be recorded by the Governance Team and reported in the Fund's KPIs.

- 7.3 The Fund's annual induction training event for new and existing Governing Body members took place on 7 and 8 June and included sessions on Governing Body roles and responsibilities, hot topics in the LGPS, investment strategy and stewardship and an introduction to LGPS Central Limited.
- 7.4 The online learning library for Governing Body members continues to be updated and provides a variety of training materials (including those from recent events) and relevant information for Governing Body members.

## **8.0 The Pension Regulators Corporate Plan 2022 – 2024**

- 8.1 The Pensions Regulator (tPR) published its corporate plan in June 2022, outlining its five strategic priorities for its regulation of the pension industry over the next two years, reflecting on the long-term trends in the pension landscape. TPR took over responsibility for public sector schemes in 2014 and has since been working to develop understanding of public sector and LGPS regulatory landscape. The Single Code of Practice for Good Governance and Administration is expected to be released in the autumn, which will set out the standards of governance for all pension schemes (occupational defined benefit and defined contributions schemes, master trusts and the public service pension schemes).
- 8.2 The five key areas identified by tPR are reflective of the Fund's own priorities set out in its Corporate Plan 2022 – 2027 adopted by Committee at its March meeting and include:
- Security for pension savers, with the Fund signing up to tPR's pension scam pledge in 2020 introducing a range of measures to ensure the validity of transfer out schemes.
  - Value for money – the Fund has made value add services a key delivery, noting the work undertaken by the Member Services team in developing and enhancing member engagement activity.
  - Scrutiny of decision making – ensuring fair and transparent process in the Fund's decision making, instilling confidence through assurance supported by compliance and risk management.
  - Embracing innovation – the Fund has been at the forefront of enhancing self-service for members, launching its retire online provision and continuing to enhance the use of technology and automation of processes as it develops a new approach with the pension admin system transition.
  - Bold and Effective Regulation – the Fund has participated in consultations which have shaped forthcoming regulatory guidance, including the new tPR Code of Practice, and is well positioned to be responsive in ensuring the ongoing good governance of the Fund.
- 8.3 We will continue to monitor the development of the plan and any guidance forthcoming to ensure the ongoing compliance with regulator expectations as we continue to build out our service development.

## **9.0 Financial Implications**

- 9.1 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. Poor management of the Fund's data, financial information and assets can result in additional costs and detract from investment returns.
- 9.2 Failure by the Fund to meet statutory requirements of effective governance and administration could result in fines imposed by tPR.

## **10.0 Legal Implications**

10.1 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.

## **11.0 Equalities Implications**

11.1 There are no direct equalities implications.

## **12.0 Other Potential Implications**

12.1 There are no other potential implications.

## **13.0 Schedule of Background Papers**

13.1 WMPF Representation Policy - [West Midlands Pension Fund - Governing Bodies \(wmpfonline.com\)](http://wmpfonline.com)

13.2 WMPF Cyber Security Strategy - Available on request

13.3 WMPF Governing Body Training Policy - [West Midlands Pension Fund - Governing Bodies \(wmpfonline.com\)](http://wmpfonline.com)

13.4 The Pensions Regulator Corporate Plan 2022 – 2024 - [Corporate Plan 2022 to 2024 | The Pensions Regulator](#)

## **14.0 Schedule of Appendices**

14.1 Appendix A: Governance and Compliance Statement

14.2 Appendix B: KPI's Year on Year Comparison

14.3 Appendix C: Strategic Risk Register

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# GOVERNANCE COMPLIANCE STATEMENT JUNE 2022



West Midlands Pension Fund

## INTRODUCTION

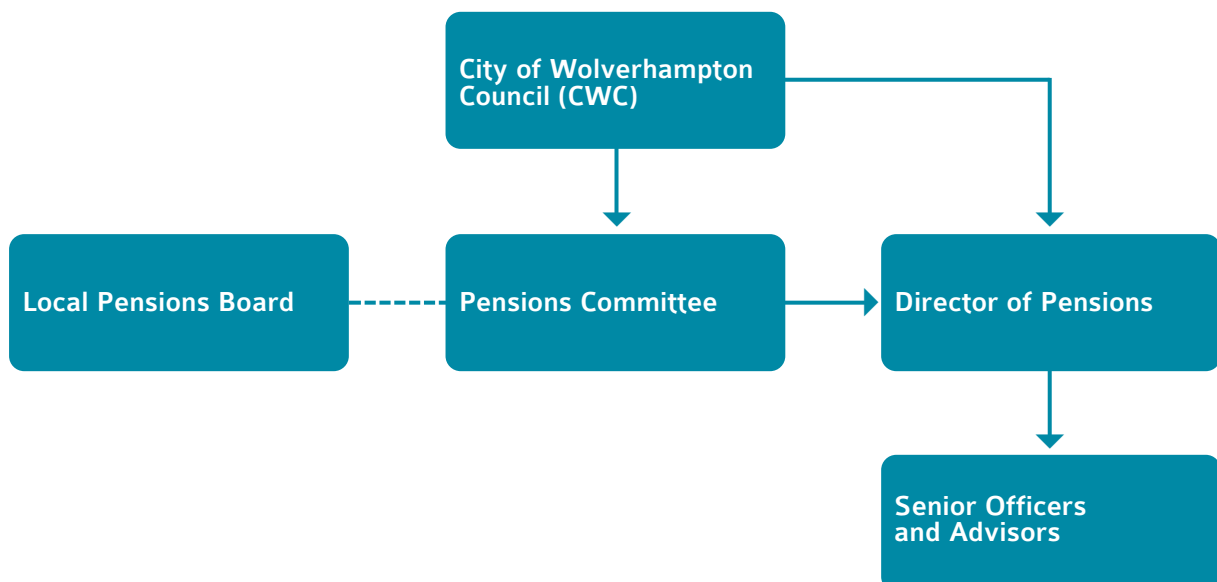
Regulation 55 of the Local Government Pension Scheme regulations 2013 requires all administering authorities for local government pension schemes to publish a Governance Compliance Statement setting out the Fund's governance arrangements. It should outline the extent of the Fund's compliance with guidance issued by the Secretary of State for Communities and Local Government (now DLUHC) and review that statement on an ongoing basis. This statement sets out the Fund's Governance Structure, scheme of delegation, and the terms of reference for its Governing Bodies, the Pensions Committee and the Local Pensions Board.

## RELATIONSHIP WITH THE ADMINISTERING AUTHORITY – THE CITY OF WOLVERHAMPTON COUNCIL

The City of Wolverhampton Council (CWC) is the Administering Authority for the West Midlands Pension Fund (the Fund) under the Local Government Pension Scheme Regulations 2013 and is the Scheme Manager as defined by Section 4 of the Public Service Pension Act 2013. CWC are required, by virtue of the statutory provisions in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 to manage the Pension Fund's assets and liabilities separately to those it holds to perform its functions as a local government authority and to carry out all other activities associated with the management and administration of the scheme, in accordance with legislation and statutory guidance for the benefit of its members, employers and other stakeholders.

## GOVERNANCE STRUCTURE

Under its constitution and in accordance with Section 101 of the Local Government Act 1972 CWC have delegated responsibility for the management of the Fund to the Pensions Committee and the Director of Pensions. As required by the Public Service Pensions Act 2013, CWC have also established a Local Pensions Board to assist in the good governance of the scheme by ensuring compliance with legislation and statutory guidance. The Fund's Governance arrangements are outlined in the diagram below.



## THE PENSIONS COMMITTEE

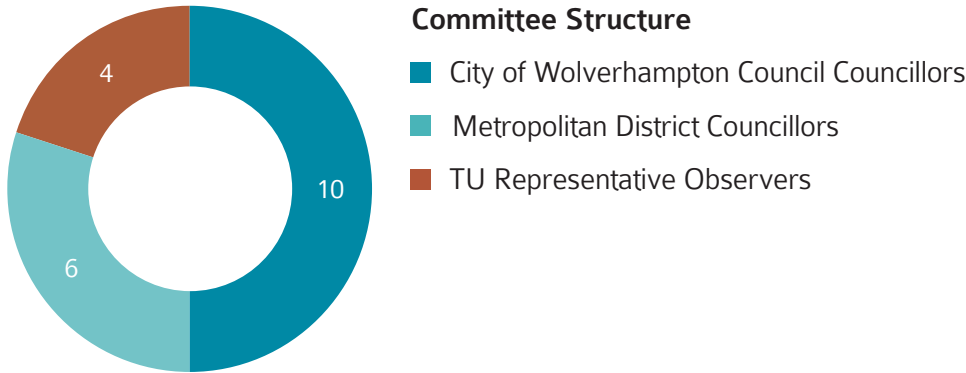
The Pensions Committee is responsible for exercising all of the functions that are required as an Administering Authority for a Local Government Pension Scheme under the Public Service Pensions Act 2013. Adhering to the principles required by Statutory Guidance, The Pensions Regulator's (TPR) Code of Practice and performing the duties set out in the Terms of Reference for the Pensions Committee as detailed in CWC's Constitution available on its website.

Members of the Pensions Committee are responsible for the Fund's activities, ensuring that the Fund is managed in the best interest of all its members, employers, and beneficiaries. Members of the Pension Committee must therefore take a non-political approach to the decisions they take.

The key duties of the Pensions Committee as set out in the terms of reference are as follows:

- To exercise all those functions of City of Wolverhampton Council which are required to be performed by it in its role as Administering Authority for the Local Government Pension Scheme under the Public Service Pensions Act 2013 (and any associated legislation) adhering to the principles required by Statutory Guidance.
- To adhere to the principles set out in the Statutory Guidance and Codes of Practice issued by the Scheme Advisory Board and the Pensions Regulator and undertake its duties in compliance with the obligations imposed on it as Scheme Manager.
- To approve the Fund's operational budget and receive reports on matters of staffing and employment where significant budget implications occur.
- To represent the views of members in the management and administration of the Fund.
- To ensure that equality issues are addressed in the development of policies and the provision of services and are appropriately monitored.
- To determine the investment strategy and supporting responsible investment policy and frame work of the Fund in consideration of the long-term liabilities and duties to pay pension benefits.
- To monitor investment activity and the performance of the Fund's investments. To take independent and specialist advice on matters to be determined, including advice from Senior Officers of the Fund, adhering to the advice given when taking decisions.
- To ensure effective operational and financial risk management and to receive reports on actions identified in the Fund's internal control framework.
- Reviewing and adopting the statutory policies of the Fund, in accordance with the Fund's policy framework.
- On an annual basis to receive and approve the Annual Report and Accounts.

The membership of the Pensions Committee is detailed in the diagram below.



The ten CWC Councillors and six Metropolitan District Councillors are all voting members of the Committee, the four Trade Union (TU) Representatives are invited to represent the Fund’s members as observers and can participate in debate but do not have voting rights. Further details about the Pension Committee Membership can be found in the Fund’s Representation Policy which is available on the Fund’s website. The Pensions Committee meet on a quarterly basis and are managed and operate as a Section 101 delegated Committee.

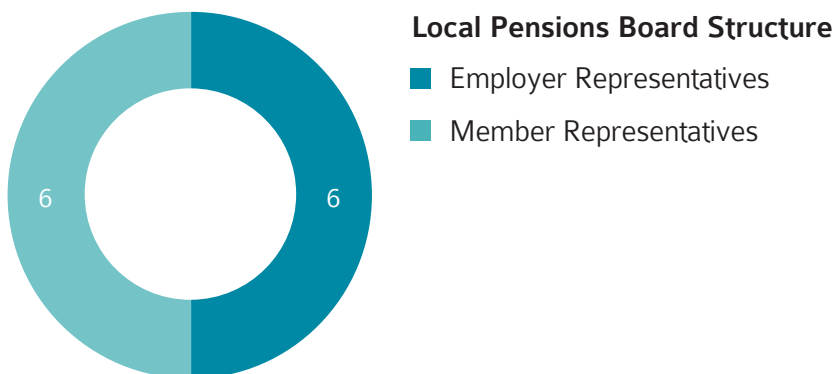
**LOCAL PENSIONS BOARD**

As required by the Public Service Pensions Act 2013, CWC as administering authority established the Local Pensions Board to assist in the good governance of the scheme by ensuring the Fund’s compliance with legislation and statutory guidance. The terms of reference for the Local Pensions Board are available on the Fund’s website.

The role the Local Pensions Board is to assist in the good governance of the Local Government Pension Scheme through the monitoring of compliance with statutory regulation and guidance and to act as a representative both for and on behalf of the employer and member base ensuring effective governance and administration in the management and payment of pension benefits.

Pension Board members are non-political, they represent the Fund’s members and employers (not political group, trade union or individual employer) and must consider the Fund’s overriding objective, which is to pay members benefits when they fall due.

As detailed in the diagram below, the Pensions Board consists of six employer and six member representatives, two of which (one from each category) are elected Councillors of the administering authority.



Each member of the Board has a right to vote on matters brought before it. The positions of Chair and Vice Chair are appointed annually by vote of the membership, with a rotation of employer and member representatives each year. Further information with regards to representation on the Local Pensions Board can be found in the Representation Policy which is available on the Fund's website. Appointments to the Local Pensions Board are made in accordance with the Fund's Local Pensions Board Appointments process which is also available on the website. In line with Pensions Committee, the Board also meet on a quarterly basis.

The Board establishes an annual programme of work focused on the Fund's governance and administration, monitoring the Fund's compliance with statutory and regulatory guidance and working with officers to ensure the highest standards are met. The workplan covers the broad range of functions undertaken by the Fund including data management, financial management, funding policy and investment governance and stewardship. A report on the work of the Pensions Board is provided to the Pensions Committee on an annual basis.

## INVESTMENT POOLING

### **Role of Individual Administering Authority**

In compliance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the West Midlands Pension Fund has outlined its approach to investment pooling in its Investment Strategy Statement. Working collectively with Partner Funds, the West Midlands Pension Fund created and owns LGPS Central Limited, an FCA regulated company responsible for product development and collective investment vehicles to meet the investment requirements of the eight administering authorities as its clients.

In conjunction with its Partner Funds, West Midlands Pension Fund takes two roles in this structure:

- **Role as Shareholder**

To oversee, challenge and ensure the company's goals, ambitions and overall performance achieve the objectives set out in its annual business plan (including the budget), ensuring such business plan is fit for purpose in the context of its customers, their needs and ambitions, including the creation and delivery of products which meet those needs.

- **Role as Client/Customer**

To receive services (under agreement) and to manage the performance of that agreement in line with contract management processes. The Chair of Pensions Committee meets with their counterparts from partner fund committees (to form LGPS Central Joint Committee) on a six-monthly basis to undertake a review of the services received from LGPS Central Limited.

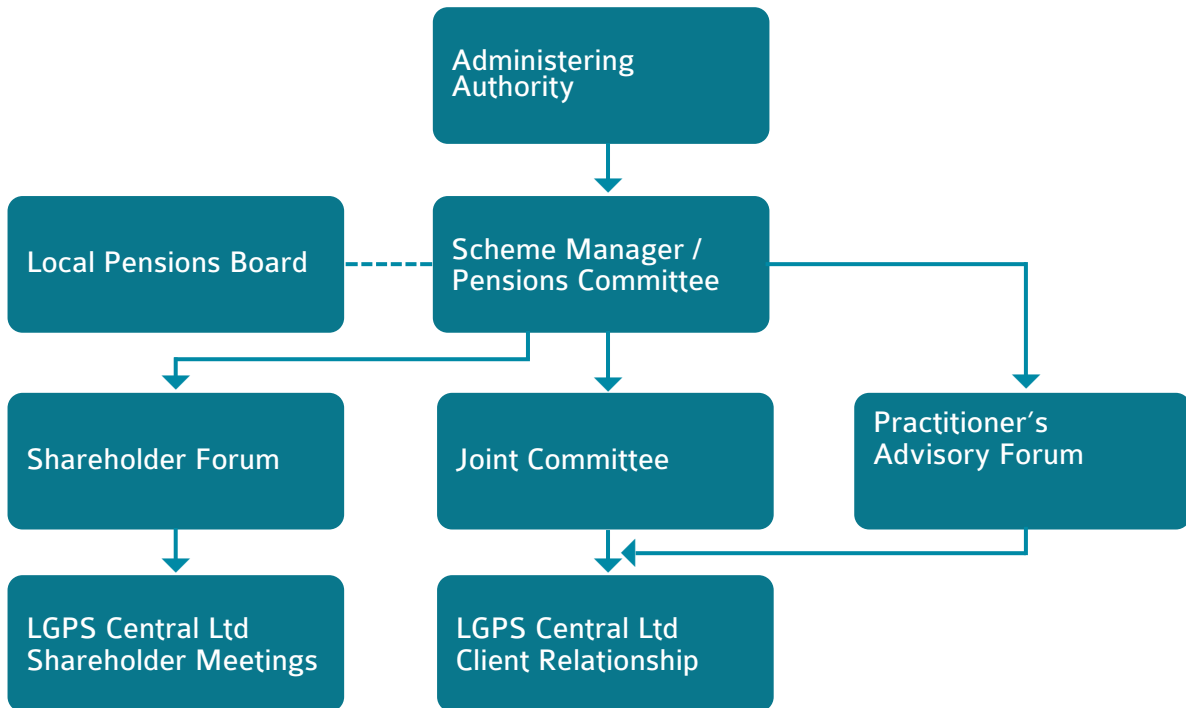
## DIRECTOR OF PENSIONS

In accordance with Section 101 of the Local Government Act responsibility for the day-to-day administration, and investment management for the Fund within the policy's and strategies agreed by the Pensions Committee is delegated to the Director of Pensions.

The Director of Pensions has lead responsibility for the West Midlands Pension Fund in accordance with the statutory provisions imposed on administering authorities who hold a Local Government Pension Scheme function, as governed by the Public Service Pensions Act 2013 (and associated legislation).

By delegation from Pensions Committee, the Director of Pensions holds the role of Shareholder representative at LGPS Central Limited company meetings. The full delegations to the Director of Pensions are available in CWC's constitution.

The Director of Pensions may authorise Senior Officers from within the Fund to exercise on their behalf the functions delegated to them. Any decisions taken under this authority shall remain the responsibility of the Director of Pensions who shall remain accountable and responsible for such decisions.



## ACCOUNTABILITY AND PUBLICATION OF INFORMATION

Details of Pensions Committee and Local Pension Board meetings, including minutes agendas and reports presented are publicly available on the administering authority's website. Members of the Local Pensions Board have full access to the information presented to the Pensions Committee and vice-versa.

Meetings of the Pensions Committee are open to members of the public.

The Pensions Board workplan is published on the Fund's website and a report on the work of the Pensions Board is presented annually to the Pensions Committee. Papers for the meetings of the Board are published on the Council's website alongside committee papers.

The Fund prepares and publishes a Corporate Plan and an Annual Pension Fund Report and Accounts detailing Fund activities and performance during the year. The Annual Report includes details of the training records for members of the Fund's Governing Body's (The Pensions Committee and Local Pensions Board), with copies available on the Fund website.

## GOVERNING BODY KNOWLEDGE AND SKILLS

The Fund is required by law (section 248a of the Public Service Pensions Act 2013), and statutory guidance (Pensions Regulator's Code of Practice and Scheme Advisory Board Statutory Guidance), to ensure that members of its Governing Bodies (the Pensions Committee and the Local Pensions Board), have an appropriate level of knowledge and understanding, to undertake the roles and functions of the positions they have been appointed to.



The Fund have established a Governing Bodies' training policy which is available on its website. The policy sets out the Fund's approach to supporting Governing Body members to meet statutory expectations in relation to knowledge and understanding through a tailored and structured training programme

## GOVERNING BODY CONFLICTS OF INTEREST








A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's ability to undertake the functions of the role they have been appointed to. A conflict could arise where an individual has been appointed to a Governing Body (the Pensions Committee or Local Pensions Board) who at the same time has a separate personal interest or responsibility (financial or otherwise) in a matter being discussed. The Fund has established a Conflicts of Interest policy that sets out its approach to identifying, monitoring, and managing conflicts which is available on its website. Members of the Pensions Committee and Local Pensions report are required to complete annual declarations of interest and the Fund maintains a register of interests declared. Declaration of Interests is also a standing agenda item at all meetings of both The Pensions Committee and the Local Pensions Board. In addition, elected members are expected to follow the policies agreed by their local authority, including the relevant Councillor Code of Conduct.

## COMPLIANCE STATEMENT







The Fund fully complies with the best practice guidelines on governance, issued by the Department for Levelling Up, Housing and Communities (DLUHC). For details, see the table below.

Principle	Fully Compliant
<b>A - Structure</b> The Management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council.	
That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	N/A



Principle	Fully Compliant
That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	N/A
<p><b>B Representation</b></p> <p>That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee (the Local Pensions Board) structure. These include:</p> <ul style="list-style-type: none"> <li>• Employing authorities (including non-scheme employers (e.g. admitted bodies))</li> <li>• Scheme members (including deferred and pensioner scheme members)</li> <li>• Independent professional observers</li> <li>• Expert advisers</li> </ul>	
That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights.	
<b>Selection and Role of Lay Members</b>	
That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	
That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	
<b>Voting</b>	
The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	
<b>Training/Facility Time/Expenses</b>	
That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	
That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form or secondary forum.	



Principle	Fully Compliant
<b>Meetings</b>	
That the administering authority's main committee or committees meet at least quarterly.	
That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	
That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders be represented.	
<b>Access</b>	
That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	
<b>Scope</b>	
That administering authorities have taken steps to bring the wider scheme issues within the scope of their governance arrangements.	
<b>Publicity</b>	
That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	

Version	Author	Document Title	Approved By	Approval Date	Next Review
1	Rachel Howe	Governance and Compliance Statement 2020	Pensions Committee	25 March 2020	March 2021
2	Hayley Reid	Governance and Compliance Statement 2021	Pensions Committee	23 June 2021	June 2022
3	Hayley Reid	Governance and Compliance Statement			

West Midlands Pension Fund  
PO Box 3948  
Wolverhampton  
WV1 1XP

**Appendix B: Key Performance Indicators**

**West Midlands Pension Fund - Key Performance Indicators (KPIs)**



Operations - Benefit Operations Processes					20/21	21/22
KPI Summary	KPI Description	Frequency	KPI Target			
Refund Notification	Notify member of Refund within 10 days of receiving required information	Monthly	90%		95%	94%
Refund Payment	Refund payments processed within 5 days of receiving required information	Monthly	90%		99%	98%
Retirement Quote	Notification of Estimated Benefits within 15 days of retirement date	Monthly	90%		90%	99%
Retirement Notification	Notification of the actual benefits within 5 days of receiving member option form (Retirement Notification)	Monthly	90%		98%	83%
Retirement Payment	Payment of lump sum and creation of payroll record within 5 days of receiving election form (Retirement)	Monthly	90%		98%	99%
Deferred Retirement Quote	Issue quote letter within 30 days of the members eligible payment date or receipt of request from member	Monthly	90%		88%	78%
Deferred Retirement Notification	Notification of the actual benefits within 5 days of receiving member option form (Deferred Retirement Notification)	Monthly	90%		97%	96%
Deferred Retirement Payment	Payment of lump sum and creation of payroll record within 5 days of receiving election form (Deferred Retirement)	Monthly	90%		94%	94%
Transfer In Quote	Transfer in quotations processed within 10 days of receiving all the required information	Monthly	90%		98%	97%
Transfer In Payment	Transfer notification of transferred in membership to be notified to the scheme member within 10 days of receiving payment	Monthly	90%		98%	93%
Transfer Out Quote	Transfer out quotations processed within 20 days of receiving required information	Monthly	90%		99%	99%
Transfer Out Payment	Transfer out payments processed within 20 days of receiving required information	Monthly	90%		97%	97%
Deaths Acknowledgement	Acknowledgement of a death within 5 days of receiving the notification	Monthly	90%		97%	94%
Deaths Notification of Benefits Payable	Notification of benefits payable to dependents will be issued within 5 days of receiving the required information	Monthly	90%		93%	95%
Deaths Payment	Payment of death lump sum will be made within 10 days of receipt of all the required information	Monthly	90%		100%	99%

**Appendix B: Key Performance Indicators**

**West Midlands Pension Fund - Key Performance Indicators (KPIs)**



Customer Engagement and Communication						
Pension Services - Service Calls						
KPI Summary	KPI Description	Frequency	KPI Target	20/21	21/22	
Customer Services Calls	Call answer rate of the customer helpline	Monthly	85%	83%	79%	
Employer Services Calls	Call answer rate of the employer helpline	Monthly	85%	96%	95%	
Pension Services - Customer Satisfaction						
KPI Summary	KPI Description	Frequency	KPI Target	20/21	21/22	
Customer Satisfaction	Customer satisfaction - feedback from events and interaction with members	Quarterly	90%	93%	83%	
Sum of Difference						
KPI Summary	KPI Description	Frequency	KPI Target	20/21	21/22	
Web Portal Registrations	Web Portal Registrations	Monthly	12,000 registrations per year	14187	10817	
Operations - Pension Portal Availability						
KPI Summary	KPI Description	Frequency	KPI Target	20/21	21/22	
Web Portal Availability	Pensions Portal to be available 95% of the time (based on working hours as monitored)	Monthly	95%	99%	99%	

**Appendix B: Key Performance Indicators**

**West Midlands Pension Fund - Key Performance Indicators (KPIs)**



Customer Engagement and Communication Page 41	Operations - IDRPs Monitoring				20/21	21/22
	KPI Summary	KPI Description	Frequency	KPI Target		
	IDRP Combined	All IDRPs cases completed within 2 months	Monthly	100%	36%	55%
	Pension Services - Complaints Monitoring				20/21	21/22
	KPI Summary	KPI Description	Frequency	KPI Target		
	Member Complaints	All member complaints to be responded to within 20 working days of receipt	Monthly	100%	96%	92%
	Employer Complaints	All employer complaints to be responded to within 20 working days of receipt	Monthly	100%	100%	100%
	Pension Services - Complaints Monitoring				20/21	21/22
	KPI Summary	KPI Description	Frequency	KPI Target		
	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%	✓	✓

**Appendix B: Key Performance Indicators**


**West Midlands Pension Fund - Key Performance Indicators (KPIs)**



Page 42 Governance and Risk	Governance - Effective Decision Making					
	KPI Summary	KPI Description	Frequency	KPI Target	20/21	21/22
	Total PC/PB Training	Total training hours of Pensions Committee and Board	Biannually	22 hours pp	100%	100%
	Governance - Effective Decision Making					
	KPI Summary	KPI Description	Frequency	KPI Target	20/21	21/22
	Total PC/PB Attendance	Total attendance rate of Pensions Committee and Board	Biannually	4 per year	78%	79%
	Governance - Statutory Response Timeliness					
	KPI Summary	KPI Description	Frequency	KPI Target	20/21	21/22
	Combined Statutory Timeliness	All Fund responses to be submitted in line with service standard set to CWC	Monthly	100%	99%	93%
	Governance - Data Breaches Recorded					
	KPI Summary	KPI Description	Frequency	KPI Target	20/21	21/22
	Data Breaches Recorded	Decrease in data breaches recorded	Monthly	Red high Green low	25	18

**Appendix B: Key Performance Indicators**

West Midlands Pension Fund - Key Performance Indicators (KPIs)


West Midlands Pension Fund

Data Management and Reporting	Governance - Data Quality				20/21	21/22	
	KPI Summary	KPI Description	Frequency	KPI Target			
	Common Data	Common Data	Monthly	99%	97%	98%	
	Operations - Data Improvement				20/21	21/22	
	KPI Summary	KPI Description	Frequency	KPI Target			
	ABS	ABS produced for 100% of active member records	Annually	100%	89%	93%	
	DBS	DBS produced for 100% of deferred member records	Annually	100%	90%	99%	
	Finance Management and Cost Transparency	Finance - Contributions Received				20/21	21/22
		KPI Summary	KPI Description	Frequency	KPI Target		
		Contributions	Contributions received from employers on time and allocated	Monthly	98%	100%	98%

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West Midlands Pension Fund – Strategic Risk Register

June 2022

Risk Ref	Risk Theme	Risk title	Current Drivers	Corporate Priority	Previous Risk Score	Current Risk Score	Direction of Travel	Reason for concern and actions underway to mitigate risk	Officer responsible for Action <sup>1</sup>
1	Regulatory and Industry driven demands	Pending consultation and statutory guidance to be forthcoming in the Summer/Autumn period	The delay of guidance and regulatory change seen over the last 2 years has the potential to move rapidly through the Summer/Autumn period with a need for the Fund to react to respond to wide-ranging consultation and implement change in areas of investment governance/pooling, McCloud, Governance (tPR Code and SAB good governance)	Operational Resilience  Compliance and Risk			<b>NEW RISK</b>	Throughout 2020/21 we were expecting a number of regulatory changes/statutory guidance to be issued (including the new Pension Regulator's code of practice) which would require a review and assessment of the Fund's compliance with new regulations, delay to the publication of those (in some cases due to the pandemic), means there is the potential for all to be issued at once, impacting the Fund's ability to respond and resource the change. The Fund continues to monitor potential regulator activity taking the opportunity to engage and contribute to consultations on proposed drafting, thereby having a proactive insight to the potential work required.	ALL
		Current economic environment driving behaviours in members and how they manage/access their pension	Financial constraints and the cost of living increases have the potential to drive members to change behaviour, including the potential for increased transfer out requests/opt outs and safeguarding concerns	People and Customers			<b>NEW RISK</b>	The Fund has an internal safeguarding board consisting of the Governance Team, Customer Services, Member Services and Operations Team. The board links all available resource across the UK (noting members live nationwide) with any concerns for individual well-being escalated to appropriate channels. The Fund has reviewed the information available to members on its website to support their access to support.	HOG & ADP

<sup>1</sup> Key to responsible officers on final page

Risk Ref	Risk Theme	Risk title	Current Drivers	Corporate Priority	Previous Risk Score	Current Risk Score	Direction of Travel	Reason for concern and actions underway to mitigate risk	Officer responsible for Action <sup>1</sup>
2	Resourcing	People as a resource risk, with recruitment and retention impacted by the ability of the Fund to keep pace with the market and competition for skilled resource and continue to provide training and opportunities for career development	Competition in the market for skilled and specialist roles which has become more acute post Covid with industry-wide demand for scarce resource and workers seeking greater mobility and flexibility	People and Customers Operational Resilience Corporate Responsibility			↔	The Fund has established good relationships with agencies and recruiters to support its search for specialised roles with targeted campaigns to increase search efficiency. The Fund continues to promote itself as a high-quality employer, supported by core values and beliefs and modern work-space and working practices. Ongoing review of developing market and demands for skill to inform role development and review.	DOP
			High number of priority business as usual and change initiatives with reliance on additional/interim support in addition to individuals who are also key to recruitment to vacant posts					The Fund is undertaking a priority review of all projects identifying resource needs and pulls on individual teams, where it supports service development and the delivery of those priorities, interim/project resource has been sourced.  Recruitment plans and resource requirements are routinely monitored by the Fund's Senior Management Team.	HOPs ADP DOP
			Growing complexity in the scheme and changing service delivery requiring a further development of knowledge and skills, exacerbating key person/knowledge risk					The Fund continues to monitor potential regulator activity taking the opportunity to engage and contribute to consultations on proposed drafting, thereby having a proactive insight to the potential response required.  Changes to service delivery are identified and supported by project groups and governance to support and manage change.	HoG  HOPs

Risk Ref	Risk Theme	Risk title	Current Drivers	Corporate Priority	Previous Risk Score	Current Risk Score	Direction of Travel	Reason for concern and actions underway to mitigate risk	Officer responsible for Action <sup>1</sup>
3	Data, Information and reporting	Increased demands on the quality of data and the ability of the Fund to meet statutory and reporting requirements	Number of key data activities ongoing concurrently including McCloud, Valuation and Pension Admin System Transition (development of automated reporting)	Operational Resilience Compliance and Risk People and Customers				Ongoing focussed resource to support data management with active recruitment to support resource demands. Employer engagement to support Valuation underway to support relationships and understanding throughout the process. Ongoing monitoring and engagement on forthcoming consultations, incorporating new LGPS regulation and guidance due to be published.	HOPs ADP
			Increased oversight on investment governance (and Pools) and the performance of LGPS Assets.					Ongoing collaboration with partner funds and LGPS Central Ltd in the production of statutory reporting and response to information requests. The Fund is developing a Business Information (BI) strategy to ensure consistent, accurate and efficient business reporting.	DOP HoG
			Data being a key element in the triennial valuation to ensure accuracy of liabilities, with timely and accuracy of information exchange being critical to the Fund and employer working partnership in line with the Pension Administration Strategy.					The Fund has developed a Valuation project team which seeks to ensure consistent management and focus across the organisation on the valuation and outcomes, including a focus on employer engagement	HOPs HoG ADP
4	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 (together with the potential delayed statutory guidance) and the increasing reporting requirements, placing increased demands on the Fund's monitoring processes.	Compliance and Risk Operational Resilience				The Fund is developing its Business Information (BI) strategy to support the development of data reporting through an effective data culture across the organisation. The Fund continues to monitor potential regulator activity taking the opportunity to engage and contribute to consultations on proposed drafting, thereby having a proactive insight to the potential work required.	HoG

Risk Ref	Risk Theme	Risk title	Current Drivers	Corporate Priority	Previous Risk Score	Current Risk Score	Direction of Travel	Reason for concern and actions underway to mitigate risk	Officer responsible for Action <sup>1</sup>
			Changes to system and processes will require a refresh to compliance monitoring program.					The Fund's assurance program is being reviewed alongside controls ensuring a robust framework	HoG
			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					The Fund is developing its Business Information (BI) strategy to support the development of data reporting through an effective data culture across the organisation.  End to end process reviews are being initiated to ensure key dependencies (including on third party's) are understood and managed to aid operational resilience.	HoF  ADI
5	Operational Resilience and Cyber Risk	The Fund is unable to perform its functions due to internal and external vulnerabilities to its operational resilience.	Global concern on increasing Cyber risk and evolving practices required to mitigate in light of current global environment  Increase awareness and requirements to build and demonstrate operational resilience across people, process and systems	Operational Resilience			↔	The Fund continues to develop its cyber resilience through annual review and external assessment of its cyber strategy. The Fund is enhancing the management of cyber risk through development of the Fund's assurance programme and management of suppliers through the mapping of the funds data and asset footprints  A broad programme of activity has been established to assess and develop operational resilience alongside planned service transformation.	HOPs
		The Fund is unable to support end to end business critical activities	Reliance on individual/key knowledge across the organisation unsupported by technologies (manual process)	Operational Resilience			<b>NEW RISK</b>	The Fund is proactively responding to anticipated changes through the development of our core business activities, working to adapt to increased resilience where vulnerabilities are identified.	HOPs HoG
6	Service Delivery	The Fund is unable to deliver its services due to the volume of change required and the competing statutory demands,	Pending administration system change over, there is a pause on system development resulting in some processes continuing to operate with less	People and Customers  Operational Resilience			↔	The Fund is undertaking a priority review of all projects identifying resource needs and pulls on individual teams, where it supports service development and the delivery	HOPs

Risk Ref	Risk Theme	Risk title	Current Drivers	Corporate Priority	Previous Risk Score	Current Risk Score	Direction of Travel	Reason for concern and actions underway to mitigate risk	Officer responsible for Action <sup>1</sup>
		which includes the impact of system change and adequate resourcing	<p>efficiency pending automation</p> <p>Vacancies across service areas following resource reviews which are pending recruitment against a competitive market.</p>	Compliance and Risk				<p>of those priorities, interim/project resource has been sourced.</p> <p>The Fund has established good relationships with agencies and recruiters to support its search for specialised roles with targeted campaigns to increase search efficiency.</p> <p>The Fund continues to promote itself as a high-quality employer, supported by core values and beliefs and modern work-space and working practices.</p> <p>Ongoing review of developing market and demands for skill to inform role development and review.</p>	DOP
7	Service Delivery – Third Parties	The Fund is unable to deliver its services due to the reliance on third parties	<p>Number of key service deliverables are reliant on third parties with a number of services provided</p> <p>Employer capacity, particularly in the provision of data, limits ability to deliver requirements for the Fund</p>	<p>People and Customers</p> <p>Operational Resilience</p> <p>Compliance and Risk</p>			<p>↔</p>	<p>The Fund has undergone early engagement with suppliers as part of its engagement on regulatory change.</p> <p>In addition, key suppliers to the Fund (admin system) have been part of national working groups to develop understanding of the changes and how they need to be provided for in systems.</p> <p>The Fund engages with employers regularly and supports their understanding of the new requirements through employer coaching programs.</p> <p>Early engagement with the Fund stakeholders is a key priority on all projects.</p>	<p>HoG</p> <p>HOPs</p> <p>ADP</p>
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	<p>Changing market conditions impact on investment returns and pace of change in asset allocation leads to widening funding gap</p> <p>Rising cost of benefits (inflation) and lower outlook for future investment returns impacts upon contribution outcomes for</p>	<p>Investment Implementation</p> <p>Stewardship</p> <p>Compliance and Risk</p>			<p>↔</p>	<p>The Fund is a long term investor. Its strategic approach to setting asset allocations seeks to mitigate impacts of short term volatility.</p> <p>The Fund has launched its actuarial valuation project, noting these potential risks and concerns with a focus on engaging employers early to</p>	<p>ADP</p> <p>ADI</p> <p>ADP</p>

Risk Ref	Risk Theme	Risk title	Current Drivers	Corporate Priority	Previous Risk Score	Current Risk Score	Direction of Travel	Reason for concern and actions underway to mitigate risk	Officer responsible for Action <sup>1</sup>
			employers in the near term. Increased level of employer interest in risk management options and/or exit from the LGPS combined with broader affordability considerations changes longer term fund cashflow profile.					understand potential impact on employer covenant.  The Fund investment strategy will be review alongside the funding strategy over 2022/23.	ADI
9	Investment Risk	Shifting market sentiment and global policy levers to manage slowing grow and rising inflation leading to market volatility and persistent higher inflation	Global markets reacting to geopolitical issues affecting markets and inflation.	Investment Implementation			↑	The Fund is a long term investor. Its strategic approach to setting asset allocations seeks to mitigate impacts of short term volatility.	ADI
			Increasing pressure on member and employer costs/finances leading to short term view on pensions saving/funding	Stewardship Compliance and Risk				Changing market conditions and the potential implications and considerations for the Fund's strategic asset allocation are routinely reviewed by the Investment Committee and discussed with the Investment Advisory Panel	ADI DOP

1- Officers Responsible for Action

DOP	Director of Pensions
ADI	Assistant Director Investments
ADP	Assistant Director Pensions
HOPs	Head of Operations
HOG	Head of Governance
HOF	Head of Finance

<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Pensions Board</b> 19 July 2022
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<b>Report title</b>	Internal Audit Annual Report 2021 – 2022	
<b>Originating service</b>	Pensions Services	
<b>Accountable employee</b>	Amanda MacDonald	Audit Business Partner
	Tel	01902 55 0411
	Email	<a href="mailto:Amanda.macdonald@wolverhampton.gov.uk">Amanda.macdonald@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Rachel Brothwood	Director of Pensions
	Tel	01902 55 1715
	Email	<a href="mailto:Rachel.brothwood@wolverhampton.gov.uk">Rachel.brothwood@wolverhampton.gov.uk</a>

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**Recommendations for action:**

The Pensions Board is asked to note:

1. The internal audit annual report for 2021 – 2022



## **1.0 Purpose**

- 1.1 To provide the Board with the outcome of the work programme for internal audit for 2021 – 2022.

## **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. To provide this opinion, we are required to review the risk management and governance process.

## **3.0 Internal Audit Annual Report 2021 – 2022.**

- 3.1 A copy of the outcome report is attached at Appendix A.
- 3.2 The report confirms that no significant audit issues have arisen throughout the year and most importantly, where weaknesses / improvements have been identified during the course of audit work, management have agreed recommendations.
- 3.3 In presenting the report at high level, the Fund notes that the commentary is a snapshot of the work undertaken by the teams throughout the year in building controls and compliance which support key service delivery. Since the time of writing the report, actions undertaken by service areas have seen the majority of recommendations implemented, with others ongoing in light of wider Fund priorities (operational resilience (linked to business continuity), admin system transition (linked to automation of processes and performance reporting) and the valuation (linked to employer covenant)).
- 3.4 The Fund continues to develop its people strategy to support the development of its workforce, noting its priority to become a people development champion. In consideration of the specific and technical roles required to support the pension service, the Fund has developed its own approach to supporting and appraising its officers. While noted as distinct from the council approach, internal audit have acknowledged the robustness of the Fund's support for its people.
- 3.5 In relation to payroll and payment authorisations, the Fund has adopted internal delegations which set out limits for individual officer sign off on processes. Identifying where the responsibility sits for agreeing payments with no one individual officer having the ability or control to authorise single payments.
- 3.6 The Fund continues to develop its capabilities to monitor and report on employer performance with further enhancements being considered as part of the pensions administration system transition.



#### **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 equalities implications.

#### **7.0 Environmental Implications**

7.1 This report contains no environmental implications.

#### **8.0 All Other Implications**

8.1 This report contains no other implications to consider.

#### **9.0 Schedule of Background Papers**

9.1 None.

#### **10.0 Schedule of Appendices**

10.1 Appendix A – Internal Audit Annual Report 2021-22

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West Midlands Pension Fund  
Internal Audit Annual Report  
2021-2022



## Introduction

Our internal audit work for the period from 1 April 2021 to 31 March 2022 was carried out in accordance with the approved Internal Audit Plan. The plan was constructed in such a way as to allow us to make a statement on the adequacy and effectiveness of the Fund's governance, risk management and control processes. In this way our annual report provides one element of evidence that helps to confirm the control environment of the Fund and supports, amongst others, the Annual Governance Statement for the City of Wolverhampton Council which it is required to make to accompany its annual financial statements. This is only one aspect of the assurances available to the Fund as to the adequacy of governance, risk management and control processes. Other sources of assurance on which the Fund may rely, could include:

- The work of the External Auditors (Grant Thornton)
- The result of any quality accreditation
- The outcome of any visits by Her Majesty's Revenues and Customs (HMRC)
- Other pieces of consultancy or third- party work designed to alert the Fund to areas of improvement
- Other external review agencies

As stated above, the framework of assurance comprises a variety of sources and not only the internal audit service. However, Internal Audit holds a unique role as the only independent source of assurance on all internal controls. Internal Audit is therefore central to this framework of assurance and is required to acquire an understanding not only of the Fund's risks and its overall whole control environment but also all sources of assurance where appropriate.

In this way, Internal Audit will be able to indicate whether key controls are adequately designed and effectively operated, regardless of the sources of that assurance.

The definition of internal audit, as described in the Public Sector Internal Audit Standards, is "Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

Internal audit activity is organisationally independent and further details behind the framework within which internal audit operates, can be found in the internal audit charter.

## Executive Summary

As the providers of internal audit to West Midlands Pension Fund, we are required to provide the Executive Director, Pensions Committee and Pensions Board with an opinion on the adequacy and effectiveness of the Fund's governance, risk management and control processes. In giving our opinion it should be noted that assurance can never be absolute. The most that internal audit can provide is reasonable assurance that there are no major weaknesses in governance, risk management and control processes. We have considered:

- All audits undertaken for the year ended 31 March 2022.
- Any follow-up action taken in respect of audits from previous periods.
- Any key recommendations not accepted by management and the consequent risks.

- Any limitations which may have been placed on the scope of internal audit.
- The Fund’s Risk Register.

*Internal Audit Opinion*

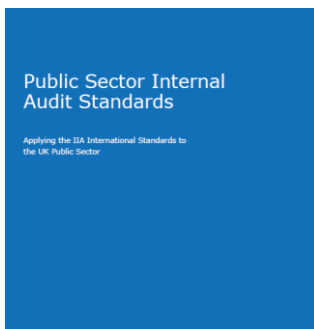
We have conducted our audits in accordance with the Public Sector Internal Audit Standards. Within the context of the parameters set out above, our opinion is as follows:

Based on the work undertaken during the year, the implementation by management of the recommendations made, and the assurance made available to the Fund by other providers as well as directly by Internal Audit, Internal Audit can provide reasonable assurance that the Fund has adequate and effective governance, risk management and internal control processes.

In reaching our opinion, the following factors were taken into particular consideration:

- We have had unfettered access to all records and employees during 2021-2022.
- The need for management to plan appropriate and timely action to implement our and other assurance providers’ recommendations.
- Key areas of significance identified as a result of our audit work performed in the year.

*Compliance with the Public Sector Internal Audit Standards*



The internal audit service follows the Public Sector Internal Audit Standards, and the Code of Ethics that form part of the standards,

*Summary of work completed*

A detailed written report and action plan is prepared and issued for every review where appropriate. The responsible employee is asked to respond to the report by completing and returning an action plan. This response shows what actions have been taken or are planned in relation to each recommendation.

Further, an audit opinion is provided for each report issued, this sets out our overall opinion regarding the control environment for the area audited. The opinion provided will be one of the following options:

No Assurance	Limited	Satisfactory	Substantial
Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

*Summary of audit reviews completed*

The following audit reviews were completed during the 2021-2022 financial year.

Auditable area	Recommendations					Level of assurance
	Red	Amber	Green	Total	Number accepted	
Covid-19 Response	-	-	3	3	3	substantial
Business Continuity	-	-	5	5	5	satisfactory
Pensions Administration Strategy	-	1	4	5	5	satisfactory
People Management	-	-	3	3	3	substantial
Tracing Agents	-	-	4	4	4	satisfactory
Payroll	-	-	1	1	1	substantial
Employer Covenants	-	2	2	4	4	satisfactory
Contributions Monitoring	-	2	5	7	7	satisfactory
Payment Authorisations	-	1	3	4	4	satisfactory



## Key findings and recommendations

### Covid-19 Response

An audit of the response to Covid-19 was undertaken. The audit referred to guidance from industry recognised organisations, such as The Pensions Regulator (TPR) and the Pensions Administration Standards Association (PASA). Three minor recommendations were made and agreed with management around the recording of actions, feedback and guidance within minutes.

Examples of good practice were noted, including:

- The Fund had representation on the Council's City Strategic Coordinating Group and the City Tactical Management Group.
- Clear division of work and responsibility areas were assigned to the senior management team, with increased frequency of meetings.
- A high-level review of the early guidance issued by TPR and PASA confirmed that the Fund did provide the priority services highlighted.
- A range of actions were taken to address operational issues caused by Covid-19 (for example, the call centre remained open, frequently asked questions were added to the website, staff were redeployed to areas where increased workflows were identified).
- The Government's Notify service was invoked as an option to communicate with staff.
- The well-being of staff was considered, evidenced by employee surveys, regular briefings and signposting to Mental Health First Aiders.
- Monitoring of key information was undertaken. (For example, UPM workflow monitoring, volume of incoming post, telephone call centre monitoring).
- Covid-19 risks were reported to Pensions Committee
- Management were aware of the need to undertake a lessons learnt exercise from the Covid-19 response.

### Business Continuity

An audit of Business Continuity was completed. The audit referred to industry recognised guidance such as the Business Continuity Institute, on how the business continuity framework should be implemented, monitored and reviewed.

We identified a small number of administrative issues to improve the overall provision of business continuity within the Fund. A key issue was the need to establish a stronger working relationship with the Council's Resilience team.

During our review we identified examples of good practice relating to:

- Annual business continuity awareness training was delivered to all employees.
- A business continuity plan for Fund activities was in place.
- Within the business continuity plan, owners for response objectives were stated, together with a communications strategy, and required resources identified.
- Recovery times for Fund activities were also stated.

### Pensions Administration Strategy

An audit review of the arrangements in place to monitor performance measures within the Pensions Administration Strategy (PAS) was undertaken. As employer numbers continue to increase, with over 780 employers at the time of audit, the PAS has a significant role in assisting the Fund deliver services.

We identified one amber issue, relating to the need for a clear link between duties to be undertaken as detailed in the PAS and monitoring undertaken by the Fund. We noted that the PAS could be used as a key document to monitor both employer and Fund performance. The provision of automated reporting on key PAS duties is essential due to the numbers of scheme employers and limited Fund resources.

During our review we identified the following examples of good practice:

- The Pension Administration Scheme (PAS) had been recently reviewed and presented to the Pensions Committee.
- There was a clear allocation of duties for scheme employers and the Fund.
- Regular reporting took place to both the Pensions Committee and Board on Fund performance.
- Internal reporting was also evidenced to SMT on scheme employers' performance.

## People Management

An audit review of the accuracy and validity of data available to monitor the Fund's workforce planning and people development strategy was completed. The 'Our People Strategy' aims to ensure people felt confident and effective in their roles to help drive improved efficiency and productivity.

We identified that Fund employees remain the responsibility of the Council and the Fund continues to develop its people strategy to support the development of its workforce, noting its priority to become a people development champion. In consideration of the specific and technical roles required to support the pension service, the Fund has developed its own approach to supporting and appraising its officers. While noted as distinct from the Council approach, we have acknowledged the robustness of the Fund's support for its people. It was agreed that this issue would be explored with the wider Council Human Resources team.

We also noted many areas of good practice regarding employee engagement, performance monitoring, development opportunities and wellbeing initiatives.

## Tracing Agents

An audit of the methods used to trace members of the Fund was undertaken. The Fund relies on members and their representatives to notify any changes in circumstances such as changes of address or notification of a death. If, for example, a member changes address and does not notify the fund, communication may become difficult and in the case of a deferred member, their pension may not be paid or they may experience delays.

To satisfy the Pensions Regulator, the fund is required to demonstrate that reasonable efforts have been made to keep records up to date.

We identified good practice associated with maintaining accurate member contact details and mortality screening. This included:

- The use of a specialist third party to provide a member tracing and mortality services.
- Compliance with GDPR requirements, by the publication of tracing methods on the Fund website.
- Quarterly checks of deferred members to validate and update their contact details in preparation for the Pension Fund contacting them regarding commencement of their pension.
- the pension payroll is checked against the Government death records.
- Annually all pensioners living overseas are required to provide evidence that they are alive. Where a satisfactory response is not received, payments are suspended.



- Every two years the Pension Fund participates in the Cabinet Offices National Fraud Initiative data matching exercise which matches the Pensions Payroll to the DWP deceased records.

We noted some administrative issues to improve the overall provision of the tracing and mortality screening arrangements. These included periodic market testing of external tracing providers, improved reporting of results and the development of a terms of reference for the review panel which considers actions for hard to trace members

### **Payroll Review**

A review of the controls in place for the monthly payroll was undertaken. We found robust, embedded procedures around:

- the establishment and accurate payment of new starters and leavers
- the appropriate processing of amendments to payroll data
- routine payroll runs were subject to validation checks
- overall performance monitoring was in place via the use of key performance indicators

A review of user access identified that there was a high number of internal super users associated with the payroll system. This is due to payroll forming one element of the Fund's main administration system (UPM). Access for super users cannot be restricted to specific functions. For payroll, this allows access to initiation, processing or completion/authorisation for processes relating to individual members. It was acknowledged that, as a compensating control, processes required the involvement of two users and leaves a documented audit trail. We recommended that that super user access is regularly reviewed. This was agreed by management.

### **Employer Covenants**

The audit reviewed how covenants were reviewed and monitored. We evidenced appropriate controls around:

- governance and monitoring arrangements were in accordance with the Funding Strategy Statement. Reports were presented to Pensions Committee regarding the employer watchlist, valuations and covenants.
- Guidance on how to use the employer covenant monitoring spreadsheet had been established. Further, the spreadsheet was updated regularly and reviewed by the external covenant advisors.
- Trend analysis from covenant ratings was retained on a yearly basis.

However, we noted that there was an incomplete trail of supporting evidence from the employer covenant monitoring spreadsheet to final watchlist / triennial covenant outcome list. Further, there was limited evidence to support follow-up actions and engagement activities taken as a result of the outcomes from covenant monitoring. Both issues have been discussed with management and appropriate actions agreed.

### **Payment Authorisations**

An audit of payment controls assessed the controls and authorisations for payments, including investment transactions, operational payments sourced from UPM (such as death grants, transfers out), and invoice payments. The audit focused on large value payments (those over £100,000).

We noted that operational practices for invoice processing, investment and treasury transactions required heads of service or a senior finance manager to approve the payment/transaction, with at least two independent employees involved in the payment of all transaction types. Further, procedures for processing payments from the Accounts Payable system in Business World have been documented.

However, some payments initiated via the administration system (UPM) are considered part of systems processing and subject to workflow routine approvals. Officers therefore may process high value payments without the requirement for specific senior manager approval e.g. death grants. These were not included within any delegated framework.

It is acknowledged that the Fund is currently undertaking separate transformation work projects with regards to finance procedures and is moving to a new pension management software system. Actions were agreed with management that issues identified as part of this audit will be addressed as part of the project.

### **Contributions Monitoring**

Our audit reviewed procedures developed to monitor and reconcile monthly and annual returns regarding contributions to ensure they provide adequate controls.

We confirmed that remittance advices and cash receipts were appropriately monitored. Also, an escalation process was in place for the chasing of late or non-receipts. Regular activity reporting in line with established key performance indicators also occurred.

Two issues were noted, the current manually intensive contributions monitoring system was developed as no other mechanism was available to undertake the task. From testing undertaken, the system worked but required significant staffing resources and knowledge, with an over-reliance on the expertise of the Finance Manager. Further, the systems required input from both financial and operations teams. However, there had not been a formally recorded allocation of responsibilities covering the contributions' function.

Both recommendations were agreed with management and issues were to be addressed as part of the transformation project which had been established to transition to the new pensions management software system.

### *On-going assurance work*

We continue to act as the Fund's key contact for the National Fraud initiative along with providing details of initiatives put in place, in order to both raise awareness of, and tackle fraud.

Further, we are members of the LGPS Central pool internal audit working group. In conjunction with our partner fund's internal auditors, we contribute to the internal audit programme of work.

### *Follow up of previous recommendations*

We also continue to monitor the implementation of previous key recommendations. An annual review of agreed key actions from reviews was undertaken and reported. No areas of concern were raised as a result of the follow up programme.

### *Consultancy and advice work*

In addition to the planned audits completed in the year, we have also been involved in consultancy and advice including the provision of advice to the finance team as they introduced new working arrangements. Further, as part of ongoing support to the Fund, we completed 25 credit checks using Callcredit to review individual organisations financial stability when seeking admission to the Fund.

<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Pensions Board</b> <b>19 July 2022</b>
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<b>Report title</b>	<b>Statement of Accounts 2021/22</b>	
<b>Originating service</b>	Pension Services	
<b>Accountable employee</b>	Femi Olatunde	Interim Head of Finance
	Tel	01902 55 2768
	Email	<a href="mailto:femi.olatunde@wolverhampton.gov.uk">femi.olatunde@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Rachel Brothwood	Director of Pensions
	Tel	01902 55 1715
	Email	<a href="mailto:rachel.brothwood@wolverhampton.gov.uk">rachel.brothwood@wolverhampton.gov.uk</a>

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**Recommendations for action:**

The Pensions Board is asked to note:

1. The West Midlands Pension Fund (WMPF) draft Statement of Accounts for the year ending 31 March 2022 that has been certified by the Section 151 Officer as required by regulations.
2. Authority has been delegated to the Chair and Vice Chair of Pensions Committee to approve the final Statement of Accounts once the audit is completed in September.
3. Authority has been delegated to the Chair and Vice Chair of Pensions Committee to approve the final publication of the Fund's 2021-2022 Annual Report following approval of the draft by Pensions Committee in September 2022 and ahead of the Local Government Pension Scheme (LGPS) Regulatory requirement to publish the Fund Annual Report and Accounts by 1 December.
4. The draft Statement of Accounts (and the Annual Report) for WMPF will now be subject to audit by the Fund's external auditors, Grant Thornton.
5. Grant Thornton's Audit Plan for 2021/22 external audit of the Pension Fund.
6. The publication of draft Accounts and Audit (Amendment) Regulations 2022 in May 2022, which proposes to extend the deadline for publishing local authority accounts for 2021/22 from 30 September to 30 November 2022.

## **1.0 Purpose**

- 1.1 The purpose of this report is to update the Board on the preparation, approval and audit of the Statement of Accounts and the Annual Report for the year ending 31 March 2022 and the latter's publication on the Fund's website.

## **2.0 Background**

- 2.1 LGPS funds are required by law to produce an Annual Statement of Accounts. These form part of the wider Administering Local Authority's accounts and are subject to Local Government Accounts and Audit regulations and publication deadlines. They are also included in the LGPS Fund's own Annual Report and Accounts for audit and publication by 1 December each year.
- 2.2 In preparing their accounts, Funds must have regard to proper practice and to any guidance which has the effective standing of 'statutory guidance'. These are for the Statement of Accounts, 'The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22' (Chartered Institute of Public Finance & Accountancy (CIPFA)) ('the Code').
- 2.3 In line with the above, as well as being published in the Fund's own Annual Report, the WMPF accounts are included in the Statement of Accounts of the City of Wolverhampton Council. In line with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, the transactions and balances of the Fund are completely separate and not combined with those of the Administering Authority. Monies held by the Fund are for the purposes of the pension fund only.
- 2.4 The Committee will receive a further report in September presenting the final version of the Statement of Accounts for publication, along with the draft Annual Report and the findings of the external auditor's work including their audit opinion. Under the City of Wolverhampton Council's constitution, formal approval of the audited Statement of Accounts rests with its Audit Committee; this does not apply to the other parts of the Annual Report, which will be presented to Pensions Committee for approval.

## **3.0 Amendments to the Account and Audit Regulations 2015 and Audit Plan**

- 3.1 In March 2021, an Amendment to the Local Authority Accounts and Audit Regulations was made to relax and extend the timescales for the Local Authorities to publish their accounts for financial years beginning in 2020 and 2021 from 31 July to 30 September.
- 3.2 In May 2022, a consultation and draft Statutory Instrument (SI) was issued by the Department of Levelling-Up Housing and Communities (DLUHC) to further amend regulations to extend the publication date for 2021/22 from 30 September to 30 November, reverting to 30 September for the six years to 2027/28. This was part of a package of measures to support the improved timeliness of local audit.

3.3 We currently await the response and outcome of the consultation but note that this has the potential to impact on the timeliness of the external audit and finalisation of both the Council and Pension Fund Annual Report and Statement of Accounts. Attached as Appendix A to this report is Grant Thornton's updated Audit Plan.

#### **4.0 Draft Statement of Accounts 2021/22**

4.1 The purpose of the Statement of Accounts is to report the Fund's financial performance for the year and its balances and reserves at the year-end. There are two primary statements: the Fund Account, which is concerned with transactions during the year and the Net Assets Statement, which reports balances at the year-end. These are supplemented by a series of notes to the accounts which expand on items in the primary statements or provide further information about the Fund.

4.2 The draft Statement of Accounts show the estimated value of the Fund increased by some £1.4bn over the year due to gains in the value of investment assets (£1.8bn) offset by benefits and expenditure in excess of contribution income (£0.4bn) during the financial year.

4.3 Overall, during 2021/22, investment markets continued to make steady gains and contribution receipts were lower than the prior year as a result of advance payments received from employers during 2020/21. Cash receipts for advance contribution payments were fully recognised in the 2020/21 Statement of Accounts.

4.4 Net assets of the Fund at 31 March 2022 stood at £20.3bn, up from £18.9bn at 31 March 2021. This comprises investment assets of £20.1bn, an insurance contract valued at £174m and working balances of £26m.

4.5 The Fund has taken the option under the Code to disclose the present value of all Fund employer pension liabilities in a note to the accounts. This value, calculated on an International Accounting Standard Nineteen (IAS 19) basis, stood at £28.4bn at 31 March 2022. This is a decrease on the 31 March 2021 figure of £29.9bn due to adjustments to the actuarial assumptions.

4.6 The draft Statement of Accounts for WMPF is attached at Appendix B and has now been passed across to the external auditors.

#### **5.0 Investment Management Expenses 2021/22**

5.1 CIPFA guidance, introduced in 2014, requires the disclosure of all investment management costs including fees, which are deducted at source by external investment managers. Total investment management expenses reported in the draft accounts for 2021/22 are £107 million, compared to £101 million reported for 2020/21.

5.2 The Fund continues to take a transparent approach with investment management costs using industry-wide cost capture templates to obtain even higher levels of cost transparency from the investment managers, most notably in the recording of

performance fees and transaction costs associated with turnover within individual portfolios. The following table summarises the breakdown of the total investment management expenses noted above:

	<b>Actual 2020/21 £m</b>	<b>Actual 2021/22 £m</b>
External Investment Management Costs – Invoiced	14.5	14.5
External Investment Management Costs – Deducted at Source	81.2	87.6
External Investment Management Costs – LGPS Central	4.7	4.4
<b>Total External Investment Management Costs</b>	<b>100.4</b>	<b>106.5</b>
Custody Fees	0.4	0.2
<b>Total Investment Management Expenses</b>	<b>100.8</b>	<b>106.7</b>

5.3 Based on cost collection and analysis to mid-June, the investment management costs deducted at source can be broken down further, and included within Note 13 to the draft accounts is the split between management fees, performance fees and transaction costs.

5.4 It should be noted that actual investment management costs are heavily influenced by market movements and investment performance and are therefore expected to fluctuate during the year and between years. Not all managers have returned cost reporting templates in time for review ahead of publication of the draft Statement of Accounts. Where there are gaps, base management fees (the largest element of cost) have been estimated but not other potential fees, as the Fund does not hold information to estimate with any accuracy. Portfolio changes during the year and asset allocation or strategic changes will also impact the development of costs over time.

5.5 The challenges of cost data collection and comparison were highlighted in research by the Cost Transparency Initiative (CTI) published by the Pensions and Lifetimes Savings Association (PLSA) in May 2021 – coverage, consistency and accuracy continue to be barriers to wider use in reporting but there is an increased call for mandatory adoption and guidance on disclosure to improve consistency and benchmarking to enable pension schemes to be better equipped to challenge their investment managers and the Fund has seen an increase in returns from its managers for the 2021/22 year end.

## **6.0 Financial Implications**

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

## **7.0 Legal Implications**

7.1 The Statement of Accounts of the Administering Authority (of which the Fund's accounts form part) must be prepared in accordance with the statutory framework established by the Accounts and Audit Regulations 2015 (together with any subsequent Amendments).

The audit of the financial statements will be undertaken in accordance with the statutory framework established by sections 3 and 20 of the Local Audit and Accountability Act 2014.

- 7.2 Under LGPS Regulations, Administering Authorities are required to produce and publish a pension fund annual report, including information about the management and financial performance of the Fund by 1 December each year.

## **8.0 Equalities Implications**

- 8.1 This report has no direct equalities implications.

## **9.0 All Other Implications**

- 9.1 This report has no other direct implications.

## **10.0 Schedule of Background Papers**

- 10.1 Perceptions of the CTI Framework – research published by the PLSA in May 2021  
[CTI-Perceptions-Report-May-2021.pdf \(plsa.co.uk\)](https://www.plsa.co.uk/CTI-Perceptions-Report-May-2021.pdf)

## **11.0 Schedule of Appendices**

- 11.1 Appendix A – Grant Thornton’s Audit Plan for the external audit of the West Midlands Pension Fund Statement of Accounts for the year ending 31 March 2022
- 11.2 Appendix B – WMPF Statement of Accounts for the year ending 31 March 2022

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# West Midlands Pension Fund audit plan

Year ending 31 March 2022

West Midlands Pension Fund  
9/06/2022  
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Key matters

## Factors

### Pension Fund developments

The latest financial data available at the interim stage (quarter 3 accounts) indicated the value of the Fund had increased from a position of £18.9bn as at 31 March 2021 to an unaudited position of £20.3bn as at 31 March 2022. The Fund outperformed its benchmark over the 12 months to end December, arriving at a position of £20.8bn at that date. Private equity was a large contributor to positive relative performance here whilst infrastructure continues to be a major negative contributor to relative performance. Overall, this was reflective of a reduction in uncertainty in relation to the pandemic and increased market stability. In the latter part of 2021.

However, uncertainty stemming from the Russia – Ukraine conflict in the first quarter of 2022 saw a loss of market confidence as the sanctions regime applied to Russia led to spiralling oil and gas prices and a resultant dampening of investor confidence in relation to the energy price shock. As a result, pending audit, the valuation of the Fund closed slightly lower in the final quarter, whilst still showing a significant year on year gain overall.

The expectation on funds to invest sustainably and within environmental, social and governance initiatives is increasing with many funds setting net carbon zero targets. During the year the Fund has launched its latest Climate Strategy Framework with a pledge to align with the goals of the Paris Agreement net zero ambition by 2050 or sooner.

The Fund has made progress 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. 2022 is also the year of the triennial valuation. This will not impact the 2021/22 year however will determine the level of funding and future contribution rates for employers effective from the following year. This will entail a significant time commitment from the pensions administration team during 2022.

### McCloud

On 10 March 2022, the Public Service Pensions and Judicial Offices Act 2022 received Royal Assent. The main purpose of the Act is to support implementation of the McCloud remedy in the public service pension schemes. The McCloud remedy will be implemented in two phases that will impact the 2022/23 financial year.

### Recovery from Covid 19 pandemic

At a higher level, whilst the pandemic situation broadly appears to be improving and optimism returning to markets.

From an operational perspective, the Fund continues to manage the pandemic well, ensuring a continuation of the day to day financial management of the organisation and production of key financial information in line with agreed timetables. However, from our perspective as external auditors, remote working continues to present an operational challenge, in particular in relation to the time taken to obtain and process information in a remote setting.

## Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan.
- We will continue to provide you with sector updates via our Audit Committee updates.
- We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. We have identified a significant risk in regards to management override of controls refer to page 7.
- The Pension Fund's valuer reported a material uncertainty in regards to the valuation of direct properties in 2020/21 due to the Covid 19 pandemic and we expect uncertainty will continue in 2021/22. We identified a significant risk in regards to the valuation of direct properties – refer to page 8.

# Introduction and headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of West Midlands Pension Fund ('the Pension Fund') for those charged with governance.

## 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 *in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of West Midlands Pension Fund*. 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 Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee).

The audit of the financial statements does not relieve management or the Audit and Risk Committee of your responsibilities. It is the responsibility of the Pension 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 Pension Fund is fulfilling these responsibilities.

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

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- The revenue recognition cycle (including those related to expenditure) contains fraudulent transactions (rebutted)
- Management override of controls.
- The valuation of level 3 investments is incorrect.
- The valuation of Directly Held Property is incorrect.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined materiality to be £200m (PY £165m) for the Pension Fund, which equates to 0.99% of your net assets at 31/03/2022. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £10m (PY £8.25m).

## Audit logistics

Our interim visit will take place in March. DLUHC has stated its intention, subject to consultation, to introduce secondary legislation to extend the deadline for publishing audited local authority accounts to 30 November for the 2021/22 accounts. This is still awaited but our final visit is planned to take place between June and September with completion of our work by the end of September. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.

Our fee for the audit has not yet been confirmed as discussions with Public Sector Audit Appointments are ongoing. Our indicative fee for the statutory audit at present is £ 68,486 (PY: £70,386). The final agreed fee will be subject to the Pension Fund delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

# Significant risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions – including expenditure (rebutted)	<p>Under ISA (UK) 240, there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>As external auditors in the public sector, we are also required to give regard to Practise Note 10, which interprets the ISA in a public sector context and directs us to consider whether the assumption also applies to expenditure.</p>	<p>Having considered the risk factors set out in ISA 240 alongside the requirements of Practice Note 10 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue and expenditure recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>- there is little incentive to manipulate revenue and expenditure recognition</li> <li>- opportunities to manipulate revenue and expenditure recognition are very limited;</li> <li>- the nature of the Fund’s revenue is in many respects relatively predictable and does not generally involve cash transactions.</li> <li>- revenue contributions are made by direct bank transfers from admitted / scheduled bodies and are supported by separately sent schedules and are directly attributable to gross pay making any improper recognition unlikely.</li> <li>- transfers into the pension scheme are all supported by an independent actuarial valuation of the amount which should be transferred and which is subject to agreement between the transferring and receiving funds.</li> <li>- historically, the split of responsibilities between the Fund, the Depositary and its Fund Managers (including those pooled with LGPS Central) provide a very strong separation of duties reducing the risk around investment income.</li> <li>- the culture and ethical frameworks of local authorities, including the administering authority for the Fund, City of Wolverhampton Council, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Therefore we do not consider this to be a significant risk for both revenue and expenditure at West Midlands Pension Fund.</p>
Management over-ride of controls	<p>Under ISA (UK) 240, there is a non-rebuttable presumed risk that management override of controls is present in all entities. The Fund faces external scrutiny of its spending and stewardship of assets and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>- evaluate the design effectiveness of management controls over journals;</li> <li>- analyse the journals listing and determine the criteria for selecting high risk unusual journals;</li> <li>- test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>- gain an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence; and</li> <li>- evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>



# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Directly Held Property (Level 3 Investment) (Annual revaluation)	<p>The Fund revalues its directly held property on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (expected to be around £1bn at the balance sheet date) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management engage the services of a valuer to estimate the value at the balance sheet date as well as an investment manager for the portfolio.</p> <p>We have therefore identified valuation of directly held property assets, particularly revaluations and impairments, as a significant risk, which was one of the</p>	<p>We will</p> <ul style="list-style-type: none"> <li>- evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>- independently request year-end confirmations from the investment manager;</li> <li>- evaluate the competence, capabilities and objectivity of the valuation expert;</li> <li>- write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA code are met;</li> <li>- engage our own valuer to assess the instructions to the Fund's valuer, the Fund valuer's report and the methodology and assumptions that underpin the valuation;</li> <li>- challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding;</li> <li>- where available, review the investment manager service auditor report on design effectiveness of relevant controls.</li> </ul>
Valuation of Level 3 investments (Annual revaluation)	<p>The Fund revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.</p> <p>By their nature level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in the key assumptions.</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers as valuation experts to estimate the fair values of these assets.</p> <p>We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement and a key audit matter.</p>	<p>We will :</p> <ul style="list-style-type: none"> <li>- evaluate management's processes for valuing Level 3 investments.</li> <li>- review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investment to ensure the requirements of the code are met.</li> <li>- independently request year end confirmations from investment managers, with an additional focus on ensuring use of appropriate International Private Equity and Venture Capital Valuation (IPEV) (or equivalent) methodology in their valuation books, updated for most recent available guidance.</li> <li>- for a sample of investments, test the reliability of the valuations provided by comparing audited valuations (per financial statements) to investor statements at the same date. Gain assurance over post audit movements with reference to indexation data, gaining corroboratory evidence from management for above threshold variances from expectation identified.</li> <li>- where we are unable to obtain audited financial statements, consider the competence and capabilities of the Investment Manager as a valuations expert and review Service Auditor Reports to gain assurance over design effectiveness of internal controls.</li> <li>- complete sample testing of purchases and sales to prime documentation across the period to support our reconciliation of the opening and closing balances.</li> <li>- analyse the funds holdings by sector, applying an additional layer of professional scepticism and challenge in relation to any assets with potential exposure to the pandemic or other significant economic risks;</li> <li>- engage the Firm's internal actuary to provide assurance over the ITA Fund insurance buy-in valuation.</li> </ul>

# Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

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## Introduction

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

- 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 Pension 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?



# Accounting estimates and related disclosures



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## Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

Based on our knowledge of the Pension Fund we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of directly held property;
- Valuation of the Fund's insurance buy in asset;
- Valuation of residual investment assets.

## The Pension Fund's Information systems

In respect of the Pension Fund's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Pension Fund uses management experts in deriving some of its more complex estimates, e.g. asset and investment. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Pension Fund (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.





### Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

How management understands the degree of estimation uncertainty related to each accounting estimate; and

How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

### Planning enquiries

As part of our planning risk assessment procedures we have engaged with management and obtained an understanding of the control environment around estimates via the Informing the Risk Assessment document, which will be presented separately to the Pension Committee. We would ask that Committee members familiarise themselves with the report, ensure that they understand the information provided around calculation of estimates and flag up any instances where the information supplied by management is inconsistent with their understanding.

### Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540\\_Revised-December-2018\\_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

# Other matters

## Other work

The Pension Fund is administered by City of Wolverhampton Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
  - Giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
  - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
  - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
  - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

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## Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

## Going Concern

As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

The Public Audit Forum has been designated by the Financial Reporting Council as a "SORP-making body" for the purposes of maintaining and updating Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (PN 10). It is intended that auditors of public sector bodies read PN 10 in conjunction with (ISAs) (UK).

PN 10 has recently been updated to take account of revisions to ISAs (UK), including ISA (UK) 570 on going concern. The revisions to PN 10 in respect of going concern are important and mark a significant departure from how this concept has been audited in the public sector in the past. In particular, PN 10 allows auditors to apply a 'continued provision of service approach' to auditing going concern, where appropriate.

# 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.

## Materiality for planning purposes

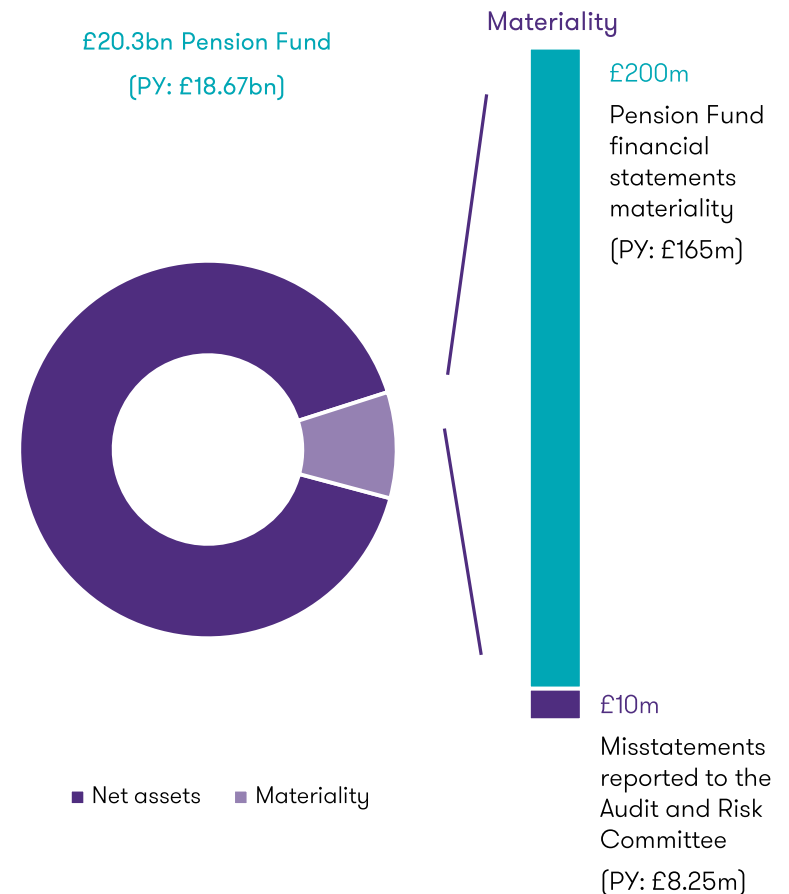
We have determined financial statement materiality based on a proportion of the net assets of the Pension Fund. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £200m (PY 165m), which equates to 0.99% of your net assets [as at 31/03/2022]. We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality..

## Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £10m (PY £8.25m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Pension Committee to assist it in fulfilling its governance responsibilities.

## Net assets {at 31/12/2021}



# IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

We do not plan to rely on the operation of application controls whether automated or IT dependent and will therefore carry out a streamlined ITGC assessment on the IT systems that support the operation of those controls. This is to gain assurance that the relevant controls have been operating effectively throughout the period.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Agresso	Financial reporting	<ul style="list-style-type: none"> <li>Streamlined ITGC assessment.</li> </ul>
Universal Pensions Management	Benefits payable	<ul style="list-style-type: none"> <li>Streamlined ITGC design assessment.</li> </ul>

# Audit logistics and team

Planning and  
risk assessment

Interim audit  
March 2022

Pension  
Committee  
March 2022

ITARA and  
Indicative  
Risks

Pension  
Committee  
June 2022

Audit Plan

Year end audit  
Summer 2022

Pension  
Committee  
TBC (est Sept 2022)

Audit Findings  
Report / Audit  
Opinion

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## Grant Patterson, Key Audit Partner

As your engagement lead, Grant will have the ultimate responsibility for the delivery of your audit service. He will lead our relationship with the Pension Fund and take overall responsibility for delivering high quality audits, which meet the highest professional standards while adding value.



## David Rowley, Audit Manager

As the engagement manager, David is responsible for overseeing the delivery of our service and managing the audit process in respect of the West Midlands Pension Fund. He will be on hand to answer any queries, whilst ensuring an efficient audit process.



## Ben Stevenson, Audit In-charge

Ben will work with relevant officers and our on site team to ensure the smooth planning and delivery of the audit. He will oversee our operational team and discuss any issues with you during the audit process as well as any questions you may have throughout the year.

## Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

# Audit fees

In 2018, PSAA awarded a contract of audit for West Midlands Pension Fund to begin with effect from 2018/19. The scale fee agreed in the contract was £37,436. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2021/22 audit.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed on page 9 in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed work and fee for 2021/22, as set out below:

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	Actual Fee 2019/20	Actual Fee 2020/21	Proposed fee 2021/22
XYZ Pension Fund Audit	£55,931	£70,386	£68,486
Total audit fees (excluding VAT)	£55,931	£70,386	£68,486*

\*The fee assumes that we are able to conduct our audit on site with the finance team available/present. If this is not possible we estimate that the additional cost of the audit will be c. £5,000.

## Assumptions

In setting the above fees, we have assumed that the Pension Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

## Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

# Independence and non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out complementary guidance on ethical requirements for auditors of local public bodies. We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

## Other services

The following other services provided by Grant Thornton were identified/ No other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
IAS19 Assurance letters for Admitted Bodies and covered by the NAO Code of Audit Practice	£10,250 TBC	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is small in comparison to the audit fee and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related		No non-audit services.	
Total	£10,250 TBC		



# Significant improvements from the Financial Reporting Council's (FRC) quality inspection

On 29 October, the 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 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 results over the past three years are shown in the table below:

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

## Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID, 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 had to show 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.



# Significant improvements from the Financial Reporting Council's (FRC) quality inspection (cont.)

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
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

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.

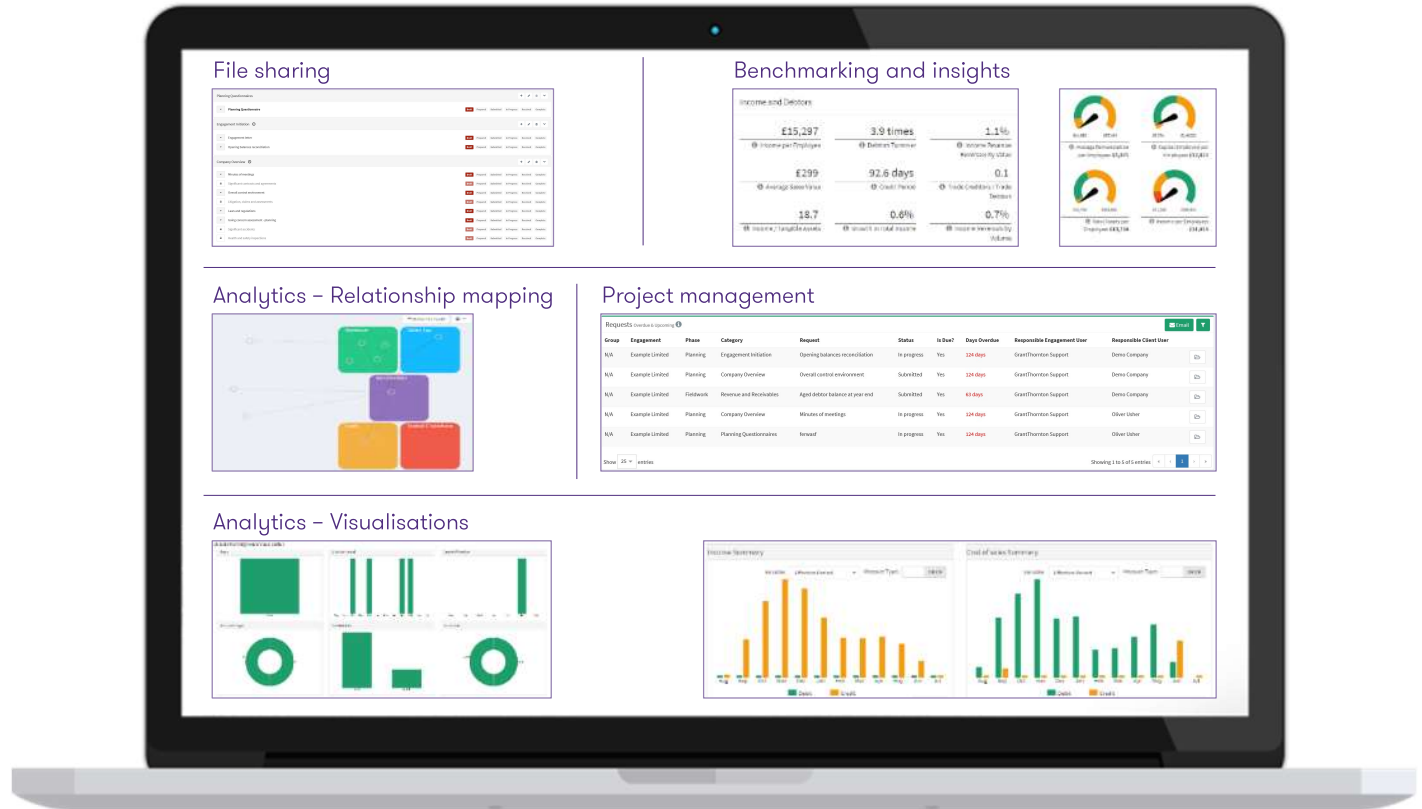
## Conclusion

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.

# Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



Grant Thornton's Analytics solution is supported by Inflo Software technology

# Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



## Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



## File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



## Project management

- Facilitates oversight of requests
- Access to a live request list at all times



## Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

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## How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

### Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

### More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.



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**WEST MIDLANDS PENSION FUND STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31  
MARCH 2022**

**Fund Account**

<b>2020/21 £m</b>		<b>Note</b>	<b>2021/22 £m</b>
	<b>Contributions &amp; Benefits</b>		
1,184.8	Contributions Receivable	<b>P8</b>	420.1
22.3	Transfers In	<b>P9</b>	19.1
13.9	Other Income	<b>P10</b>	13.2
<b>1,221.0</b>	<b>Total contributions and other income</b>		<b>452.4</b>
(646.8)	Benefits Payable	<b>P11</b>	(673.4)
(31.0)	Payments to and on account of leavers	<b>P12</b>	(34.8)
(0.4)	Other Payments		(0.3)
<b>(678.2)</b>	<b>Total benefits and other expenditure</b>		<b>(708.5)</b>
<b>542.8</b>	<b>Net additions/(withdrawals) from dealings with members</b>		<b>(256.1)</b>
<b>(110.2)</b>	<b>Management Expenses</b>	<b>P13</b>	<b>(117.8)</b>
	<b>Returns on Investments</b>		
84.8	Investment Income	<b>P14</b>	84.4
3,123.8	Changes in Value of Investments	<b>P16</b>	1,719.6
(14.1)	Revaluation of bulk annuity insurance buy-in contract	<b>P17</b>	(11.0)
<b>3,194.5</b>	<b>Net return on investments</b>		<b>1,793.0</b>
<b>3,627.1</b>	<b>Net Increase/(decrease) in the Fund during the year</b>		<b>1,419.1</b>
<b>15,288.1</b>	<b>Net Assets of the Fund at the beginning of the year</b>		<b>18,915.2</b>
<b>18,915.2</b>	<b>Net Assets of the Fund at the end of the year</b>		<b>20,334.4</b>

## Net Assets Statement

31 March 2021 £m		Note	31 March 2022 £m
	<b>Investment Assets (at Market Value)</b>	<b>P15</b>	
508.4	Bonds		563.6
27.0	UK Equities		57.2
2,567.5	Overseas Equities		2,539.7
13,640.8	Pooled Investment Vehicles		15,049.1
1,014.0	Property		1,142.8
-	Derivatives - Futures		12.3
	Derivatives - Swaps		2.6
3.1	Derivatives - Forward Foreign Exchange		-
399.6	Foreign Currency Holdings		617.0
498.2	Cash Deposits		136.4
19.2	Other Investment Assets		16.6
7.5	Outstanding Dividend Entitlement and Recoverable With-Holding Tax		6.4
<b>18,685.3</b>	<b>Investment Assets</b>		<b>20,143.8</b>
	<b>Investment Liabilities (at Market Value)</b>	<b>P15</b>	
-	Derivatives - Forward Foreign Exchange		(7.4)
(2.3)	Derivatives - Futures		-
<b>(2.3)</b>	<b>Investment Liabilities</b>		<b>(7.4)</b>
<b>18,683.0</b>	<b>Net Investment Assets</b>		<b>20,136.4</b>
<b>200.0</b>	<b>Bulk annuity insurance buy-in contract</b>	<b>P17</b>	<b>174.0</b>
<b>10.2</b>	<b>Long-Term Debtors</b>	<b>P19</b>	<b>11.4</b>
<b>42.5</b>	<b>Current Assets</b>	<b>P20</b>	<b>45.0</b>
<b>(20.5)</b>	<b>Current Liabilities</b>	<b>P21</b>	<b>(32.5)</b>
<b>18,915.2</b>	<b>Net Assets of the Fund at the end of the year</b>		<b>20,334.4</b>

The accounts summarise the transactions of the Fund and deal with the net assets at its disposal. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits is disclosed at note 6.

The notes form part of these financial statements.

## Notes to the Pension Fund Statements

### Note P1 - General

The description in this note is a high-level summary of the Fund's activities and more detail is available in the Fund's Annual Report which can be found on its website.

West Midlands Pension Fund is part of the Local Government Pension Scheme (LGPS) and is administered by the City of Wolverhampton Council on behalf of all local authorities in the West Midlands and other employers who have members in the Fund. Membership of the Fund is available to all local government employees including non-teaching staff of schools and further and higher education corporations in the West Midlands region together with employees of scheduled and admitted bodies. At 31 March 2022, the Fund had 859 actively participating employers and 338,591 members as set out in the following table. A full list of participating employers can be found in the Fund's Annual Report.

31 March 2021		31 March 2022
No.		No.
113,644	Active Members	112,431
106,899	Pensioner Members	114,897
114,558	Deferred Members	111,263
<b>335,101</b>	<b>Total</b>	<b>338,591</b>

The responsibility for administering the Fund is delegated to the Council's Pensions Committee. It meets at approximately quarterly intervals and has members from each of the seven metropolitan district councils in the West Midlands. A Pensions Board was also in operation during 2021/22. Membership of the Committee and Board can be found on the City of Wolverhampton Council website:

<https://wolverhampton.moderngov.co.uk/mgListCommittees.aspx?bcr=1>

The scheme is governed by the Public Services Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- (i) The Local Government Pension Scheme Regulations 2013 (as amended)
- (ii) (ii) The Local Government Pension Scheme (Transitional Provisions, Saving and Amendments) Regulations 2014 (as amended)
- (iii) (iii) The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

The scheme is a contributory defined benefit pension scheme. Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2022. In addition to employee contributions, employers' contributions are paid as set based on triennial actuarial funding valuations. The valuation in relation to 2021/22 contribution rates was conducted at 31 March 2019. Employer contribution rates during 2021/22 ranged from 15.5% to 38.6% of pensionable pay.

Major changes were introduced to the LGPS from 1 April 2014, in particular, the move from basing pensions on final salaries to career-average revalued earnings (CARE) with an accrual rate of 1/49th and pensions uprated annually in line with the Consumer Price Index. Pension entitlements accrued prior to this date continue to be based on final salary.

Further to direction from the government, local authority investment pools have been created to bring together the investment assets of LGPS pension funds into eight Investment Pools. LGPS Central Limited (LGPSC), the company established to manage investments on behalf of eight LGPS funds including West Midlands Pension Fund (WMPF), received authorisation from the Financial Conduct Authority in 2018 and the LGPS Central regional investment asset pool went live on 1 April 2018.

As at 31 March 2022, WMPF had assets of £8,735m managed in LGPSC sub-funds comprising £8,453m managed through Authorised Contractual Scheme (ACS) sub-funds and a further £283m managed through vehicles.

Work is underway to develop further LGPS Central Limited sub-funds in collaboration with LGPS Central investment asset pool Partner Funds and WMPF will continue to review the decision to transition assets on a case-by-case basis dependent on the sub-fund meeting the strategic requirements of WMPF. The transition of the Fund's remaining assets into products offered by LGPS Central Limited is expected to take several years.

WMPF has a number of advisory arrangements in place with LGPSC to support with advice and sometimes to facilitate execution on the underlying assets of legacy portfolios managed directly by the Fund. It is likely that some of these advisory and execution mandates will remain in place for some time to come due to the illiquid nature of the investments and the cost effectiveness of transition.

## **Note P2 - Basis of Preparation**

The Statement of Accounts summarises the Fund's transactions for the 2021/22 financial year and its financial position as at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note P6 of these accounts.

The accounts have been prepared on a going concern basis.

## **Note P3 - Statement of Accounting Policies**

### **A. Fund account**

In the Fund Account, income and expenditure are accounted for in the year in which they accrue by the creation of payables and receivables at the year-end where necessary.

### **B. Contribution income**

Normal contributions, both from the members and from the employers, are accounted for on an accruals basis. Member contributions are made in accordance with the LGPS (Amendment) Regulations 2018 using common percentage rates for all schemes which rise according to pensionable pay. Employer contributions are set at the percentage rate recommended by the Actuary, in the payroll period to which they relate. Additional contributions (including past service deficit contributions and excluding additional voluntary contributions) as notified by employers for the period have also been included. Past service deficit contributions are accounted for in the year in which they are payable under the schedule of contributions set by the scheme actuary.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid is classed as a current financial asset with amounts due after the following year classed as long-term financial assets.

Where employing organisations have not submitted all of the certified returns of contributions payable by the due date for preparation of these accounts, an estimate has been made based on the monthly returns actually received from these bodies.



## **C. Transfers to and from other schemes**

Transfer values represent the amounts received and paid during the year for members who had either transferred benefits in or out of the scheme as at 31 March 2022, calculated in accordance with the Local Government Pension Scheme Regulations (see notes to the accounts). Transfers in respect of individuals are accounted for when received or paid which is normally when the member liability is accepted or discharged. Bulk transfers in and out, where the receiving scheme has agreed to accept the liability prior to receipt and the necessary employee consents have been obtained, are accounted for in accordance with the bulk transfer terms signed by qualified actuaries appointed by the two pension schemes involved in the bulk transfer.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are reported within transfers in.

## **D. Investment Income**

### **i) Interest Income**

Interest income is recognised in the Fund Account as it accrues using the effective interest rate of the financial instrument as at the date of acquisition or origination.

### **ii) Dividend Income**

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

### **iii) Distributions from Pooled Funds**

Distributions (income) from pooled funds are recognised at the date of issue.

Investment income arising from the underlying investments of pooled investment vehicles is distributed back into the pooled investment vehicles throughout the year.

### **iv) Property-Related Income**

Property-related income (consisting primarily of rental income from operating leases) is recognised on a straight-line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.

### **v) Changes in the Value of Investments**

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

### **vi) Stock lending income**

Stock lending income is accounted for on a cash basis.

## **E. Taxation**

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin unless exemption is permitted. Irrecoverable tax is accounted for as an expense as it arises.

## **F. Benefits payable**

Pensions and lump sum benefits payable include all amounts known to be due as at 31 March 2022. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

## **G. Financial assets**

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised in the Fund Account.

The fair value is established in accordance with IFRS 13 for each category of investment by obtaining sufficient data as follows:

- I. Market-quoted investments are valued on the basis of the bid price (or, if unavailable, most recent transaction) on the relevant stock market. Fixed interest securities are recorded at net market value based on their current yields;
- II. Unquoted securities are valued by the fund managers at the year-end in accordance with generally accepted guidelines. Unquoted private equities are valued by the investment managers in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012) using guidelines of the British Venture Capital Association. This includes the use of discounted cash flow models which are independently valued; and
- III. Pooled investment vehicles are valued at the closing price under single pricing system, or bid price under dual pricing system, as advised by the respective fund manager.

Investment assets are allocated and disclosed within the fair value hierarchy, being within Levels 1, 2 or 3.

The LGPS Central pool trading company, LGPS Central Limited, only became licensed to trade on 1 April 2018. The Pension Fund's view is that for 31 March 2022, cost is still an appropriate estimate of the fair value of shares held in this company.

## **H. Freehold and leasehold properties**

Properties including farmlands and commercial properties are valued annually by independent valuers on a fair value basis in accordance with Royal Institute of Chartered Surveyors (RICS) valuation standards.

## **I. Foreign currencies**

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year-end. Foreign currency transactions are translated into sterling at the spot exchange rate at the date of the transaction. Gains and losses arising on conversion or translation are accounted for as part of the change in market value.

## **J. Derivatives**

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Purchases and sales of derivatives are recognised as follows: Futures – on close out or expiry the variation margins are recognised as cash receipts or payments depending on whether there is a gain or loss. Forward currency contracts settlements are reported as gross receipts and payments.

## **K. Movement in the net market value of investments**

Any gains or losses arising on translation of investments into sterling are accounted for as a change in the market value of investments.

## **L. Cash and cash equivalents**

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

## **M. Financial liabilities**

Financial liabilities are included in the Fund Account at fair value if they exist at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. From this date, any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

## **N. Management expenses**

The Fund discloses its management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses 2016.

All administrative expenses are accounted for on an accruals basis. The costs of Fund officers are recharged to the Fund along with all other costs incurred directly on Fund activities for corporate support services provided by the administering authority.

All investment management expenses are accounted for on an accruals basis. External investment management and custodian fees are agreed in management or custody agreements governing the administration of the individual mandates. Fees are generally based on the valuation of the underlying investments either being managed or in safe custody. In addition, performance-related fees are negotiated with a number of managers and the amounts of such fees are provided in a note to the accounts.

## **O. Actuarial present value of promised retirement benefits**

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (see note P5).

## **P. Additional voluntary contributions**

The Fund provides an additional voluntary contributions (AVC) scheme for its members the assets of which are invested separately from those of the Fund. The Fund has appointed Prudential Assurance Company Limited and Utmost Life and Pensions as its AVC providers. AVCs are paid to the provider by employers and are specifically for providing additional benefits for individual contributors. Each contributor receives an annual statement showing the amount held in their account and the movements in the year. AVCs are not included in the accounts in accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (see note P22).

## **Note P4 - Critical judgements in applying accounting policies**

It has not been necessary to make any material critical judgements in applying the accounting policies in 2021-22.

## **Note P5 - Assumptions made about the future and other major sources of estimation uncertainty**

### **Actuarial present value of promised retirement benefits**

Uncertainties

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries and pensions are projected to increase, changes in retirement

ages, mortality rates and expected returns on pension fund assets. Hymans Robertson, the Fund's consulting Actuaries, are engaged to provide expert advice about the assumptions to be applied.

#### Effect if actual results differ from assumptions

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability; however, an increase in assumed earnings inflation or assumed life expectancy would significantly increase the pension liability as detailed by the Fund's consulting Actuary below:

<b>Change in assumptions - year ended 31 March 2022</b>	<b>Approx. % increase in liabilities</b>	<b>Approx. monetary value £m</b>
0.1% p.a. decrease in discount rate	2%	526.0
1 year increase in member life expectancy	4%	1,136.0
0.1% p.a. increase in salary increase rate	0%	55.0
0.1% p.a. increase in CPI inflation	2%	467.0

#### Fair value of investments

##### Uncertainties

Certain types of investments are not publicly listed and, as such, there is a degree of estimation involved in their valuation.

##### COVID-19 valuation uncertainty

During the year to 31 March 2021, the impact of COVID-19 led to valuation challenges regarding certain illiquid assets. On 17 March 2020, the Royal Institute of Chartered Surveyors (RICS) recommended that surveyors use a material valuation uncertainty clause in property valuations due to the unprecedented circumstances caused by the pandemic and the corresponding absence of market evidence on which to base judgements. Throughout the year, such clauses applied to fewer and fewer assets as market uncertainty gradually receded and on 9 September 2020, RICS formally lifted its recommendation.

Obtaining timely valuation is a perennial issue with Private Equity and level 3 assets where the valuation of investment vehicles often has to be 'stale' or 'lagged' due to the unavailability of pricing information as at the Fund's year end date (by the time the Statement of Accounts has been prepared and audited). Valuations are by necessity estimated and may not fully reflect the performance of the vehicles underlying portfolio of investments.

#### Effect if actual results differ from assumptions

The use of estimates for investment values is greatest for those assets classified at Level 3 which means there is a risk that these investments may be over/under stated in the accounts. The total value of Level 3 investments is £3,920.7m at 31 March 2021 (£3,806.1m at 31 March 2020). The assets classified as Level 3 and the sensitivity of the valuation methods employed is described in note 17.

#### Note P6 - Actuarial valuation of the Fund

The contribution rates applicable to the period 1 April 2020 to 31 March 2023 were determined by the Fund's Actuary, G Muir of Barnett Waddingham LLP as part of the full actuarial valuation of the Fund made as at 31 March 2019.

On the basis of the assumptions adopted, the 2019 valuation revealed that the value of the Fund's assets of £15,634 million represented 94% of the funding target of £16,648 million at the valuation date. The valuation also showed that a primary rate of contribution of 20.4% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

In general, the Fund applies a maximum deficit recovery period of 17 years. The aim is to achieve 100% solvency over the period and to provide stability in employer contribution rates.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report dated 31 March 2020. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Different approaches adopted in implementing contribution increases and deficit recovery periods are as determined through the FSS consultation process.

As a result of the valuation, a revised Rates and Adjustments certificate was prepared for the three years commencing 1 April 2020. For comparison purposes, the figures for the two preceding years are also shown. The minimum payable by the seven councils was certified as follows:

	<b>Future Service Rate (% of pay) plus lump sum (£)</b>				
	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
Birmingham City Council	16.8% plus £61.8m (£124.0m)	18.3% plus £61.5m (£124.2m)	21.3% plus £48.2m (£124.2m)	21.3% plus £49.9m (£123m)	21.3% plus £51.8m (£121.9m)
Coventry City Council	16.8% plus £12m (£31.1m)	16.8% plus £12m (£31.1m)	20.4% plus £3.6m (£32.9m)	20.4% plus £3.7m (£32.6m)	20.4% plus £3.9m (£32.3m)
Dudley MBC	17.0% plus £9.7m (£31.3m)	18.6% plus £9.6m (£32.3m)	20.7% plus £3.0m (£31.5m)	20.7% plus £3.1m (£30.6m)	20.7% plus £3.2m (£29.9m)
Sandwell MBC	16.2% plus £17m (£17.0m)	17.7% plus £16.9m (£16.9m)	20.5% plus £10.5m (£10.3m)	20.5% plus £10.9m (£10.2m)	20.5% plus £11.3m (£10.1m)
Solihull MBC	16.5% plus £5.1m (£16.6m)	18.4% plus £5.1m (£17.4m)	20.7% plus £2.9m (£19.9m)	20.7% plus £3.0m (£19.4m)	20.7% plus £3.1m (£19.0m)
Walsall MBC	16.9% plus £14.8m (£30.2m)	18.3% plus £15m (£31.5m)	20.3% plus £9.8m (£30.2m)	20.3% plus £10.1m (£30.0m)	20.3% plus £10.5m (£29.7m)
City of Wolverhampton Council	16.8% plus £14m	18.1% plus £14.6m	20.0% plus £6.8m (£28.8m)	20.0% plus £7.1m	20.0% plus £7.3m

The amounts shown in brackets are due in the year where the Council has opted to make a cash payment in advance. These amounts were received by the Fund in April 2020. The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

	2019	2016
Rate of return on investments:	4.6% per annum	4.7% per annum
Rate of pay increases:	3.6% per annum	3.9% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension):	2.6% per annum	2.4% per annum

The assets were assessed at market value.

The 31 March 2019 Actuarial Valuation report can be found on the Fund's website.

### Actuarial present value of promised retirement benefits for the purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed and for this purpose, the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, the following financial assumptions have been used:

	31 March 2021	31 March 2022
Rate of return on investments (discount rate)	2.00% per annum	2.70% per annum
Rate of pay increases	3.85% per annum	4.20% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.85% per annum	3.20% per annum

The total value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2021 was estimated as £29,968.5 million. The impact of the changes in actuarial financial assumptions between 31 March 2021 and 31 March 2022 as described above is to decrease the liabilities by £2,080 million. The impact of the change in demographic assumptions between 31 March 2021 and 31 March 2022 is to decrease the actuarial present value by £167 million.

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2022 is therefore £28,386 million.

### Note P7 – Taxation

#### 1. Value added tax (VAT)

The Fund (as part of the City of Wolverhampton Council) pays VAT collected on income in excess of VAT payable on expenditure to HMRC. The accounts are shown exclusive of VAT.

#### 2. Taxation of overseas investment income

The Fund receives interest on its overseas bonds gross but a variety of arrangements apply for the taxation of dividends on overseas equities in the various markets.

In some markets, a lower-than-standard tax rate is available, either as a result of a double tax treaty in place between the UK and the investment country (e.g. Poland, Canada, Italy, Sweden) or based on favourable domestic legislation (e.g. Australia, Czech Republic, Singapore). Where this is the case, relief may be granted at source based on documentation already on file (e.g. USA, Belgium, Australia, Finland, France and Norway), or ex post via reclaim forms submitted to the local tax authorities (e.g. Austria, Denmark, Germany, Netherlands, Switzerland and Spain).

There are also markets where relief is not possible - either no double taxation agreement exists (e.g. Brazil, Colombia, Lebanon), or a 'subject to tax' clause prevents UK pension funds from benefiting from treaty rates (e.g. Israel, Malaysia, Portugal). In such cases, the full amount of tax is withheld and is final.

#### Note P8 - Contributions receivable

Contributions receivable by type

2020/21 £m		2021/22 £m
	<b>From employers</b>	
744.2	Contributions	228.1
303.9	Past service deficit	43.3
10.9	Additional cost of early retirement	15.8
<b>1,059.0</b>		<b>287.2</b>
	<b>From members</b>	
125.3	Basic contributions	132.3
0.5	Additional contributions	0.6
<b>125.8</b>		<b>132.9</b>
<b>1,184.8</b>	<b>Total contributions</b>	<b>420.1</b>

Following the actuarial valuation as at 31 March 2019, some employers chose to pay their full three-year future service and past service deficit contributions in advance as a lump sum in 2020/21. The lump sums paid by the seven councils have been accounted for fully in 2020/21 and are listed in the table in note 6. The additional contributions above represent the purchase of added membership or additional benefits under the pension scheme.

Contributions receivable by type of employer

2020/21 £m		2021/22 £m
51.3	Administering authority	32.3
1,089.1	Other scheduled employers	344.4
44.4	Admitted employers	43.4
<b>1,184.8</b>	<b>Total</b>	<b>420.1</b>

#### Note P9 - Transfers in

2020/21 £m		2021/22 £m
22.3	Individual transfers	19.1
<b>22.3</b>	<b>Total</b>	<b>19.1</b>

## Note P10 - Other income

2020/21 £m		2021/22 £m
	<b>Benefits recharged to employers</b>	
7.1	Compensatory added years	6.9
6.8	Pensions increases	6.3
<b>13.9</b>	<b>Total</b>	<b>13.2</b>

## Note P11 - Benefits payable

Benefits payable by type

2020/21 £m		2021/22 £m
	<b>Pensions</b>	
499.1	Retirement pensions	510.3
33.8	Widows' pensions	34.8
1.1	Children's' pensions	1.1
6.7	Widowers' pensions	7.2
0.2	Ex-spouses' pensions	0.2
0.2	Equivalent pension benefits	0.2
0.3	Co-habiting partners' pensions	0.4
0.1	Civil Partnership	0.1
0.1	Amounts due to Estate	0.1
<b>541.6</b>	<b>Total pensions</b>	<b>554.4</b>
	<b>Lump sum benefits</b>	
87.5	Retiring allowances	102.9
17.7	Death grants	16.1
<b>105.2</b>	<b>Total lump sum benefits</b>	<b>119.0</b>
<b>646.8</b>	<b>Total benefits payable</b>	<b>673.4</b>

Benefits payable by type of employer

2020/21 £m		2021/22 £m
50.4	Administering authority	52.4
543.2	Other scheduled employers	564.4
53.2	Admitted employers	56.6
<b>646.8</b>	<b>Total</b>	<b>673.4</b>



## Note P12 - Payments to and on account of leavers

2020/21 £m		2021/22 £m
29.2	Individual transfers	32.7
1.8	Refunds of contributions	2.1
<b>31.0</b>	<b>Total</b>	<b>34.8</b>

## Note P13 - Management expenses

2020/21 £m		2021/22 £m
6.3	Administrative costs	7.3
100.8	Investment management expenses	106.7
3.1	Oversight and governance costs	3.8
<b>110.2</b>	<b>Total</b>	<b>117.8</b>

Included in administrative costs of £6.3m above are external audit fees of £73,486 (2020/21: £70,386). The charge for 2021/22 comprises the current year audit fee of £68,486 and a provision of £5,000 for additional costs arising from the impact of the remote working on Grant Thornton's work in completing the 2021/22 audit.

The guidance requires that external investment management fees that are deducted from asset values (rather than invoiced and paid directly) are shown gross. Wherever possible, the figures are based on actual costs disclosed by the manager; where actual costs were not available, best estimates have been made using other available information.

## Note P13 i) - Investment management expenses

2021/22	Total £m	Management fees £m	Performance related fees £m	Transaction costs £m
Equities	25.3	16.9	-	8.4
Fixed interest	0.4	0.4	-	-
Pooled investments	24.5	14.7	-	9.8
Pooled property investments	-	-	-	-
Private equity	40.5	14.3	26.0	0.2
Property	5.7	4.7	0.3	0.7
Infrastructure	9.5	7.2	2.3	-
Absolute return	0.1	0.1	-	-
Derivatives	0.4	0.2	-	0.2
Cash, cash equivalents & fx contracts	0.1	0.1	-	-
	<b>106.5</b>	<b>58.4</b>	<b>28.7</b>	<b>19.4</b>
Custody fees	0.2			
<b>Total</b>	<b>106.7</b>			

2020/21	Total	Management fees	Performance related fees	Transaction costs
	£m	£m	£m	£m
Equities	11.9	7.9	-	4.0
Fixed interest	0.5	0.5	-	-
Pooled investments *	24.6	10.0	-	14.6
Pooled property investments	8.2	7.2	(0.8)	1.8
Private equity	38.8	23.2	15.6	-
Property	2.6	1.6	-	1.0
Infrastructure	6.1	4.2	0.7	1.2
Absolute return	6.7	6.6	0.1	-
Derivatives	0.7	0.7		-
Cash, cash equivalents & fx contracts	0.3	0.3		-
	<b>100.4</b>	<b>62.2</b>	<b>15.6</b>	<b>22.6</b>
Custody fees	0.4			
<b>Total</b>	<b>100.8</b>			

#### Note P14 - Investment Income

2020/21 £m		2021/22 £m
	<b>Dividends and Interest</b>	
	<u>Bonds</u>	
7.9	UK private sector – quoted	9.2
	<u>Equities</u>	
-	UK private sector – quoted	0.6
23.2	Overseas	20.8
	<u>Pooled Investment Vehicles</u>	
1.0	UK private sector – quoted	0.7
4.7	Overseas equities	6.3
1.7	Interest on cash deposits	-
0.8	Stock lending	0.7
5.6	Other investment income	-
<b>44.9</b>	<b>Total dividends and interest</b>	<b>38.3</b>
48.5	Property management income	60.2
(8.6)	Property management expenses	(14.1)
<b>39.9</b>	<b>Total property management</b>	<b>46.1</b>
<b>84.8</b>	<b>Total investment income</b>	<b>84.4</b>

## Stock lending

As at 31 March 2022, £583.1 million of stock was on loan to an agreed list of approved borrowers through the Fund's custodian in its capacity as agent lender (31 March 2021: £482.6 million). The loans were covered by non-cash collateral in the form of equities, gilts, Delivery by Values DBVs and G10 sovereign debt totalling £631.5 million and giving a margin of 8.0% (31 March 2021, £521 million, margin of 8.0%).

Collateral is marked to market, adjusted daily and held by a third-party agent on behalf of the Fund. Net income from stock lending amounted to £0.7 million during the year (2020/21: £0.8 million). The Fund retains its economic interest in stocks on loan and their value is included in the Fund valuation. There is, however, an obligation to return collateral to the borrowers and its value is therefore excluded from the Fund valuation. The securities lending programme is indemnified to give the Fund further protection against losses.

There are no liabilities associated with the loaned assets.

## Other investment income

"Other investment income includes the following: Class action income, liquidation proceeds and tax refunds."

## Note P15 - Net investment assets

31 March 2021 £m		31 March 2022 £m
	<b>Bonds</b>	
222.4	UK companies – segregated (external)	235.4
286.0	Overseas sovereign - index linked	328.2
<b>508.4</b>		<b>563.6</b>
	<b>UK equities</b>	
25.0	Quoted	55.2
2.0	Unquoted	2.0
<b>27.0</b>		<b>57.2</b>
	<b>Overseas equities</b>	
181.1	Quoted	155.4
2,386.4	Quoted – segregated (external)	2,384.3
<b>2,567.5</b>		<b>2,539.7</b>
	<b>Pooled investment vehicles</b>	
	<b>Managed funds</b>	
659.8	UK fixed interest	668.9
1,876.7	Other fixed interest	2,167.3
961.9	UK quoted, index linked	1,011.2
1,081.7	UK quoted equities (pooled assets)	1,349.4
6,093.1	Overseas quoted equities (pooled assets)	6,801.8
819.7	Infrastructure	830.3
1,315.5	Private equity	1,439.2
356.6	UK absolute returns	257.7
54.1	Overseas absolute returns	82.6
-	Multi asset credit	-
188.3	UK property	208.4
122.0	Overseas property	117.2
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	<b>Unit trusts</b>	
111.4	UK property	115.1
<b>13,640.8</b>		<b>15,049.1</b>
	<b>Property</b>	
969.4	UK freehold	1,096.5
44.6	UK leasehold*	46.3
<b>1,014.0</b>		<b>1,142.8</b>
	<b>Derivative contracts</b>	
-	Futures	12.3
	Swaps	2.6
3.1	Forward currency contracts	-
<b>3.1</b>		<b>15.0</b>
	<b>Foreign currency holdings</b>	
0.5	Australian dollars	0.5
0.6	Canadian Dollars	0.6
1.3	Czech Koruna	1.5
0.6	Danish Kroner	0.6
73.6	Euro	133.8
31.3	Hong Kong Dollars	33.8
0.6	Hungarian Forints	0.7
5.2	Japanese Yen	4.9
2.2	Mexican Peso	2.6
0.5	New Zealand Dollars	0.5
0.5	Norwegian Kroner	0.5
0.5	Polish Zloty	0.5
1.4	Singapore Dollars	1.5
2.9	Swedish Kroner	2.9
4.8	Swiss Francs	5.2
0.7	Turkish Lira	0.4
272.4	United States Dollars	426.5
<b>399.6</b>		<b>617.0</b>
	<b>Cash deposits</b>	
491.0	UK	128.8
7.2	US	7.6
<b>498.2</b>		<b>136.3</b>
	<b>Other investments</b>	
19.2	Broker balances	16.6
7.5	Outstanding dividend entitlement and recoverable with-holding tax	6.4
<b>26.7</b>		<b>23.0</b>
<b>18,685.3</b>	<b>Total investment assets</b>	<b>20,143.7</b>
	<b>Investment liabilities</b>	
	<b>Derivative contracts</b>	
-	Forward currency contracts	(7.4)

(2.3)	Futures	
(2.3)		(7.4)
(2.3)	<b>Total investment liabilities</b>	<b>(7.4)</b>
<b>18,683.0</b>	<b>Net investment assets</b>	<b>20,136.4</b>

\* All leasehold properties are held on long leases

Segregated accounts are held separately from the main account by the global custodian and contain assets managed by some of the Fund's external managers.

The following investments represent more than 5% of the net assets of the Fund. All of these companies are registered in the UK.

31 March 2021			31 March 2022	
Market value	% of total		Market value	% of total
£m	market value		£m	market value
		<b>Security</b>		
2,532.6	13.6	LGPS Central Global Ex UK Passive Equity Fund	2,754.3	13.7
1,862.7	10.0	LGPS Central All World Equity Climate Multi Factor Fund	2,140.4	10.6
1,075.4	5.8	LGPS Central UK Passive Equity Fund	1,210.7	6.0
1,057.0	5.7	LGPS Central Global Equity Active Multi-Manager Fund	1,195.6	5.9
961.9	5.1	Legal & General - All Stocks Index-Linked Gilts Fund	1,011.2	5.0

The proportion of the market value of investment assets managed in the regional asset pool and by each external manager at the year-end is set out below.

31 March 2021			31 March 2022	
Market value	% of total market value		Market value	% of total market value
£m			£m	
<b>Investments managed by LGPS Central Limited regional asset pool:</b>				
6,010.1	32.2	Authorised Contractual Schemes (ACS) - global equities	6,712.4	33.9
1,075.4	5.8	Authorised Contractual Schemes (ACS) - UK equities	1,210.7	6.1
584.8	3.1	Authorised Contractual Schemes (ACS) - Fixed interest	811.4	4.1
198.9	1.1	Non ACS private equity	283.2	1.4
<b>7,869.2</b>	<b>42.1</b>		<b>9,017.7</b>	<b>45.5</b>
<b>Investments managed outside of LGPS Central Limited regional asset pool:</b>				
2,120.7	11.4	In-house	2,120.7	10.7
117.7	0.6	Managers: UK quoted	117.7	0.6
1,448.3	7.8	Managers: emerging markets	1,448.3	7.3
1,021.1	5.5	Managers: global equities	1,021.1	5.1
3,422.0	18.3	Managers: fixed interest	3,422.0	17.3
310.3	1.7	Managers: indirect property	310.3	1.6
819.7	4.4	Managers: infrastructure funds	819.7	4.1
410.7	2.2	Managers: absolute return	410.7	2.1
1,116.6	6.0	Managers: private equity	1,116.6	5.6
<b>10,787.1</b>	<b>57.7</b>		<b>10,787.1</b>	<b>54.4</b>
26.7		Outstanding dividend entitlement and recoverable withholding tax	23.0	
<b>18,683.0</b>		<b>Net investment assets</b>	<b>19,827.8</b>	

## ANALYSIS OF DERIVATIVES

### Objectives and policies for holding derivatives

The Fund utilises derivative instruments in line with investment policy and investment management agreements in place with third party investment managers.

#### a) Futures

In 2018/19, the Fund made a decision to transition assets out of an internal global equity portfolio and into a new sustainable global equities mandate. Recognising that there would be some lead time in implementing this strategy, as and when the existing portfolio was realised, proceeds were invested in global equity futures pending transition to the sustainables mandate. During 2020/21, the Fund made a significant transition into the sustainables mandate and has reduced its exposure to futures accordingly.

The Fund has also invested in gilt futures to help align the weighting in this area with its strategic target and as a tool for risk management. The economic exposure represents the notional value of stock purchased under futures contracts and is therefore subject to market movements.

b) Forward foreign currency

To reduce the volatility associated with fluctuating currency rates, the Fund has a passive currency programme in place. The Fund commenced its currency hedging programme in September 2017 following approval by Committee to amend the Strategic Investment Allocation Benchmark to reflect the passive currency management programme. The Fund's hedging programme aims to protect returns in sterling terms and reduce currency risk. The neutral hedge ratio is considered to be 50% based on the strategic weight of each region but actual hedge ratios applied will vary from time to time with a rebalancing taking place on a monthly basis to reflect changing market values.

c) Open forward currency contracts

Settlement	Currency Bought	Local value m	Currency Sold	Local value m	Asset value £m	Liability value £m
One to six months	GBP	429.5	EUR	515.7		(7.5)
One to six months	EUR	28.5	GBP	24		0.1
Open forward currency contracts at 31 March 2022						(7.4)
Net forward currency contracts at 31 March 2022						(7.4)

Prior year comparative:

Open forward currency contracts at 31 March 2021	3.1	
Net forward currency contracts at 31 March 2021	3.1	

d) Open exchange traded futures contracts

Type	Expires	Economic exposure £m	Market value 31 March 2021 £m	Economic exposure £m	Market value 31 March 2022 £m
<b>Assets</b>					
UK equity	Under one year	55.5	(0.4)	55.5	3.6
Overseas equity	Under one year	141.4	(0.1)	141.4	10.0
UK bond	Under one year	148.3	(1.8)	148.3	(1.3)
<b>Total assets</b>			<b>(2.3)</b>		<b>12.3</b>

## Note P16 - Investment market value movements analysis

	Value as at 31 March 2021	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Investment Management Fees Deducted at Source	Change in Market Value	Value as at 31 March 2022
	£m	£m	£m	£m	£m	£m
Bonds	508.4	124.1	(88.6)		19.8	563.6
UK equities	27.0		(32.2)		62.4	57.2
Overseas equities	2,567.5				(27.8)	2,539.7
Pooled investment vehicles	13,640.8	643.3	(614.8)	(87.6)	1,467.5	15,049.1
Property	1,014.0	-	(62.3)	-	191.1	1,142.8
	<b>17,757.7</b>	<b>767.4</b>	<b>(797.9)</b>	<b>(87.6)</b>	<b>1,712.9</b>	<b>19,352.5</b>
Derivative contracts						
Swaps					2.6	2.6
Futures	(2.3)				14.6	12.3
Forward foreign exchange	3.1				(10.5)	(7.4)
	<b>17,758.5</b>	<b>767.4</b>	<b>(797.9)</b>	<b>(87.6)</b>	<b>1,719.6</b>	<b>19,360.0</b>
Broker balances	19.2					16.6
Outstanding dividend entitlement and recoverable withholding tax	7.5					6.4
Foreign currency holdings	399.6					617.0
Cash deposits	498.2					136.4
<b>Total Investments</b>	<b>18,683.0</b>					<b>20,136.4</b>

The change in market value of investments comprises both increases and decreases in the market value of investments held at any time during the year and profits and losses realised on the sales of investments during the year.

Purchases also include transfers in of investments, take-over of shares etc. and invested income. Sales proceeds include all receipts from sales of investments, transfers out of investments, take-over proceeds etc. and reductions in cash deposits including profits or losses realised on the sale.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Fund such as fees, commissions, stamp duty and other fees. Transaction costs during the year amounted to £18.9 million (2020/21: £22.6 million). In addition to the transaction costs disclosed below, indirect costs are incurred through the bid-offer spread of investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Fund.

The volatility of investment markets is an ever-present and longstanding feature of pension fund management and valuations may vary, either up or down, throughout each day when exchanges are open.



The change in the value of investments during 2020/21 is set out below:

Value as at 31 March 2021	Transfer of assets from WMITA fund	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Investment management fees deducted at source	Change in market value	Value as at 31 March 2022
£m	£m	£m	£m	£m	£m	£m
Bonds	494.0	28.6			(14.2)	508.4
UK equities	28.9				(1.9)	27.0
Overseas equities	1,408.8	450.0			708.7	2,567.5
Pooled investment vehicles	10,869.9	1,314.9	(839.0)	(80.6)	2,375.6	13,640.8
Property	965.1	63.0	(18.3)	-	4.2	1,014.0
	<b>13,766.7</b>	<b>1,856.5</b>	<b>(857.3)</b>	<b>(80.6)</b>	<b>3,072.4</b>	<b>17,757.7</b>
Derivative contracts						
Futures	11.7	-	(23.1)	-	9.1	(2.3)
Forward foreign exchange	(76.8)	-	37.6	-	42.3	3.1
	<b>13,701.6</b>	<b>1,856.5</b>	<b>(842.8)</b>	<b>(80.6)</b>	<b>3,123.8</b>	<b>17,758.5</b>
Broker balances	75.8					19.2
Outstanding dividend entitlement and recoverable withholding tax	7.0					7.5
Foreign currency holdings	582.5					399.6
Cash deposits	569.6					498.2
<b>Total Investments</b>	<b>14,936.5</b>					<b>18,683.0</b>

## 16 i) Property Holdings

The Fund's investment property portfolio comprises a number of directly owned properties which are leased commercially to various tenants. Details of these directly owned properties are as follows:

2020/21		2021/22
£m		£m
<b>965.1</b>	<b>Opening balance</b>	<b>1,014.0</b>
63.0	Additions	
(18.3)	Disposals	(62.3)
4.2	Net change in market value	191.1
<b>1,014.0</b>	<b>Closing balance</b>	<b>1,142.8</b>

There are no restrictions on the realisability of the property or the remittance of income or proceeds on disposal and the Fund is not under any contractual obligation to purchase, construct or develop any of these properties nor does it have any responsibility for any repairs, maintenance or enhancements.

The future minimum lease payments receivable by the Fund are as follows:

31 March 2021		31 March 2022
£000		£000
43,892	Within one year	40,028
152,740	Between one and five years	140,018
179,918	Later than five years	182,744
<b>376,550</b>	<b>Total future lease payments due under existing contracts</b>	<b>362,790</b>

The receivables above have been reduced by a credit loss allowance of 1% per annum reflecting the Fund's expected loss from late or non-recovery of rents from tenants. This deduction is based on advice from the Fund's property letting agents.

#### Note P17 - Fair value - basis of valuation

The basis of the valuation of each class of investment assets is detailed below. There has not been any change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Asset type	Valuation level	Basis of valuation	Observable and unobservable inputs	Key sensitivity
Market quoted investments	1	Published bid market price ruling on 31 March 2022.	n/a	n/a
Quoted bonds	1	Market bid price based on current yields.	n/a	n/a
Futures	1	Published exchange prices at 31 March 2022.	n/a	n/a
Unquoted bonds	2	Average of broker prices.	Evaluated price feeds.	n/a
Pooled Investment vehicles- unit trusts and property funds	2	PIV are stated at the bid price quoted or the closing single market prices.	Net asset value (NAV) based pricing set on a forward pricing basis.	n/a
Forward foreign exchange derivatives	2	Market forward exchange rates at 31 March 2022.	Exchange rate risk.	n/a
Freehold and leasehold properties	3	Valued at fair value at the year-end using the investment valuation reports of Savills Plc. One third of the commercial property portfolio is valued fully in March each year, with the remaining two thirds being a 'desktop'	Existing lease terms and rentals, independent market research, tenant covenant strength, estimated vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or discount rate could affect valuations

		valuation. Agricultural properties are valued by Browns at the year end.		
Unquoted equity (includes Private Equity, Infrastructure and Absolute Return/Diversified Growth Funds)	3	Value is based on the latest investor reports and financial statements provided by the fund managers of the underlying funds, adjusted for transactions arising after the date of such reports.	Earnings before interest, tax, depreciation and amortisation (EBITDA) multiple, revenue multiple, discount for lack of marketability.	Could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.
Bulk annuity insurance buy-in	3	Provided by the Fund's Actuary based on a roll-forward of the value placed on the buy-in as part of the WMITA Fund 2019 triennial actuarial valuation, allowing for estimated level pensions paid and the change in the discount rate used to value the buy-in.	Key underlying inputs for the valuation are the discount rate and life expectancy. Discount rate has been set at 1.68% with reference to the 11 year point of the Bank of England nominal gilt yield curve, consistent with the 2019 valuation of the WMITA Fund.	Adjustments to discount rate and life expectancy.

### Sensitivity of assets valued at level 3

The table below details the Fund's review of financial information as provided by independent advisors. The valuation methods detailed above are likely to be accurate to within the ranges and, as set out below, the consequent potential impact on the closing value of investments at 31 March 2022 and 31 March 2021.

Level 3 assets	Valuation range	Valuation at 31 March 2022	Valuation Increase	Valuation Decrease
	% (+/-)	£m	£m	£m
Freehold and Leasehold Property	11.8	1,142.8	1,277.7	1,088.1
Private Equity	31.2	1,439.2	1,888.3	990.0
Infrastructure	13.3	734.4	836.7	637.0
Absolute Return/Diversified Growth	14.0	414.0	471.9	356.1
Unit Trusts - UK Property	11.8	145.3	162.5	128.2
Fixed Interest	12.1	206.5	231.5	181.5
<b>Total</b>		<b>4,082.2</b>	<b>4,863.6</b>	<b>3,300.8</b>

Level 3 assets	Valuation range	Valuation at 31 March 2021	Valuation Increase	Valuation Decrease
	% (+/-)	£m	£m	£m
Freehold and Leasehold Property	11.8	1,014.0	1,134.0	894.1
Private Equity	31.7	1,269.8	1,672.6	867.0
Infrastructure	13.2	819.8	928.3	711.1
Absolute Return/Diversified Growth	14.1	410.8	468.6	353.0
Unit Trusts - UK Property	11.8	140.5	157.2	123.9
Fixed Interest	9.8	65.8	72.3	59.4
<b>Total</b>		<b>3,720.7</b>	<b>4,433.0</b>	<b>3,008.5</b>

The key underlying inputs for the annuity insurance buy-in level 3 valuation are the discount rate and life expectancy. The impact of changes as calculated by the Fund's Actuary is shown below:

Change in assumptions - year ended 31 March 2022	Adjustment	Valuation at 31 March 2022	Valuation Increase	Valuation Decrease
		£m	£m	£m
Adjustment to discount rate	(-/+ ) 1%	174.0	181.0	167.0
Adjustment to life expectancy assumptions	(+/-) 1 year	174.0	197.0	151.0

Change in assumptions - year ended 31 March 2021	Adjustment	Valuation at 31 March 2021	Valuation Increase	Valuation Decrease
		£m	£m	£m
Adjustment to discount rate	(-/+ ) 0.5%	200.0	209.9	190.4
Adjustment to life expectancy assumptions	(+/-) 1 year	200.0	214.6	186.2

## 17 i) Fair value hierarchy

The valuation of financial instruments has been classified into three levels according to the quality and reliability of information used to determine fair values. Criteria utilised in the instrument classifications are detailed below:

### Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed interest securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

### Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

### Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in the determining appropriate assumptions.

The values of the investments in private equity, infrastructure and absolute return/diversified growth funds are based on the latest investor reports and financial statements provided by the fund managers of the underlying funds. Valuations are undertaken quarterly, and an adjustment is made to roll forward the latest available valuation to 31 March as appropriate.

The values of the investments in hedge funds are based on the net asset value provided by the fund manager. Fund valuations are obtained through external experts with assurance provided via the audit opinion. The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which fair value is observable.

Value at 31 March 2022	Quoted market price Level 1 £m	Using observable inputs Level 2 £m	With significant unobservable inputs Level 3 £m	Total £m
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	10,589.6	4,695.7	2,939.4	18,224.6
Non- financial assets at fair value through profit and loss			1,142.8	1,142.8
Financial liabilities at fair value through profit and loss		(7.4)		(7.4)
	10,589.6	4,688.2	4,082.2	<b>19,360.0</b>
Bulk annuity insurance buy-in at fair value through profit and loss			174.0	174.0
<b>Net financial assets</b>	<b>10,589.6</b>	<b>4,688.2</b>	<b>4,256.2</b>	<b>19,534.0</b>

Value at 31 March 2021	Quoted market price Level 1 £m	Using observable inputs Level 2 £m	With significant unobservable inputs Level 3 £m	Total £m
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	9,755.7	4,284.4	2,706.7	16,746.8
Non- financial assets at fair value through profit and loss			1,014.0	1,014.0
Financial liabilities at fair value through profit and loss	(2.3)			(2.3)
	9,753.4	4,284.4	3,720.7	<b>17,758.5</b>
Bulk annuity insurance buy-in at fair value through profit and loss			200.0	200.0
<b>Net financial assets</b>	<b>9,753.4</b>	<b>4,284.4</b>	<b>3,920.7</b>	<b>17,958.5</b>

**Note 17 ii) - Reconciliation of fair value measurements within level 3**

	Market value 31 March 2021 £m	Purchases during the year £m	Sales during the year £m	Unrealised gains / losses £m	Realised gains/losses £m	Market value 31 March 2022 £m
Freehold and Leasehold Property	1,014	-	62	66	-	1,143
Private Equity	1,270	106	382	(366)	48	1,439
Infrastructure	820	22	81	(200)	11	734
Absolute Return/Diversified Growth	411	54	62	(123)	10	414
Unit Trusts - UK Property	141	-	11	(6)	-	145
Bonds	66	131	5	4	-	206
<b>Total</b>	<b>3,721</b>	<b>314</b>	<b>603</b>	<b>(625)</b>	<b>69</b>	<b>4,082</b>

**Bulk annuity insurance buy-in contract**

"The transfer of assets from the former WMITA Fund included a bulk annuity insurance buy-in contract with Prudential Retirement Income Limited. The insurance cover provides that the insurer underwrites the risk for meeting the liabilities of a specified group of pensioners on the former West Midlands Travel Limited pensions payroll as at 11 August 2011. The insurance provider will pay the cost of the monthly pension payments for this group whilst they or their dependants are entitled to a pension.

Benefits recharged to Prudential during the year have been credited to the Fund account and the value of the buy-in recalculated at year end by the Fund Actuary and recognised in the Net Assets Statement as follows:"

31 March 2021		31 March 2022
£m		£m
229.4	<b>Bulk annuity insurance buy-in contract value at start of year</b>	200.0
	Actuarial revaluation of insurance contract:	
1.0	Interest on buy-in	2.0
(3.3)	Change in demographic assumptions	(2.0)
-	Actuarial experience	-
<b>(14.1)</b>		<b>(11.0)</b>
(15.3)	Level pensions paid by insurer	(15.0)
<b>200.0</b>	<b>Bulk annuity insurance buy-in contract value at end of year</b>	<b>174.0</b>

The change in demographic assumptions results from updating mortality assumptions to use the latest CMI\_2021 Model. The change in actuarial assumptions is a result of increasing the discount rate from 1.02% at 31 March 2021 to 1.62% at 31 March 2022 consistent with the rate used in the 2019 valuation of the former WMITA Fund.

#### Note P18 - Investment capital commitments

Investment commitments at the end of the financial year in respect of future payments were:

31 March 2021		31 March 2022
£m		£m
948.8	Non-publicly quoted equities and infrastructure	1,469.6
58.5	Property	55.4
<b>1,007.3</b>	<b>Total</b>	<b>1,525.0</b>

These amounts relate to outstanding commitments due on funds held in the private equity, fixed interest, absolute return and alternative investment portfolios.

#### Note P19 - Long term debtors

31 March 2021		31 March 2022
£m		£m
6.4	Early retirement costs	6.4
3.8	Reimbursement of lifetime tax allowances	5.0
<b>10.2</b>	<b>Total</b>	<b>11.4</b>

The Fund has agreed for certain employers to defer payment of amounts due to meet early retirement costs and £6.4m is due after the following financial year (2020/21: £6.4m). The instalments due in 2021/22 are reported in Current Assets.

## Note P20 - Current Assets

31 March 2021 £m		31 March 2022 £m
	<b>Receivables and prepayments</b>	
	Contributions Receivable	
15.4	- Employers' future service	20.7
4.9	- Employers' past service deficit	3.7
10.0	- Members	12.5
10.3	Other Receivables	8.1
<b>40.6</b>	<b>Total Receivables and Prepayments</b>	<b>45.0</b>
1.9	Cash at bank	-
<b>42.5</b>	<b>Total Current Assets</b>	<b>45.0</b>

## Note P21 - Current liabilities

31 March 2021 £m		31 March 2022 £m
	<b>Payables and receipts in advance</b>	
(4.3)	Pensions and lump sum benefits	(3.5)
(0.7)	Receipts in advance	(0.7)
(15.5)	Other payables	(23.9)
-	Cash at bank	(4.4)
<b>(20.5)</b>	<b>Total</b>	<b>(32.5)</b>

## Note P22 - Additional voluntary contributions

As well as joining the Fund, scheme members can pay into an additional voluntary contribution (AVC) scheme run by two AVC providers. Contributions are paid directly from scheme members to the AVC providers.

The contributions are not included within the Fund accounts, in line with regulation 4 (2) (b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009. The table below shows the activity for each AVC provider in the year.

31 March 2021			31 March 2022	
Utmost Life £m	Prudential £m		Utmost Life £m	Prudential * £m
1.8	37.6	<b>Opening value of the fund</b>	1.7	37.2
0.1	6.0	Income	0.1	6.0
(0.2)	(6.6)	Expenditure	(0.3)	(6.1)
-	0.2	Change in market value	-	(0.5)
<b>1.7</b>	<b>37.2</b>	<b>Closing value of the fund</b>	<b>1.5</b>	<b>36.6</b>

\* At the time of publishing this Statement of Accounts in [Draft - May 2022], Prudential Assurance Company was experiencing delays resulting from its ongoing migration to a new administration platform and was not able to provide annual AVC financial statements for 2021/22. The table above therefore contains estimates for movements in Prudential AVCs for the year to 31 March 2022.



## Note P23 Financial instruments

Net gains and losses on financial instruments

31 March 2021		31 March 2022
£m		£m
	<b>Financial assets</b>	
3,110.5	Fair value through profit and loss	1,731.3
	<b>Financial liabilities</b>	
9.1	Fair value through profit and loss	(10.5)
<b>3,119.6</b>	<b>Total</b>	<b>1,720.8</b>

### Classification of financial instruments

The following table analyses the carrying amounts of financial instruments by category. No financial instruments were reclassified during the accounting period.

31 March 2021			31 March 2022		
Fair value through profit and loss £m	Assets at amortised cost £m	Financial liabilities at amortised cost £m	Fair value through profit and loss £m	Assets at amortised cost £m	Financial liabilities at amortised cost £m
			<b>Financial assets</b>		
508.4			Bonds	563.6	
27			UK equities	57.2	
2,567.5			Overseas equities	2,539.7	
13,640.8			Pooled investment vehicles	15,049.1	
3.1			Derivative contracts	15.0	
200			Bulk annuity Insurance buy-in	174.0	
	899.7		Cash		753.3
	26.7		Other investment balances		23.0
	50.8		Debtors		45.8
<b>16,946.8</b>	<b>977.2</b>			<b>18,398.6</b>	<b>822.1</b>
			<b>Financial liabilities</b>		
(2.3)			Derivative contracts	(7.4)	
		-	Other investment balances		-
		(20.5)	Creditors		(31.0)
<b>16,944.5</b>	<b>977.2</b>	<b>(20.5)</b>		<b>18,391.2</b>	<b>(31.0)</b>
	<b>17,901.2</b>			<b>19,182.3</b>	

## Note P24 - The nature and extent of risks arising from financial instruments

### Risk management

The main investment objective of the Fund is to optimise return whilst managing market risk exposure within an acceptable tolerance. This is achieved by investing assets across a diversified portfolio. The Fund also manages its liquidity risk to ensure there is sufficient liquidity to meet forecasted cash flows.

The Fund's activities expose it to a variety of financial risks, including:

- **Investment risk** - the possibility that the Fund will not receive the expected returns.
- **Counterparty and credit risk** - the possibility that other parties might fail to pay amounts due to the Fund.
- **Liquidity risk** - the possibility that the Fund might not have funds available to meet its commitments to make payments as they fall due.
- **Valuation risk** – the possibility that the value of an illiquid asset, when realised upon sale, differs from the valuation placed on it based on a valuer's opinion.
- **Market risk** - the possibility that financial loss might arise as a result of market movements. This is split into the following subsections:
  - **Currency risk** – the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
  - **Interest Rate risk** - the risk that future cash flows will fluctuate because of changes in market interest rates.
  - **Other Price risk** - the risk that the value of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

### Investment risk

To achieve its statutory obligations to pay pensions, the Fund invests its assets, including employer and employee contributions, in a way that allows it to meet its liabilities as they fall due for payment. It does this by investing with regard to its liabilities assessed through the triennial actuarial valuation followed by an appropriate asset allocation, which is monitored on an ongoing basis to ensure it remains appropriate.

### Counterparty risk

In deciding to effect any transaction for the Fund, steps are taken to ensure that the respective counterparty is suitable and reliable, that the transaction is in line with the Fund's strategy and that the terms and circumstances of the transaction are the best available in the relevant market at the time. Comprehensive due diligence processes are in place to ensure that any potential counterparty is authorised and regulated, competent to deal in investments of the type and size contemplated and has appropriate administration arrangements with regard to independent auditors, robust administration and accounting, relevant legal structure and experienced staff.

## Credit risk

The Fund's credit risk is largely associated with its Fixed Income investments. This risk stems from third parties potentially failing to meet interest payments or failing to return the Fund's principal at the end of the investment period. There is also credit/counterparty risk associated with derivative instruments within the Fund's Alternatives investments and those used to hedge certain risks, such as foreign currency exposures as well as with rental income earned within the Fund's property portfolios.

The Fund's surplus cash may be placed with an approved financial institution on a short-term basis and in accordance with the cash management policy and restrictions set out in the Treasury Policy. The policy specifies the cash deposit limit with each approved counterparty, as determined by a comprehensive scoring exercise undertaken by Fund officers using specialist rating and market research data, which is reviewed on a regular basis. Due diligence is conducted on potential money market funds with criteria such as AAA rating, same-day access and minimum assets under management being prerequisite.

The tables below outline the Fund's money market and bank deposit holdings, by long-term Fitch rating, as at 31 March 2021 and 31 March 2022:

<b>Credit rating sensitivity analysis</b>			
<b>Fund/Account</b>	<b>Long term Fitch rating<sup>1</sup></b>	<b>Value at 31 March 2021 £m<sup>2</sup></b>	<b>Value at 31 March 2022 £m<sup>3</sup></b>
<b>Money market funds</b>			
HSBC GBP Liquidity Fund Class H	Aaa-mf	106.5	5.8
HSBC USD Liquidity Fund Class H	Aaa-mf	7.2	7.6
LGIM GBP Liquidity Fund	AAAmmf	134.7	4.0
Insight GBP Liquidity Fund	AAAmmf	142.5	8.0
Invesco GBP Liquidity Fund	AAAmmf	2.3	2.4
<b>Custody and deposit accounts</b>			
CBRE Client Account West Midlands Met Authority		21.1	21.2
HSBC GBP Cash	AA-	83.9	87.3
HSBC Non-GBP Cash <sup>4</sup>	AA-	399.6	493.4
<b>Total</b>		<b>897.8</b>	<b>629.7</b>

<sup>1</sup> Moody's rating used if no Fitch rating available. Sourced as at 31 March 2022.

<sup>2</sup> Sourced from the West Midlands Pension Fund's and Integrated Transport Authority's Q4 2020/2021 Net Asset Statements.

<sup>3</sup> Sourced from the West Midlands Pension Fund's and Integrated Transport Authority's Q4 2021/2022 Net Asset Statements.

<sup>4</sup> Includes USD, EUR and HKD balances. Total value expressed in GBP.

## Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due, especially pension payments to its members. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. The appropriate strategic level of cash balances to be held forms part of the Fund's investment strategy and the Fund carries out cash flow planning in respect of contributions, benefit payments, investment income and capital calls/distributions on an ongoing basis.

The risk that the Fund will be unable to raise cash to meet its liabilities is considered low. Due to having cashflow management procedures in place, the Fund is able to invest in illiquid asset classes and take advantage of the illiquidity premium that can be found in these investments where appropriate.

## **Valuation risk**

Valuation risk represents the risk that the value of an illiquid asset, when realised upon sale, differs from the valuation placed on it based on a valuer's opinion. The valuation of assets, and thus the management of valuation risk, is delegated to the Fund's appointed investment managers.

IFRS 13, Fair Value Measurement, seeks to increase consistency and comparability in fair value measurements through a 'fair value hierarchy', which categorises the inputs used in valuation techniques into three levels. Level 1 assets are those for which fair value can be measured via quoted prices in active markets for identical assets (such as those traded on stock exchanges). Level 2 assets require inputs other than quoted market prices falling under level 1 for fair value assessment (such as prices quoted in inactive markets, interest rates or credit spreads, for example). Level 3 assets require unobservable (non-public) inputs for fair value assessment and in practical terms, are those considered to be the most illiquid and difficult to value.

The majority of the Fund's underlying investments are in liquid quoted assets, representing minimal valuation risk (falling under level 1 and 2 of IFRS 13's fair value hierarchy). The Fund has investments in Property, Infrastructure and certain other illiquid assets that are classified as level 3 assets with a fair value of £4,082.2m as at 31 March 2022 (2021: £3,720.7m), which represents 21% of total assets (2021: 21%). The guidance of IFRS 13 includes additional disclosures for level 3 measurements that include the reconciliation of opening and closing balances and quantitative information about unobservable inputs and assumptions used. Valuation of the Fund's investments falling under the scope of this guidance is conducted by their respective appointed investment managers.

## **Market risk - currency risk**

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any financial instruments not denominated in GBP sterling, the functional currency of the Fund. The Fund holds both monetary and nons-monetary assets denominated in currencies other than GBP. The table below indicates a measure of the sensitivity of the investment assets and cash balances within each asset class to currency market movements, based on the expected 1-year standard deviations of each of the underlying foreign currency exposures within the respective asset classes.

The calculations behind these potential market movements account for the diversification effects between currencies within each holding. However, the calculations do not account for the Fund's use of foreign currency forwards and exchange traded futures contracts, which are held to hedge certain currency exposures for the purpose of risk reduction. The extent of this hedging activity is subject to change over time.

## Currency risk sensitivity analysis

Asset Type	Asset value as at 31 March 2022 £m <sup>1</sup>	Potential market movement £m <sup>2</sup>	Value on Increase £m	Value on Decrease £m
Equities <sup>3</sup>	10,679.2	715.9	11,395.1	9,963.3
Property	1,520.8	10.8	1,531.6	1,510.0
Fixed Interest <sup>4</sup>	4,469.0	100.2	4,569.2	4,368.8
Private Equity	1,439.2	76.8	1,516.0	1,362.3
Alternatives <sup>5</sup>	1,244.3	38.4	1,282.7	1,205.9
Liquid Assets	776.2	52.7	828.9	723.6
<b>Total<sup>6</sup></b>	<b>20,128.7</b>		<b>21,123.6</b>	<b>19,133.9</b>

<sup>1</sup> Sourced from the West Midlands Pension Fund's and Integrated Transport Authority's Q4 2021/2022 Net Asset Statements.

<sup>2</sup> Accounts for diversification between currencies but not currency hedging via derivatives.

<sup>3</sup> Currency exposures of the overseas equity holdings have been calculated using generic indices.

<sup>4</sup> Includes exposure to fixed interest gilts, index-linked gilts, overseas government bonds, US TIPS, corporate bonds, emerging market debt, multi-asset credit and private credit.

<sup>5</sup> Includes exposure to absolute return and infrastructure investments.

<sup>6</sup> Excludes exposure to futures and forwards.

Asset Type	Asset value as at 31 March 2021 £m	Potential market movement £m	Value on Increase £m	Value on Decrease £m
Equities*	9,828.5	686.1	10,514.6	9,142.4
Property	1,376.5	11.3	1,387.8	1,365.2
Fixed Interest**	4,006.8	90.7	4,097.5	3,916.1
Private Equity	1,315.5	72.4	1,387.9	1,243.1
Alternatives***	1,230.4	41.7	1,272.1	1,188.7
Liquid Assets	924.5	35.6	960.1	888.9
<b>Total****</b>	<b>18,682.2</b>		<b>19,620.0</b>	<b>17,744.4</b>

\* Currency exposures of the overseas equity holdings have been calculated using generic indices.

\*\* Includes exposure to fixed interest gilts, index-linked gilts, overseas government bonds, US TIPS, corporate bonds, emerging market debt, multi-asset credit and private credit.

\*\*\*Includes exposure to absolute return and infrastructure investments.

\*\*\*\*Excludes exposure to futures and forwards.

## Market risk - interest rate risk

The Fund recognises that movements in interest rates can affect both income to the Fund and the value of the Fund's assets, both of which affect the value of the assets available to pay benefits. The tables below estimate the impact of a 100 basis points (bps) interest rate movement on the value of the Fund's Fixed Income assets, using the duration of the underlying positions in each asset class which have been obtained from the fund managers, to approximate the sensitivity to interest rate movements. This analysis assumes that all other variables (such as exchange rate movements) are constant, assessing only the impact of interest rate movements in isolation.

## Interest rate risk - sensitivity analysis

Asset Type	Carrying amount as at 31 March 2022 £m	Change in year in the net assets available to pay benefits	
		+100BPS £m	-100BPS £m
Index-linked Gilts	1,034.5	(210.1)	210.1
Gilts*	206.2	(28.5)	28.5
Gilt Future	(1.3)	(11.7)	11.7
Overseas Government Bonds	99.6	(7.6)	7.6
US TIPS	328.2	(36.9)	36.9
Corporate Bonds	1,129.1	(70.8)	70.8
Emerging Market Debt	717.2	(43.4)	43.4
Multit-Asset Credit	683.3	(24.2)	24.2
Private Credit**	206.5	(0.2)	0.2
Swaps	2.6		
<b>Total</b>	<b>4,405.9</b>	<b>(433.3)</b>	<b>433.3</b>

\* The impact of a 100bps increase/decrease has been calculated using the exposure provided by the Future (£140.9m).

\*\* Excludes legacy and immaterial positions (total: £6.4m).

Note: Durations are as at 31 March 2022.

Asset Type	Carrying amount as at 31 March 2021 £m	Change in year in the net assets available to pay benefits	
		+100BPS £m	-100BPS £m
Index-linked Gilts	994.0	(214.7)	214.7
Gilts*	179.4	(21.3)	21.3
Gilt Future	(1.8)	(11.9)	11.9
Overseas Government Bonds	101.9	(8.1)	8.1
US TIPS	286.0	(33.3)	33.3
Corporate Bonds	1,179.6	(80.2)	80.2
Emerging Market Debt	750.1	(52.0)	52.0
Multit-Asset Credit	443.6	(6.5)	6.5
Private Credit**	65.8	(0.8)	0.8
<b>Total</b>	<b>3,998.6</b>	<b>(428.8)</b>	<b>428.8</b>

\* The impact of a 100bps increase/decrease has been calculated using the exposure provided by the Future (£148.3m).

\*\* Excludes legacy and immaterial positions (total: £6.3m).

Note: Durations are as at 31 March 2021.

## Market risk - other price risk

The Fund is exposed to other market risks, such as share and derivative price risks, which arises from investments held by the Fund of which the future price is uncertain. The Fund aims to reduce the exposure to this price risk by ensuring appropriate levels of diversification in its asset allocation. The asset allocation is monitored on an ongoing basis to ensure it remains in line with the limits specified in the Fund's investment strategy.

The tables below indicate a measure of sensitivity of the returns of each major asset class in which the Fund is invested, based on the 1-year standard deviation of returns within the respective asset classes, excluding the effects of interest rate risk and currency risk which are disclosed separately above. The tables also show an estimate of the impact of this potential volatility on asset values.

## Other price risk - sensitivity analysis

Asset Type	Value as at 31 March 2022 £m	Assumed 1 Year Volatility of Asset Class	Value on increase £m	Value on decrease £m
UK equities	1,337.6	19.0%	1,591.9	1,083.4
Global equities (ex UK)	9,341.5	16.2%	10,851.7	7,831.3
Property	1,520.8	11.8%	1,700.3	1,341.3
Fixed interest*	4,469.0	5.1%	4,696.9	4,241.1
Private equity	1,439.2	31.2%	1,888.3	990.0
Alternatives**	1,244.3	12.8%	1,403.7	1,084.9
<b>Total Fund *** (See note below)</b>	<b>19,352.5</b>		<b>21,752.2</b>	<b>16,952.8</b>

\*includes exposure to fixed interest gilts, index-linked gilts, overseas government bonds, US TIPS, corporate bonds, emerging market debt, multi-asset credit and private credit.

\*\*includes exposure to absolute return and infrastructure investments.

\*\*\*excludes futures, forwards, cash deposits, foreign currency holdings, broker balances and the outstanding dividend entitlement.

The total Fund volatility taking into account the expected interactions between the different asset classes shown, based on the underlying volatilities and correlations of the assets, in line with mean variance portfolio theory is 12.4%. On this basis, the total value on increase is £21,752.2 million and the total value on decrease is £16,952.8 million. Due to the approach taken to determine the total Fund volatility (in which the beneficial impact of diversification is recognised), the monetary impact on the total Fund assets is determined using the total Fund volatility, which is lower than the sum of the monetary impact for each asset class.

Asset Type	Value as at 31 March 2021 £m	Assumed 1 Year Volatility of Asset Class	Value on increase £m	Value on decrease £m
UK equities	1,167.9	18.8%	1,387.5	948.3
Global equities (ex UK)	8,660.6	16.3%	10,072.3	7,248.9
Property	1,376.5	11.8%	1,538.9	1,214.1
Fixed interest*	4,006.8	4.2%	4,175.1	3,838.5
Private equity	1,315.5	31.7%	1,732.5	898.5
Alternatives**	1,230.4	13.1%	1,391.6	1,069.2
<b>Total Fund *** (See note below)</b>	<b>17,757.7</b>		<b>20,297.9</b>	<b>15,217.5</b>

\*includes exposure to fixed interest gilts, index-linked gilts, overseas government bonds, US TIPS, corporate bonds, emerging market debt, multi-asset credit and private credit.

\*\*includes exposure to absolute return and infrastructure investments.

\*\*\*excludes futures, forwards, cash deposits, foreign currency holdings, broker balances and the outstanding dividend entitlement.

The total Fund volatility taking into account the expected interactions between the different asset classes shown, based on the underlying volatilities and correlations of the assets, in line with mean variance portfolio theory is 12.4%. On this basis, the total value on increase is £19,959.6 million and the total value on decrease is £15,555.7 million. Due to the approach taken to determine the total Fund volatility (in which the beneficial impact of diversification is recognised), the monetary impact on the total Fund assets is determined using the total Fund volatility, which is lower than the sum of the monetary impact for each asset class.

## Reputational risk

The Fund's prudent approach to the collective risks listed above and compliance with best practice in corporate governance ensures that reputational risk is kept to a minimum.

## Note P25 - Impairment for bad and doubtful debts

The following additions and write offs of pension payments were reported in this financial year, in line with the Fund's policy:

Additions analysis 2021/22		
Individual Value	Number	Total £
Less than £100	40	1,456
£100 - £500	5	937
Over £500	1	1,592
<b>TOTAL</b>	<b>46</b>	<b>3,985</b>

Write off analysis 2021/22		
Individual Value	Number	Total £
Less than £100	1	58
£100 - £500	83	14,158
Over £500	27	89,913
<b>TOTAL</b>	<b>111</b>	<b>104,129</b>



## Note P26 - Related parties

Pensions administration and certain investment functions are performed by the City of Wolverhampton Council and the costs shown in Note P13 above are recharged to the Fund. Contributions of £32.8 million were receivable from the City of Wolverhampton Council for 2021/22 (2020/21: £49.8 million) - City of Wolverhampton Council had paid its 2020/21 future service contributions in advance as part of a lump sum payment of £57.3m on 30 April 2018, a revaluation balance of £0.3m in respect of future service contributions 2020/21 was paid on 21 September 2021. Balances owed by and to the Council at the year end are shown in Notes P19, P20 and P21.

### Pensions Committee

Nine members of the Pensions Committee are also members of the Fund as set out below:

Pensioner:	Councillors: K Inston, M Jaspal, P Page, P Davis, and T Singh. Trade Union Representatives: M Clift and M Cantello
Deferred:	Councillor: S Simkins
Active:	Trade Union Representative: J Wadrup

Each member of the Pensions Committee is required to declare any interests relevant to the matters being discussed at each meeting.

There are four employing bodies of the Fund in which a member of the Committee has declared an interest for 2021/22. Contributions from each of these employers are set out below:

Contributions receivable 2020/21 £000		Contributions receivable 2021/22 £000	
345	Birmingham Museums Trust	-	-
534	Heath Park Academy - Central Learning Partnership Trust	-	-
17	Kingswood Trust	27	27
-	Sandwell Children's Trust	4,624	4,624
12,672	University of Wolverhampton	-	-
11,727	West Midlands Combined Authority	2,239	2,239
5,102	Wolverhampton Homes	4,953	4,953

### LGPS Central Limited

LGPS Central Limited has been established to manage investment assets on behalf of nine Local Government Pension Scheme (LGPS) funds across the Midlands. It is jointly owned in equal shares by the eight administering authorities participating in the LGPS Central Pool, of which City of Wolverhampton Council, as the administering authority for West Midlands Pension Fund, is one of the shareholders. Each authority has one Class A voting share in LGPS Central Limited.

The Fund has agreed a number of advisory agreements covering a range of asset classes within the fixed income portfolio and wider illiquid portfolios. LGPS Central Limited has also provided the Fund with execution only services in the management of forward currency hedging positions. The charges in respect of these services totalled £2.085m in 2021/22 (2020/21: £2.112m). The amount outstanding in respect of these services at 31 March 2022 was £0.958m (31 March 2021: £0.516m).

The Pension Fund was invoiced £2.017m in respect of Governance, Operator Running and Product Development costs by LGPS Central Limited for 2021/22 (2020/21: £2.706m). The amount outstanding in respect of these services at 31 March 2022 was £0.633m (31 March 2021: £0.643m).

LGPS Central Limited has let office space from City of Wolverhampton Council since 1 April 2018 on a sub leasing arrangement. The rental income and rates receivable by City of Wolverhampton Council from LGPS Central Limited in 2021/22 totalled £68,548.67 (2020/21: £102,595) and the reimbursement of associated utilities and maintenance charges for 2021/22 totalled £13,454.87 (2020/21: £16,078).

LGPS Central Limited is an admitted body and employs staff that are active members of the West Midlands Pension Fund. Normal contributions receivable from LGPS Central Limited for the year to 31 March 2022 were £519,800 (2020/21: £518,500).

City of Wolverhampton Council (via the Pension Fund) has invested £1.315m in LGPS Central Limited class B shares and £0.685m in class C shares in 2017/18 and these are both carried as balances in net investment assets at this yearend.

### Key management personnel

The Fund has identified the Director of Pensions, West Midlands Pension Fund and the Chief Executive, City of Wolverhampton Council as key management personnel with the authority and responsibility to control or exercise significant influence over the financial and reporting decisions of the Fund. The combined compensation for these officers attributable to West Midlands Pension Fund is shown in the table below:

2020/21 £000		2021/22 £000
143	Short-term benefits	146
30	Post-employment benefits	35
<b>173</b>		<b>181</b>

### **Note P27 - Events after the reporting date**

No post balance sheet events have occurred which impact upon the balances and transactions reported for the year.

The Fund remains alert to potential challenges from ongoing developments in relation to the Russian invasion of Ukraine. This has not impacted the underlying assumptions on which the Statement of Accounts is based nor the recognition or measurement of balances and transactions therein. No adjustments in respect of post balance sheet events have therefore been made.

The “McCloud” Court Judgement will have significant impact for all public sector pension schemes. When reforms were introduced in 2014 and 2015, protections were put in place for older scheme members. In December 2018, the Court of Appeal ruled that younger members of the Judges and Firefighters Pension schemes were discriminated against because the protections did not apply to them also. In July 2020, the Government published a consultation on draft regulations to remove this age discrimination. The consultation closed on 8 October 2020 and Government’s decision is to implement the recommendations in two phases. Phase one involves moving all remaining active members of legacy schemes (members with protection) into the new schemes on 1 April 2022 so that, going forward, all accruals will be in the new schemes (and so all active members will be treated equally). Phase two is implementation of the deferred choice underpin. That is, giving eligible members a choice between legacy scheme and new scheme benefits for service between 1 April 2015 and 31 March 2022.

<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Pensions Board</b> 19 July 2022
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<b>Report title</b>	<b>Investment Governance</b>	
<b>Originating service</b>	Pension Services	
<b>Accountable employee</b>	Shiventa Sivanesan	Assistant Director, Investment Management & Stewardship
	Tel	01902 556659
	Email	<a href="mailto:Shiventa.sivanesan@wolverhampton.gov.uk">Shiventa.sivanesan@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	<a href="mailto:Rachel.brothwood@wolverhampton.gov.uk">Rachel.brothwood@wolverhampton.gov.uk</a>

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**Recommendations for noting:**

The Pensions Board is asked to note:

1. The update on investment governance matters including those in relation to responsible investment and investment pooling.
2. The Fund's second Annual Stewardship Report submitted to the Financial Reporting Council (FRC) in April 2022 which sets out stewardship activities undertaken by the Fund and its investment partners over 2021. The report is available on the Fund's website: [West Midlands Pension Fund - Stewardship \(wmpfonline.com\)](https://www.wmpfonline.com)
3. The Fund's Voting Principles which have been finalised and published on the Fund's website: - [West Midlands Pension Fund - Voting Globally \(wmpfonline.com\)](https://www.wmpfonline.com)

## 1.0 Purpose and Background

- 1.1 This report provides an update on investment related matters and an update on responsible investment activities, together with the ongoing development of the 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. The pool plays a role in enabling and supporting the implementation of Partner Fund investment strategy.
- 1.4 Investment products and services to Partner Funds are 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 on the client deliverables of investment pooling, together with governance and oversight of pooling arrangements.

## 2.0 Investment Strategy and Implementation

- 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. Over the most recent quarter, work has been 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 of Investment Strategy and Assistant Director of Investment Management and Stewardship, continue to review strategic asset allocation, implementation and adherence to the Fund's Investment Strategy Statement (ISS), Responsible Investment Framework and Climate Framework and Strategy including development and allocation to sub-funds as these are developed by the pool and delivery against policy ambition, taking into account the strategic fit for the Fund. The Pensions Committee received an annual report from the IAP at their meeting on 29 June.

### **3.0 Responsible Investment**

- 3.1 The Fund's strategy is to engage with its investee companies and other key stakeholders through partnerships and on its own. The Fund aims to protect and increase shareholder value by engaging on a range of financially material 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).
- 3.2 The Fund's engagement activity is monitored and reported to the Pensions Committee on a quarterly basis. Engagement activity includes a number of direct company engagements on a range of themes, voting activity and working in partnership with other institutional investors to consider shareholder resolutions. Activity and progress are included in published reports from LGPS Central Limited, the Local Authority Pension Fund Forum (LAPFF) and EOS at Federated Hermes.
- 3.3 In April the Fund submitted its Annual Stewardship Report to the Financial Reporting Council (FRC) for review. The report highlights stewardship activity undertaken by the Fund and its investment providers over 2021, which has developed following feedback from the FRC on the Fund's 2020 report. LGPS Central have also submitted their Annual Stewardship Report to the FRC for review. The FRC will confirm the outcome of their review and continuation of the Fund's signatory status in October 2022. The report has been published on the Fund's website with a link provided above.
- 3.4 The Fund's Voting Principles are currently executed by EOS via a contract held by LGPS Central Ltd, the Fund's asset pool company. The Fund has recently reviewed and updated its voting principles in consultation with appointed investment managers, including LGPS Central Ltd. The updated version was finalised in April 2022 ahead of the voting season and has strengthened expectations on board composition to enhance diversity (Section 3.1); enhancement of Auditor Independence and Remuneration practices (Sections 3.2 and 3.4); and inclusion of Section 3.5 'Sustainable Business Practices' which sets out enhanced expectations of company climate-related disclosures and transition plans and encourages commitment to biodiversity protection as part of a broader climate transition effort. Several company votes were conducted following Q1 2022, the voting principles have been published on the Fund's website with a link provided above.

### **4.0 LGPS Central Investment Pool Governance**

- 4.1 As previously reported to the Board, the governance arrangements for the LGPS Central pool include a Shareholder Forum (as the group of "owner" representatives) and the Joint Committee (focused on investment matters and client-side). The Shareholder Forum meets ahead of Company meetings (General and Annual General Meeting (AGM)) held twice per year. The Shareholder Forum and Company AGM will be held in September 2022.
- 4.2 The Joint Committee for LGPS Central last met on Thursday 23 June 2022. The agenda, reports, minutes and questions are available via the Joint Committee hosting authority

website; a link is provided within the background papers below. The Committee was attended by the Chair of Pensions Committee and Trade Unison Representative Malcolm Cantello (Unison), Pensions Committee Member.

## **5.0 Financial Implications**

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

## **6.0 Legal Implications**

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

## **7.0 Equalities Implications**

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

## **8.0 All Other Implications**

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

## **9.0 Schedule of Background Papers**

9.1 LGPS Central pool Joint Committee Thursday 23 June Papers - [Meetings and Agendas | Members \(cheshirepensionfund.org\)](http://cheshirepensionfund.org)

## **10.0 Schedule of Appendices**

10.1 None.

<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Pensions Board</b> 19 July 2022	Agenda Item No: 12
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<b>Report Title</b>	<b>Pensions Administration Report to 31 March 2022</b>	
<b>Originating service</b>	Pension Services	
<b>Accountable employee</b>	Amy Regler Tel Email	Head of Operations 01902 55 5976 <a href="mailto:Amy.Regler@wolverhampton.gov.uk">Amy.Regler@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Rachel Brothwood Tel Email	Director of Pensions 01902 55 1715 <a href="mailto:Rachel.Brothwood@wolverhampton.gov.uk">Rachel.Brothwood@wolverhampton.gov.uk</a>

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**Recommendations for action:**

The Pensions Board is asked to note:

1. Performance and workloads of the key pension administration functions.
2. Development of the Fund's membership and participating employers.
3. The introduction of Stronger Nudge amendment to the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013.

## 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 January – 31 March 2022.

## 2.0 Background

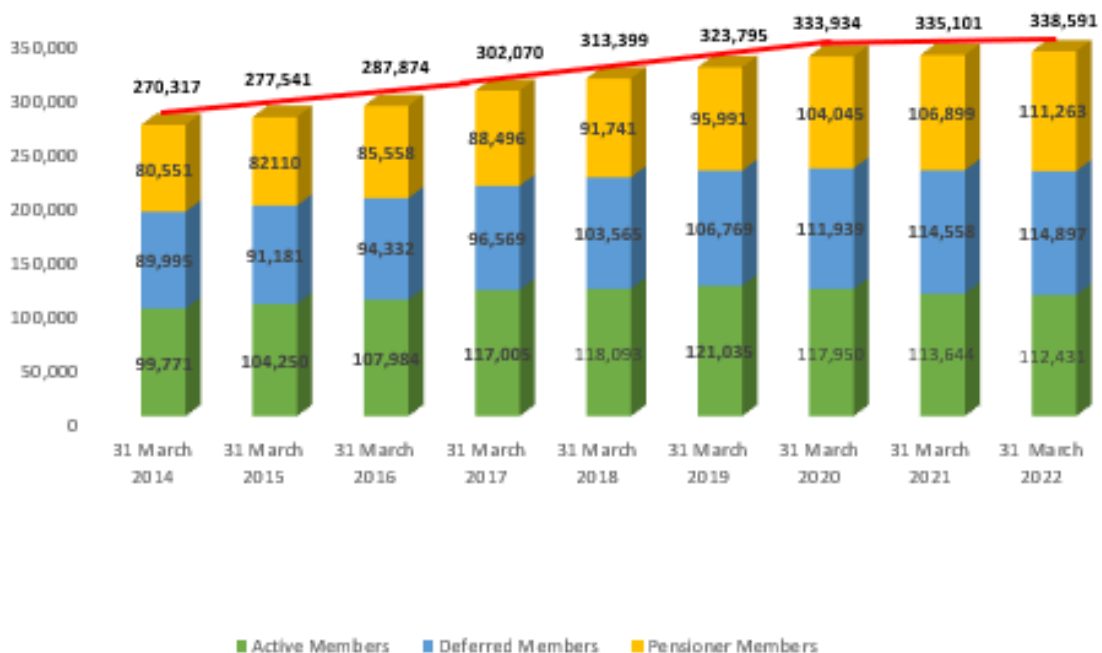
2.1 The Fund provides a pension administration service covering; employer, customer and member services; data processing; benefit operations; payroll; and systems/technical support. A report is provided to Committee and Board on a quarterly basis to assist monitoring of the activity and performance of 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 March 2022 stands at 338,591, with an overall increase since December 2021. The long-term trend over a 12 year period in membership continues to illustrate a move towards a more mature profile whereby, in general, pensioners and deferred memberships continue to rise.

	Membership as at 31 December 2021	Net Movements during the period	Membership as at 31 March 2022
Active Members	110,715	1,716	112,431
Deferred Members	113,867	1,030	114,897
Pensioner Members	110,371	892	111,263
<b>Total Members</b>	<b>334,953</b>	<b>3,638</b>	<b>338,591</b>



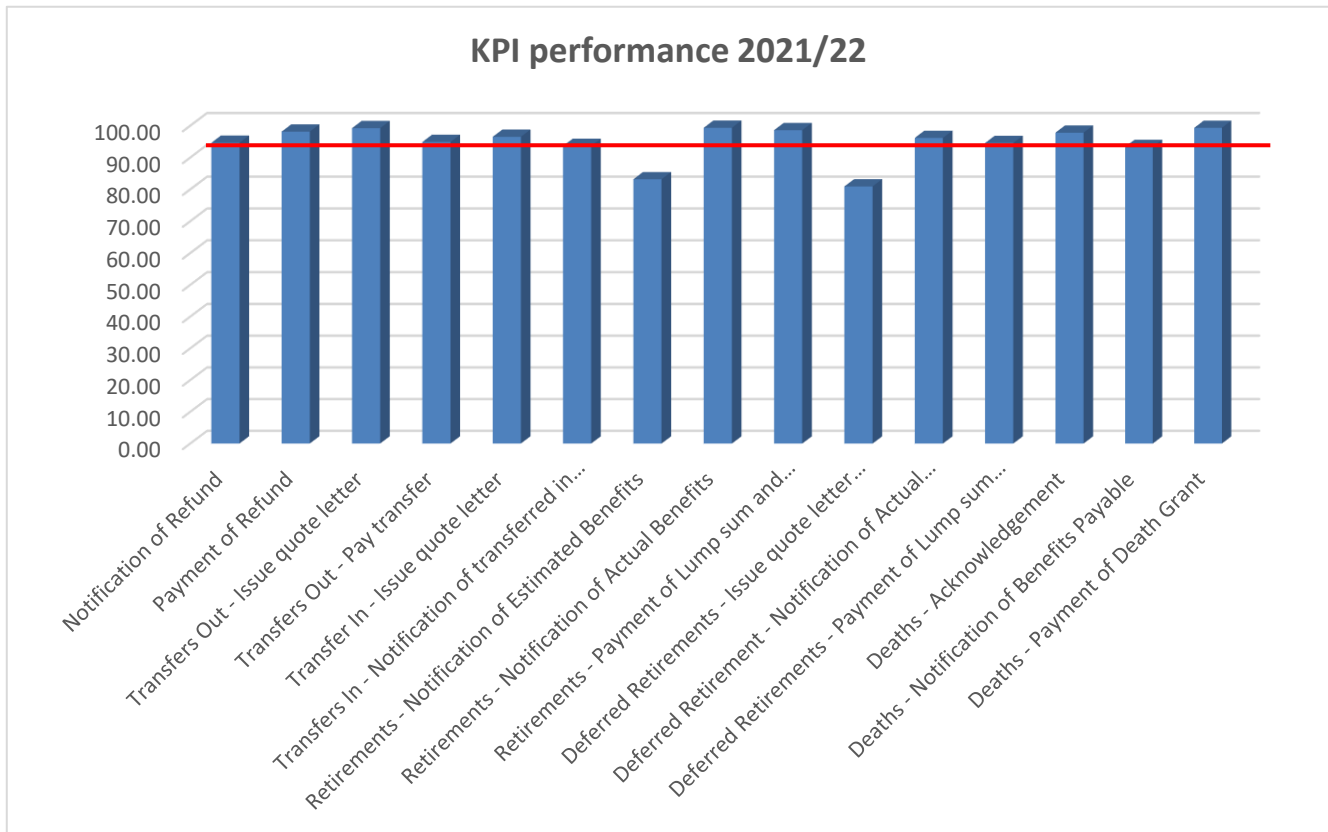


## **3.2 Workflow Statistics**

- 3.2.1 The process analysis statistics, Appendix A, show details of overall workflow within the Pensions Administration Service during the period 1 January to 31 March 2022. During the period covered by this report, 39,761 administrative processes were commenced and 38,981 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 March 2022 there were 42,729 items of work outstanding. This represents an increase of 1,070 items outstanding compared to 31 December 2021 (41,659). However for the 2021/22 period, the Fund has seen an overall decrease in outstanding casework of 3,901 items, 8%.
- 3.2.3 Of the 42,729 items of work outstanding 5,316 items were pending as a result of information awaited from a third party e.g. scheme members, employers or transferring authorities and 37,413 processes are now either proceeding to the next stage of the process or through to final completion.
- 3.2.4 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.
- 3.2.5 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 one not achieving target in the quarter to 31 March 2022, as follows:
- Deferred Retirement Quote
    - The KPI was impacted by increased volumes of casework for retirements during the period. The team completed 63% more casework than the same period in 2021.
- 4.3 For 2021/22, all KPI's cumulatively achieved the target, except for two:
- Retirements – Notification of Estimated Benefits
    - Active – fell slightly short of the target at 83%. Although the target was not achieved, 21% more cases were processed and the performance for the year is in line with 2020/21,
    - Deferred – fell slightly short of the target at 78%, although the target was not achieved, on average cases were processed within 31 days, against the target of 30.



4.4 Further information on achievement of target KPIs by process by month over the reporting period and Scheme year 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
- Enquiries about accessing pension benefits
- Request for support with a Fund letter/form
- Members updating their personal details

5.3 Calls and written responses remained stable during the quarter, enabling the allocation of time for staff training. The Fund has continued to stagger mailings sent to members and pensioner newsletters being sent within this period, to help smooth the impact on the contact centre and reduce call queues/written response times, allowing us to better serve our customers and reduce the number of chaser requests received.

## **6.0 Complaints**

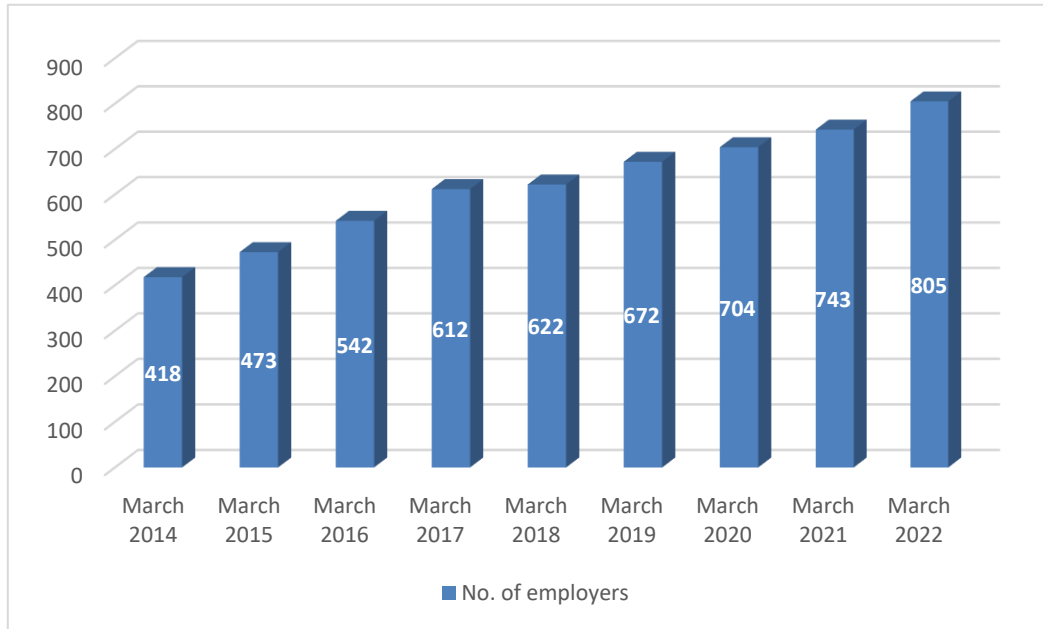
- 6.1 The Fund has a complaint monitoring framework, which enables regular monitoring and review of trends impacting performance. Where a complaint highlights an improvement area, this is investigated and monitored to help shape future services and improve overall customer satisfaction going forward. 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 103 complaints received for the last quarter. Of those complaints, 40% were upheld and lessons learned incorporated in training and process development.
- 6.3 Complaint numbers remained higher than average during January – March 2022, 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 (PASA) 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**

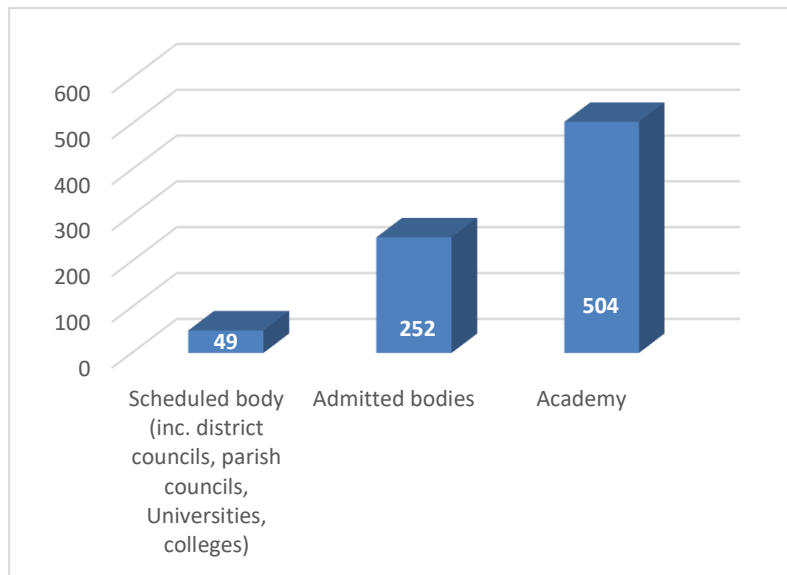
- 7.1 During 2020/21, nine Stage 1 cases were completed (1 partially upheld and 8 not upheld) and five Stage 2 cases were completed (all 5 cases were not upheld).
- 7.2 During 2021/22, eighteen Stage 1 cases were completed (1 was upheld, 4 were partially upheld, and 13 were not upheld). Seven Stage 2 cases were completed (1 was upheld and 6 were not upheld). The increase in casework for 2021/22 is mainly due to the GMP reconciliation exercise which was completed in the year, with 6 IDRP cases relating to this statutory process.
- 7.3 Year to date for 2022/2023, two cases have been referred to Stage 2 of the procedure on appeal against the Fund and are currently under investigation.

## 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 805 at 31 March 2022. This is an increase of 0.6% from the previous period and a 93% 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: -

- 56 admission agreements
- 8 academies
- 45 employer terminations

## 9.0 Pensions in Payment

9.1 The gross annual value of pensions in payment to March 2022 was £559.58m, £14.7m of which (£7.5m for pensions increase and £7.2m 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 (£)
January 2022	90,390	41,105,768
February 2022	90,569	41,188,245
March 2022	106,693	42,702,376

The March figure includes pensioners paid on a quarterly basis.

## 10.0 Transfer Out – all casework

10.1 In total 251 individual transfer payments were made during the period 1 January 2022 to 31 March 2022, resulting in a total amount transferred of £8,761,776. This is broken down into the following categories:

Type of Transfer	Number of Transfer Payments	Value of Transfer Payments (£)
Non LGPS	53	£2,067,924
Interfund (LGPS fund)	184	£6,480,189
Additional Voluntary Contributions	14	£213,663

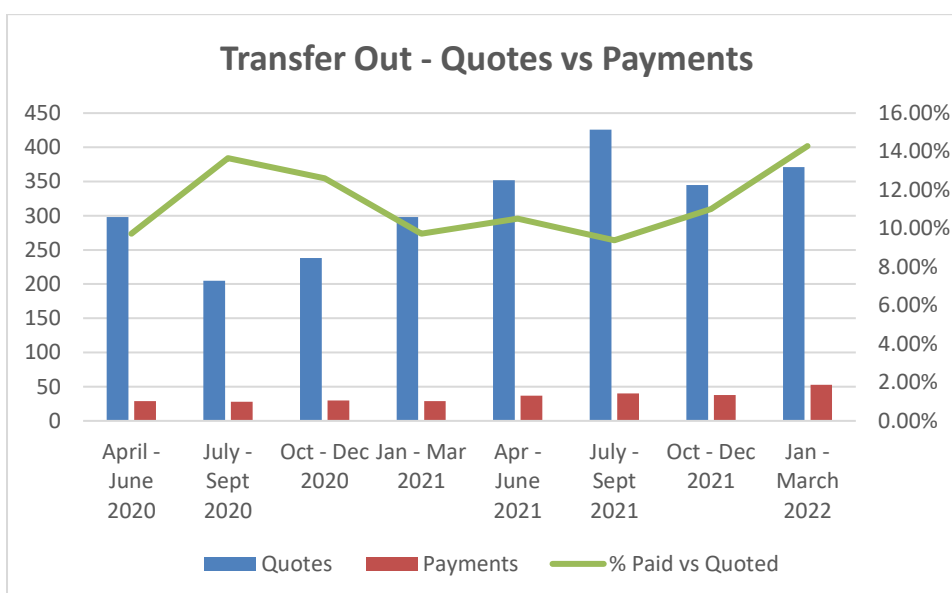
## 10.2 Non LGPS Transfers

10.2.1 During the period 1 January to 31 March 2022, 371 transfer value quotations were issued to members considering transferring their benefits out of the Scheme (in the prior year 1 January 2021 to 31 March 2021, 256 transfer values were issued to members). 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.

10.2.2 In total, 53 transfer payments were made during the period 1 January to 31 March 2022, (38 of these were to non-public sector schemes) resulting in a total amount transferred of £2.1 million (in the prior year 1 January 2021 to 31 March 2021 a total of 40 transfer payments were made totalling £1.5 million). The payments by value and volume break down are as follows:

Value of Transfer Payments	Number of Transfer Payments
0 to £30,000	38
£30,001 to £100,000	5
£100,001 to £200,000	9
£200,001 to £300,000	1
£300,001 to £400,000	0
£400,001 to £500,000	0
Above £500,001	0
<b>Total</b>	<b>53</b>

10.2.3 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, however has seen a slight increase during the period (c14% of the quotations requested for the period). This is shown in the graph below:



10.2.4 Analysis has been undertaken of the Transfer Out payments to non-public sector or occupational schemes over the period of January through to March 2022 to review the volume and trends. During the period, of the 53 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 51 years, with the main reason for members transferring out was to consolidate their benefits into one provider.

## 11.0 'Stronger Nudges' Guidance

11.1 From 1 June 2022, the Government introduced legislation to ensure that individuals are made aware of Pension Wise (the free and impartial government guidance service) as part of the application process for taking or transferring their defined contribution (DC) pension savings, including those held in additional voluntary contribution (AVC) funds accessed through the LGPS.

- 11.2 The stronger nudge requirement is introduced by the Occupational and Personal Pension Schemes (Disclosure of Information) (Requirements to Refer Members to Guidance etc) (Amendment) Regulations 2022 (SI 2022/30). The new provisions are designed to help ensure people make informed decisions about accessing their pension savings. Referrals to Pension Wise aim to help protect consumers and encourage use of the free, impartial guidance that is available to help them make informed decisions about the options available to them. This is only applicable to LGPS members who have additional voluntary contributions (AVCs) benefits.
- 11.3 Pension Wise is a government service from MoneyHelper that offers free, impartial pensions guidance about DC pension options. LGPS administering authorities are required to offer to book a Pension Wise appointment for members as part of the application process for accessing their in-house AVCs. The requirement also applies when a member aged 50 or over makes contact about transferring their in-house AVCs to another defined contribution scheme to access them. Members are able to opt out of taking Pension Wise guidance but the Fund must not proceed with a retirement or transfer application unless confirmation has been received that the member has received guidance or opted out of receiving guidance.
- 11.4 On 27 May 2022, the Fund received guidance from the Local Government Association (LGA), which set out the impact on the LGPS and standard wording to be included in the Fund's communications with members. The Fund has reviewed this guidance and has taken the necessary steps to ensure processes are compliant from June 2022.

## **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 All Other Implications**

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

**16.0 Schedule of Background Papers**

16.1 None.

**17.0 Schedule of Appendices**

17.1 Appendix A: Workflow Summary

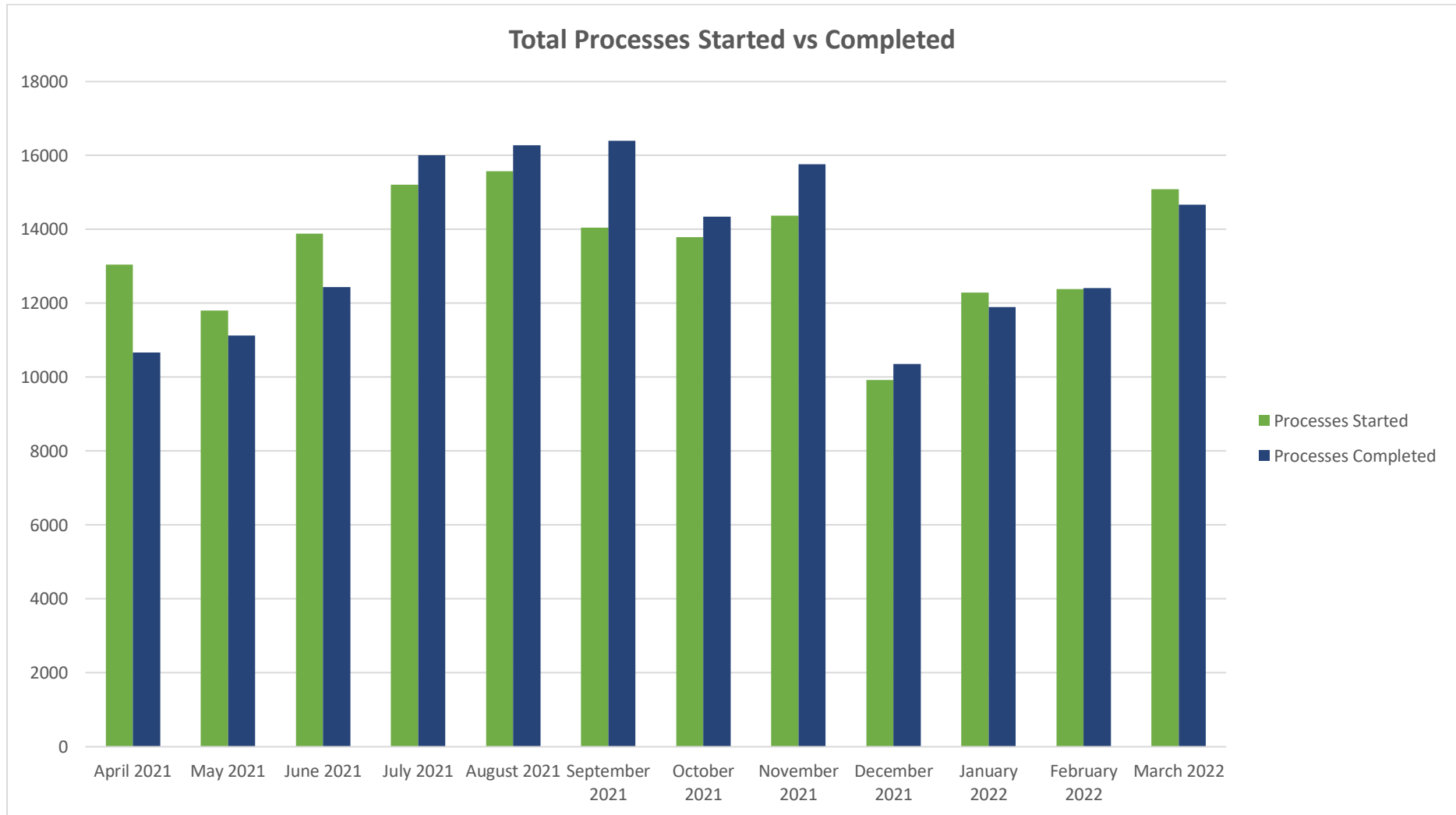
17.2 Appendix B: Detailed Process Analysis

17.3 Appendix C: Key Performance Indicators (KPIs)

17.4 Appendix D: Customer Service Statistics



Appendix A



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**Pension Committee Statistical Report  
Detailed Process Analysis**

2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	April	May	June	July	August	September	October	November	December	January	February	March	YTD
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**Active & Deferred members**

Process type																								
Joiners and Rejoiners (Bulk)	8,763	6,403	11,138	13,558	9,816	16,688	20,227	17755	25509	19939	17479	991	466	695	1146	879	1438	463	1126	2343	1467	2883	2636	16533
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	334	301	361	4542
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	984	853	1121	10950
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	186	188	238	2198
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	448	482	462	5507
Deaths of members	295	262	287	285	230	379	399	470	429	441	570	38	41	40	34	30	33	30	30	27	39	34	76	452
Refund									6877	4499	325	328	391	401	507	547	454	520	315	389	382	477	5036	
Opt Outs									3585	1228	97	93	92	126	240	95	87	126	58	24	70	120	1228	
Amalgamations									11628	8841	545	403	359	556	464	828	490	802	888	798	902	1063	8098	

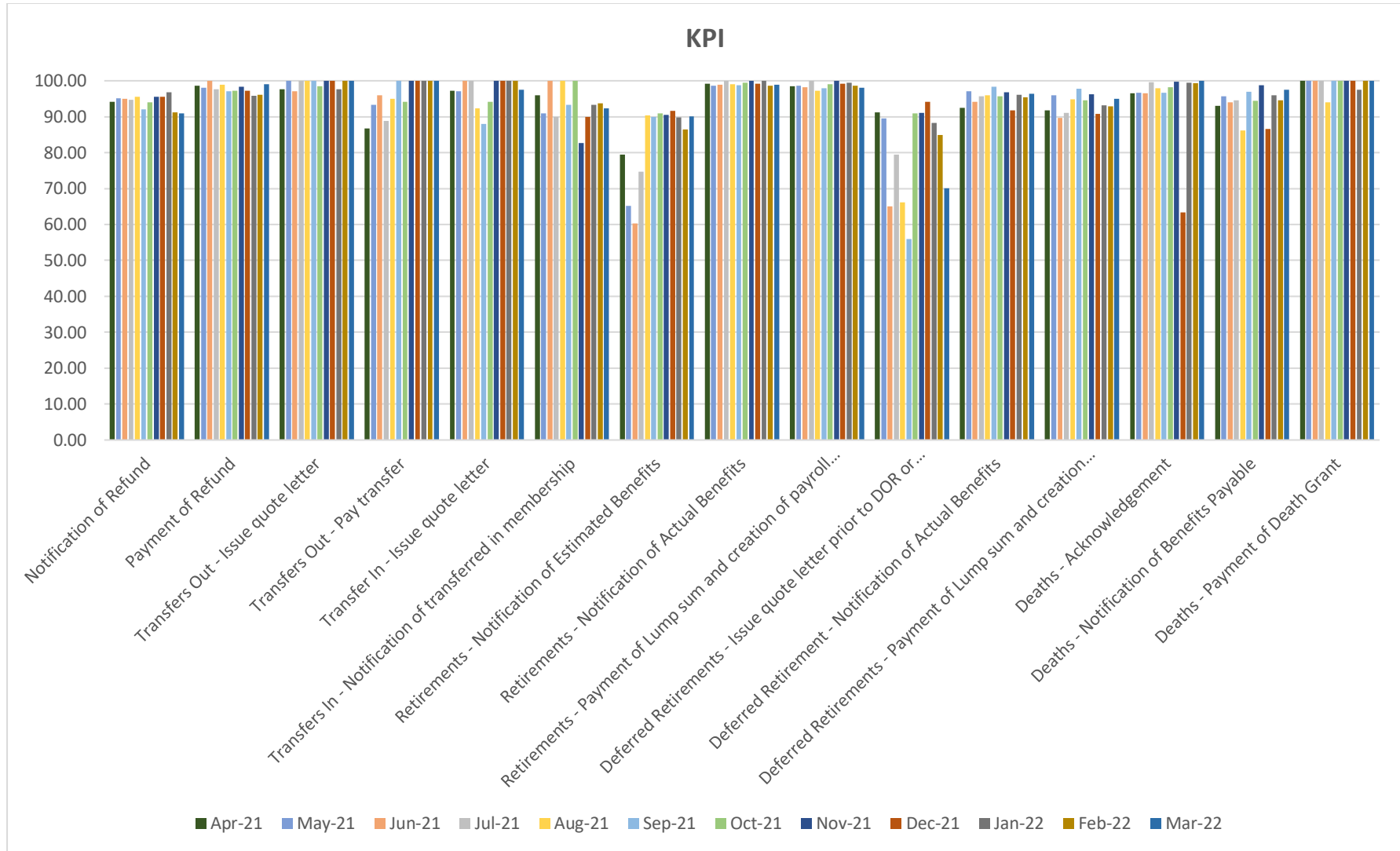
**Pensioner members**

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	174	165	216	2457
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	211	182	202	2886
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	98	140	193	2057
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	369	293	297	3226

Payroll																								
Actual number paid	792,724	837,189	870,804	895,018	913,864	888,954	915,275	945,196	979,819		86,596	86,460	95,847	86,791	86,960	96,665	89,730	90,069	98,653	90,390	90,569	106,693	1,105,423	

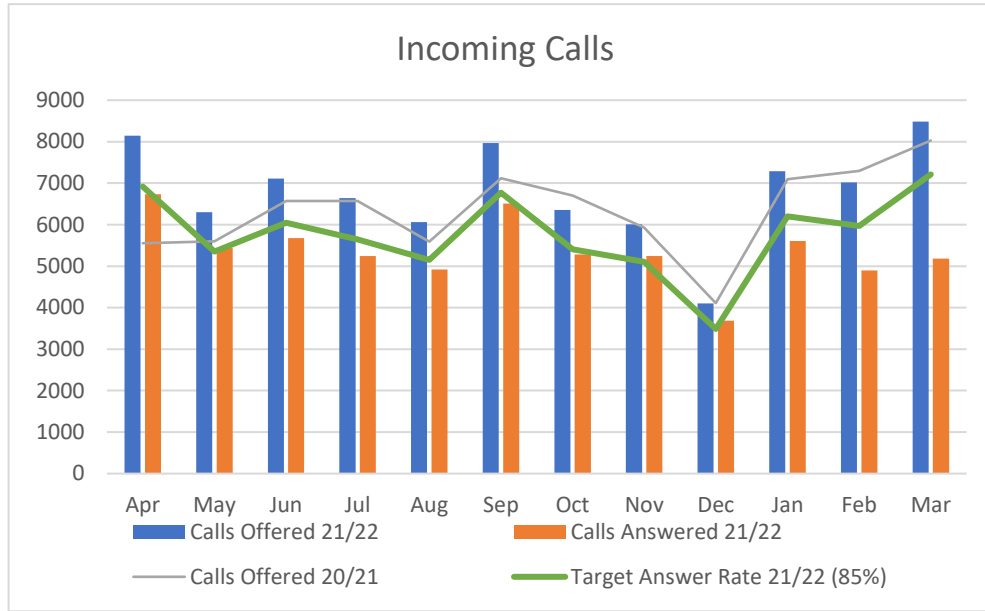
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Appendix C



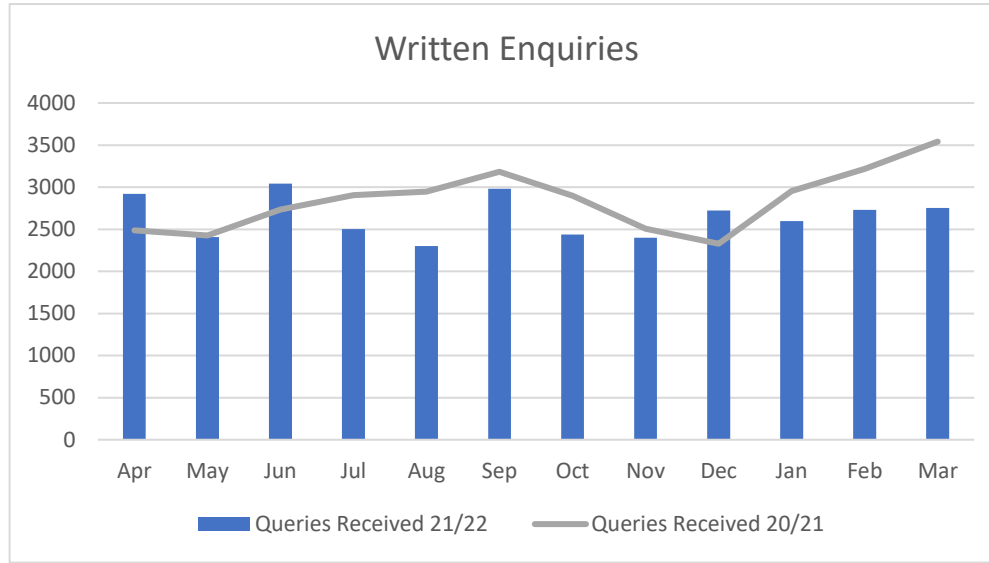
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**Appendix D: Customer Services Statistics**  
April 21 - March 2022



	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>
Calls Offered 21/22	8142	6299	7114	6643	6063	7968	6355	6009	4102	7291	7021	8483
Calls Answered 21/22	6733	5437	5675	5247	4919	6505	5281	5242	3686	5609	4896	5183
Calls Offered 20/21	5552	5601	6572	6574	5587	7121	6705	5930	4109	7094	7293	8027
Answer Rate (Target 85%)	82.69%	86.32%	79.77%	78.99%	81.13%	81.64%	83.10%	87.24%	89.86%	76.93%	69.73%	61.10%
Percentage increase	46.65%	12.46%	8.25%	1.05%	8.52%	11.89%	-5.22%	1.33%	-0.17%	2.78%	-3.73%	5.68%

### Appendix D: Customer Services Statistics



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Queries Received 21/22	2921	2406	3043	2502	2299	2980	2437	2400	2722	2597	2731	2754
Queries Received 20/21	2485	2427	2734	2904	2945	3181	2897	2507	2328	2953	3217	3541
Percentage increase	17.55%	-0.87%	11.30%	-13.84%	-21.94%	-6.32%	-15.88%	-4.27%	16.92%	-12.06%	-15.11%	-22.23%



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

### Recommendations for action:

The Pensions Board is asked to note:

1. The engagement activity and informed service development.
2. The update on 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 January 2022 to 31 March 2022 and to cover future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy.
- 1.2 To also cover more specific elements of employer and member engagement including the Customer Engagement Plan (Appendix A).

## 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 hybrid channels including member webinars, face to face presentation and followed up with individual consultations as required. During this reporting period **1,317** members attended our presentations, webinars and workshops (24% increase compared to previous reporting period). These were followed by **132** individual member consultations. Our events are delivered at various times throughout the day to accommodate attendance around member work commitments. This delivery and the associated feedback are summarised in Appendix B.
- 3.2 During this reporting period, the Member Services Team provided **13** satellite support events to **139** hard to reach members. These are 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 **4,245** bringing the total pension portal registrations to **118,950** at the end of March 2022.
- 3.4 The Fund continues to promote aspects of our work via the social media platform LinkedIn. Since the last reporting period a further **5,089** people have interacted with our variety of articles from sharing shortlisting for award success to advertising our Pension Roadshow events.
- 3.5 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.

- 3.6 The West Midland Pension Fund roadshow bus has facilitated **8** roadshows at Depot locations across the West Midlands region. This will be the first time the roadshow vehicle has been out since the start of the pandemic in 2020, and we are pleased to report that **207** members came on board the roadshow bus to receive pension support.
- 3.7 During this reporting period the Fund's member video suite (providing on-demand support and guidance to members) is currently being updated and modernised with a new easier to watch style, commencing with a video to explain to pensioner members how pensions increase works and how it is applied to their benefits.
- 3.8 The Fund produced its annual newsletter for our pensioner members which was sent in print to over **110,000** members along with their annual P60s. To complement the newsletter, a bulk email was sent to **47,711** of our pensioner members for whom we hold valid email addresses, **75.4%** of these members read the bulk email and used the signposting that it provided. The newsletter contained important updates for members including the opportunity for them be part of a new active engagement forum.
- 3.9 "Planning Your Retirement" workshops are still proving to be popular with members who are over the age of 55. In this quarter the Member Services Team delivered **19** workshops to active members which helped **373** members with their retirement planning. Due to the success and demand of these workshops we are currently designing workshops for deferred members which we hope to pilot later in the year.
- 3.10 Member information leaflets and videos have been updated and are now being uploaded to the Fund's website. There have been **391,000** web page views in this quarter.
- 3.11 Our reception and on-site event service re-opened in April 2022, following our re-location to i9. To support with this, a new visitor management system has launched, allowing us to track and monitor visitor analytics.
- 3.12 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 several telephone logs to increase the information available to the Customer Services Team during calls
  - Making improvements to the beneficiary payment letters
  - Enhancing the training available for Customer Service Staff through revised development plans

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 83%.

## **4.0 Employer Engagement**

### **4.1 Employer Peer Group**

- 4.1.1 Invites have now been issued to all employer contacts inviting them to sign up to the 2022/23 Employer Peer Group cycle.
- 4.1.2 So far expressions of interest have been received by 18 individuals representing a varied cross section of the employer base, including district councils, universities and their subsidiaries, colleges, multi academy trusts, and admitted bodies.
- 4.1.3 The new cycle commenced in June with the first meeting being delivered virtually following preference feedback received from attendees with future sessions to be delivered in a hybrid format including face to face and virtual attendees.
- 4.1.4 The agenda for the first meeting included an update on the change in pension administration system and how the Fund will be working with employers to manage the change-over planned for April 2023, discussions about the 2022 Actuarial Valuation and a discussion with the Member Services team regarding the future expectations for delivery of member support.

### **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 5 virtual sessions delivered to 17 attendees representing 6 organisations. 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.
- Local Government Pensions Scheme (LGPS) Basics
  - All about Ill Health Retirements
  - Estimates for Early Retirement Costs
  - Submission of Your Monthly Data File
  - Understanding Pay and Service in the LGPS
- 4.2.3 A full list of available webinars and details of contents can be found on the Fund's website: [West Midlands Pension Fund - Webinars \(wmpfonline.com\)](https://www.wmpfonline.com)

### **4.3 Employer Performance**

- 4.3.1 Utilising the virtual working arrangements that have been 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 **21** feedback and performance meetings with a number of major and smaller employers and also with 2 third-party payroll providers. Collectively these employers and payroll service providers are responsible for submitting the data to the Fund for almost **300** organisations servicing over **70,000** active members (equal to over 60% of the Fund's total active membership).

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

#### **4.4 McCloud: Employer Support**

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

4.4.2 In addition to the vast amount of comprehensive online McCloud support tools (including a Frequently Asked Questions (FAQ) document, sample files, checklists, a file checker, reports, and other resources) that have been produced by the Fund to help employers, the Employer Services team continues to offer dedicated support to employers to assist with their compliance to the McCloud data requirements.

4.4.3 During the period **17** meetings were held (virtually and face to face) with **11** employers to provide support and guidance with the submission of data. To date over **520**, almost **70%**, of eligible employers have submitted the data required to 2021.

4.4.4 Further analysis is being undertaken on those employers who have consistently remained unresponsive to the Funds offers of support and who are currently deemed non compliant with the Fund's requirements for McCloud. A letter will be issued to such organisations aligned to the Fund's escalation policy clearly setting out the implications of non-compliance, with particular reference to the potential impact on member benefits.

#### **4.5 2022 Actuarial Valuation: Employer Support**

4.5.1 Ahead of the 2022 Actuarial Valuation Cycle commencing from 1st April 2022, employer support planning began during the period. Several support tools and engagement sessions have been incorporated into the project's communication plan and further detail is provided in the Actuarial Valuation Update report.

4.5.2 Linked to the 2022 valuation process, all employers have now received their annual Employer Health Check. This annual check provides an opportunity for employers to review the following items of key data held by the Fund:

- **Active membership profile** – employers are asked to check that all members in employment are listed and that any leavers are submitted to the Fund to ensure the accuracy of active member records ahead of the triennial review,
- **Employer contacts** – in order that the Fund can effectively communicate with employers it is vital that current and accurate contact information is maintained,
- **Employer hub access** – a vital check that the correct individuals have access to the member data viewable through the online self-serve hub

4.5.3 This year's check is entirely self-serve with employers able to access all of the above information via downloadable reports on the Employer Hub before completing a short survey. Feedback on response rates and resultant actions will be provided in future reports.

4.5.4 Also aligned to the Fund's valuation cycle, employers have received information and a questionnaire to support the Fund's covenant review. Completion of the survey is required by the Fund to assess an organisation's current position as part of its ongoing covenant monitoring programme and, over 2022/23, to consider contribution requirement stemming from the Actuarial Valuation.

## **5.0 Bi-annual Employer Events**

5.1 During this reporting period, the Fund did plan on delivering a face-to-face Annual General Meeting (AGM). However, due to changing government guidelines and challenges in facilitating and attending large group meetings at this time this was replaced with an e-mailed e-book, providing our employers with an "Employer Update" on developing member engagement, topical regulatory matters and the Fund office relocation through a series of short articles and videos.

5.2 The Fund's Mid-Year-Review took place on 12 July 2022, a brief verbal update on the event will be provided at the Board meeting.

## **6.0 Future Engagement**

6.1 As part of the Fund's hard to reach project to target members who may not normally be able to access our services due to the nature of their work and location, from March to June 2022 the Member Services team have focused on targeting members who work in green space areas including park offices across the region.

6.2 Following the Fund's move to new offices from April 2022, bulk emails, updates in newsletters, articles in benefit statements and information have been placed on the website to inform our members of our new location and how accessible we now are to local transport links.

6.3 Progress is underway to issue members with their deferred benefits statement 2022. This year not only will we be advising members via email that their statement is online, but we will also be trialling a text message service, where members for whom we hold a valid mobile number will also now receive a SMS notification.

- 6.4 In May 2022 the Fund undertook a verification exercise of its overseas deferred Scheme members to ensure accurate and up to date details are held on our systems.
- 6.5 In April 2022, in-line with the Customer Engagement Plan we delivered **10** deferred LGPS webinars to **324** attendees to ensure that our services are accessible to members who have previously left the Scheme and have the opportunity for support and guidance with planning their retirement.
- 6.6 The Fund delivered our first **2** “induction” webinars in May to **128** attendees. Due to the success of this piece of engagement, plans will be made to repeat this process on a quarterly basis to ensure all future new joiners of the scheme receive an email to give them the opportunity to attend an induction webinar.

## **7.0 Engagement with The Prudential**

- 7.1 Further to concerns in relation to Prudential’s operational challenges and associated customer service, heightened escalation and engagement has continued with Prudential. The aim was to resolve all outstanding member issues and seek clarification and commitment on adhering to service level agreements. The Fund also raised concerns surrounding significant delays in issuing members with annual benefit statements for 2021 and to seek assurance for timelines for 2022. The Fund has shared experiences with the Local Government Association (LGA) and Scheme Advisory Board (SAB) to enable and inform their engagement with Prudential at a national level.
- 7.2 The LGPS SAB met with Prudential in January with regards to the operational difficulties being faced by administering authorities and it was agreed that the Prudential would provide a communication to explain the background to the various issues, the steps that have and are being taken to remedy the situation and expected timescales before normal service is resumed. Appendix C provides a copy of this letter and we continue to monitor member experience and escalate individual cases as required to mitigate the impact on Fund members.

## **8.0 Financial Implications**

- 8.1 There are no financial implications associated with this report.

## **9.0 Legal Implications**

- 9.1 There are no legal implications associated with this report.

## **10.0 Equalities Implications**

- 10.1 The report contains no direct equalities implications.

## **11.0 Other Potential Implications**

- 11.1 There are no other potential implications.

**12.0 Schedule of Background Papers**

12.1 None

**13.0 Schedule of Appendices**

13.1 Appendix A – Customer Engagement Plan

13.2 Appendix B – Review of Member Events

13.4 Appendix C – Letter from Prudential to LGPS SAB





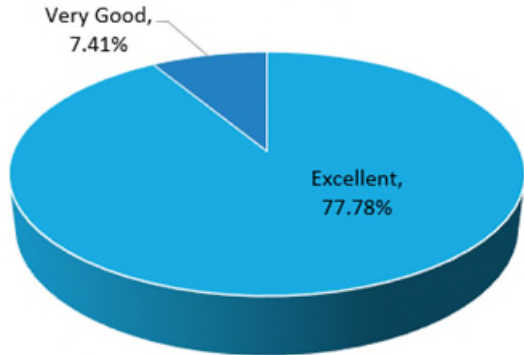
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# Member Services individual consultation Feedback

## January – March 2022

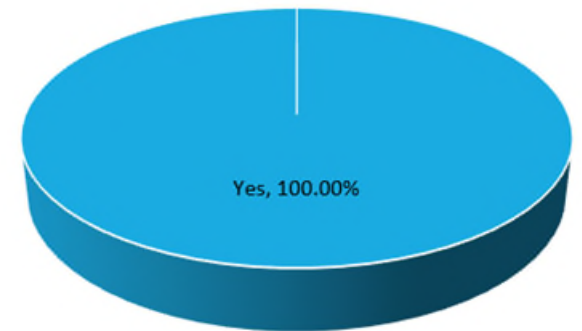
**Overall, how would you rate the personal consultation (was it easy to follow and understand)?**



**How would you rate the officers general knowledge and skills?**

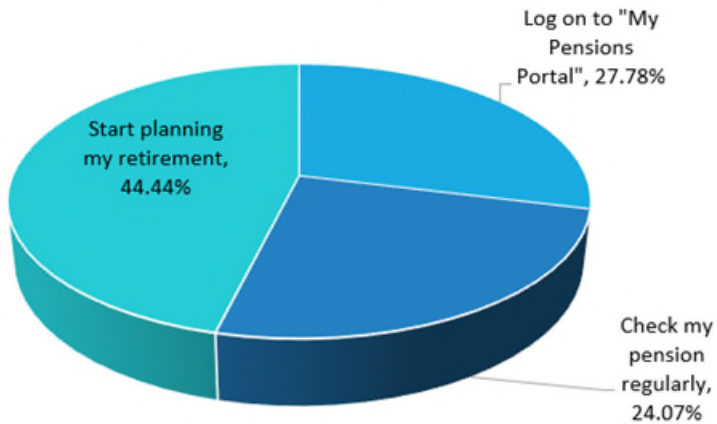


**Would you recommend a colleague to attend this type of event?**

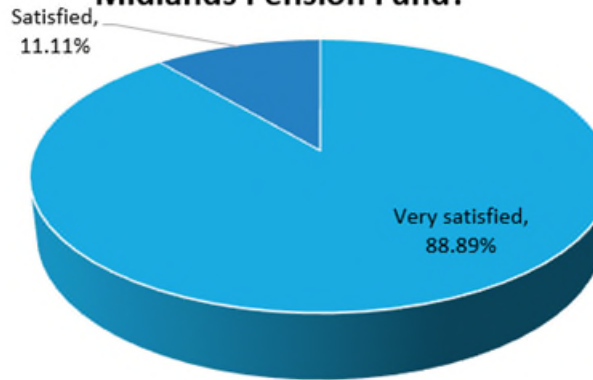


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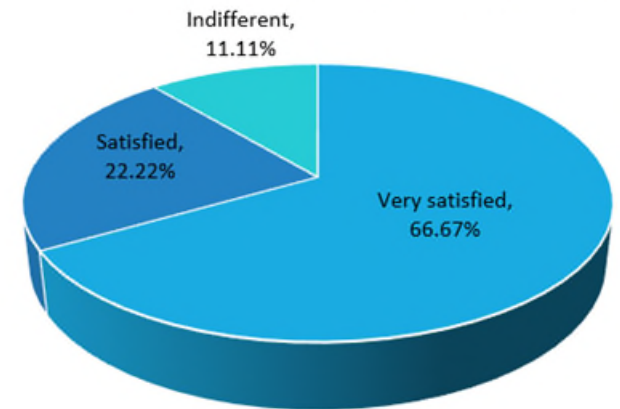
**What are you going to do following this personal consultation?**



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



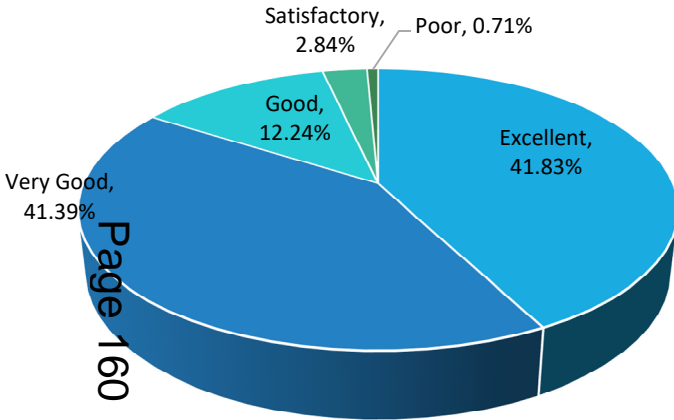
**How satisfied are you with your most recent interaction with the WMPF?**



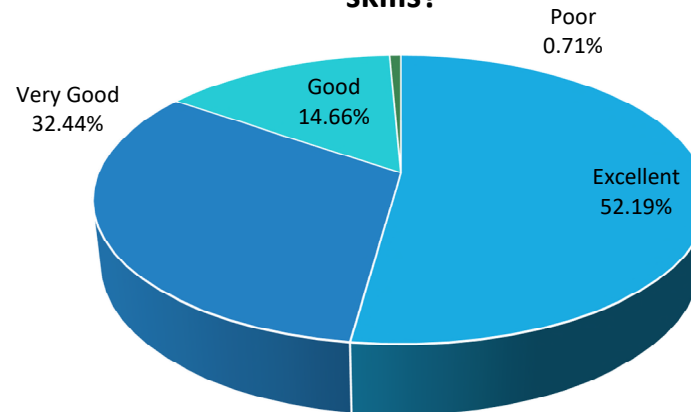
# Member Services Webinar Feedback

## January – March 2022

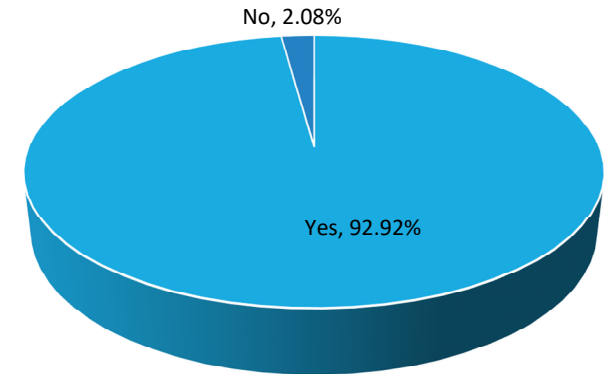
**Overall, how would you rate the webinar (was it easy to follow and understand)?**



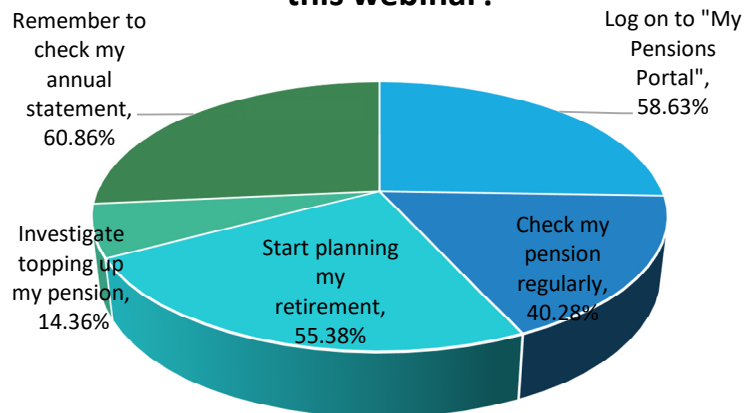
**How would you rate the presenters general knowledge and presentation skills?**



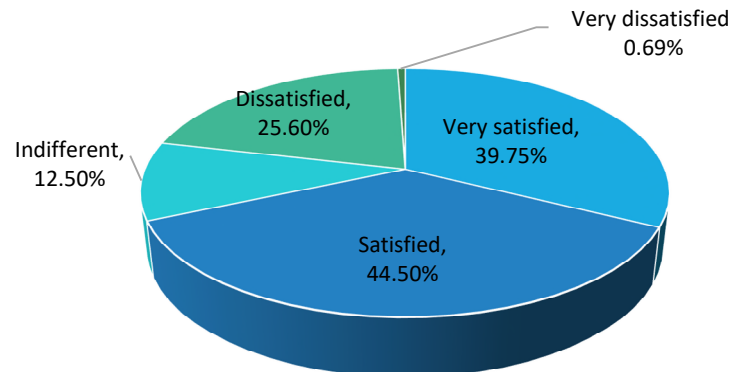
**Would you recommend a colleague to attend this type of event?**



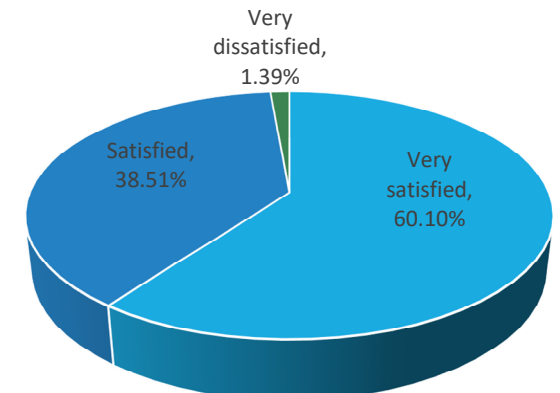
**What are you going to do following this webinar?**



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



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



Jo Donnelly  
Head of Pensions  
Local Government Association  
18 Smith Square  
Westminster  
London  
SW1P 3HZ

29<sup>th</sup> April 2022

Dear Jo

## **M&G plc administration delays for Local Government AVCs**

Further to our meetings and discussions in relation to administration performance for Local Government AVC schemes, I have provided some explanations below on this specific areas we have discussed.

### **Acknowledgement of delays**

In reference to our recent conversations and feedback received from you, M&G acknowledge that the service provided to Local Government AVC pension schemes and members has not been meeting expectations and requirements. M&G apologises that the service has not been what members would expect and is committed to the improvement of service to Administering Authorities, employers and scheme members.

### **Description of problems**

In late 2020 M&G migrated to an established administration platform. The platform is designed to offer M&G corporate pension customers and members greater digital capability and online access to their policies.

The approach to processing of contributions paid by employers was enhanced to introduce more controls. Historically, M&G have provided manual assistance to ensure contribution listings and payments were processed quickly (for instance where the payment and contribution listing amounts did not agree).

The enhanced system controls require the contribution listings and payments to agree. As this was not always the case, there were delays in the processing of contributions while discrepancies were addressed.

Contributions are a key dependency for all other administration processes. As a result of the processing delays, there was a collateral effect on the rest of the service that was initially experienced through increased call waiting times and delays in the processing of quotes and claims.

At the same time, as a result of the pandemic, there were restrictions in place that required colleagues to work from home. This had the effect of reducing operational efficiency which would not have been the case if colleagues had been co-located.

## **Actions taken to improve service**

As the administration delays and extended call waiting times became apparent, M&G have been operating a Service Recovery Operation. This has facilitated:

- Recruitment of additional staff into the administration and voice functions
- Dedicated staff working with employer payroll teams to resolve file disparities
- Provision of an escalation route for urgent claims and complaints
- A fast-track complaint resolution process
- Upskilling completed in Annuities and Pensions servicing
- Embedding of improved training processes
- Enhanced contingency plans being put in place from both a people and system perspective

Where there have been delays in the processing of benefits and contributions, M&G have ensured that no member has suffered financial detriment as a result of a delay caused by M&G. M&G assess each case on its own merit paying the member compensation, where appropriate.

## **Expected timescales for resumption of normal service**

### Call waiting times

- Staffing in our Voice teams was increased by c.50% since the deterioration in performance and the impacts of both Covid and system migration. Continued recruitment and upskilling continues on a monthly basis to deliver both further and future improvements in performance
- Telephone call abandonment rates and call wait times improved significantly through the second half of 2021 and early 2022. Unfortunately, more recently, the abandonment rate and call waiting times have increased. A recovery plan has been put in place to improve performance.

M&G aim to have abandonment rate of less than 5% with a call wait time of less than 2 minutes.

### Customer Journeys (including Bereavements, Claims, New Business, Servicing)

M&G is now processing the large majority of core transactions (e.g. retirement claims, transfers, bereavements, contribution changes, fund switches and new member applications) within normal service levels.



Performance is measured on an end to end journey basis. This means that all activities are joined together and the customer journey time is calculated from the first point of contact to the point of closure where no other activity is required to deliver the customer outcome.

The target is for more than 95% of work to be completed within a set number of days depending on the specific work required. For example we aim to have all claims and bereavements processed within 5 working days of receiving all of the relevant documentation.

For the quarter to December 2021, for Local Government AVCs in England and Wales, 90.2% of work was completed within this target. M&G continue to focus on improving performance to this target.

### Annual Benefit Statements and Scheme Revisions

As a consequence of the servicing delays outlined above, the production of the 2020 / 2021 annual scheme revision information and Annual Benefit Statements has been delayed. The majority of schemes received their annual benefit statements within the regulatory deadline. M&G is in contact with any schemes where information is yet to be issued. Detailed planning for the distribution of 2021/22 year scheme revision information and Annual Benefit Statements is underway and expected turnaround times will be confirmed to individual Administering Authorities.

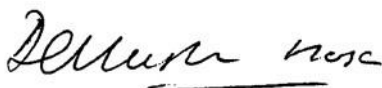
Scheme members can check the value of their AVC account through the online service. Members can login or register for the service at [www.pru.co.uk/login](http://www.pru.co.uk/login)

Existing AVC members can access additional support for any general enquiries through the AVC support team which is available Monday – Friday 8.30 - 6pm on 0800 6000 343. Secure messages can also be sent once you have registered for M&G online service.

### **The Pensions Regulator**

M&G have continued to inform The Pensions Regulator about service performance and delays.

Yours sincerely



Alastair Hogg  
**Head of Corporate Pensions**

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