CITY OF WOLVERHAMPTON COUNCIL

Pensions Board

25 April 2023

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

Venue West Midlands Pension Fund, i9 Offices, Wolverhampton Interchange, Railway Drive, Wolverhampton, WV1 1LD

Membership

Employer Representatives
Paul Johnson (Chair)
Joe McCormick
Ian Martin
Mark Smith
Jacqueline Carman
Cllr Sandra Samuels OBE

Member Representatives
Julian Allam (Vice-Chair) (Unite)
Sharon Champion (Unison)
Stan Ruddock (Unite)
Adrian Turner (Unison)
Terry Dingley (GMB)
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

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Agenda

Part 1 – items open to the press and public

Item No. *Title*

1 **Apologies for absence**

2 **Declarations of interests**

3 **Minutes of the previous meeting** (Pages 5 - 10)

4 **Matters arising**

5 **Funding Strategy Statement** (Pages 11 - 64)
[To receive an overview of the approved changes to the Funding Strategy Statement (FSS).]

6 **Investment Strategy Statement** (Pages 65 - 92)
[To receive an overview of the approved changes to the Investment Strategy Statement.]

7 **Corporate Plan** (Pages 93 - 114)
[To present the Board with the approved Fund Corporate Plan for 2023 – 2028, 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.]

8 **External Audit Plan** (Pages 115 - 164)
[To inform Board members of both the plan for the external audit of the Fund's Annual Report and Accounts for 2022/23 and the approved management responses to questions from external auditors as part of their audit planning.]

9 **Internal Audit Plan** (Pages 165 - 174)
[To provide the Board with the approved outline of work programme for internal audit during 2023 – 2024.]

10 **Compliance and Assurance** (Pages 175 - 186)
[To provide the Board with an update on the work of the Fund to deliver a well governed scheme.]

11 **Pensions Administration** (Pages 187 - 206)
[To inform the Board of the routine operational work undertaken by the Pensions Administration Service areas during the period 1 October – 31 December 2022.]

12 **Customer Engagement** (Pages 207 - 232)
[To provide the Board with an update of the Fund's customer engagement activity from 1 October 2022 to 31 December 2022 and to cover future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy.]

13 **Investment Governance** (Pages 233 - 236)
[To provide an update on investment related matters, an update on responsible investment activities, together with the ongoing development of Local Government Pension Scheme (LGPS) Central Investment Pool.]

14 **Exclusion of press and public**
[That, in accordance with section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business as they involve the likely disclosure of exempt information falling within paragraph 3 of Schedule 12A to the Act.]

15 **Development of Fund Resource** (Pages 237 - 242)

[To provide an update on staffing developments and requirements to support the Fund service delivery.]	Information relating to the financial or business affairs of any particular person (including the authority holding that information) Para (3)

16 **Cyber Security** (Pages 243 - 262)

[To receive an update on Cyber Security and the approved 2023/2024 Cyber Security Strategy.]	Information relating to the financial or business affairs of any particular person (including the authority holding that information) Para (3)

17 **Areas for Discussion**

[To provide the Board with an update on regulatory issues within the LGPS.]	Information relating to the financial or business affairs of any particular person (including the authority holding that information) Para (3)

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CITY OF WOLVERHAMPTON COUNCIL	**Pensions Board** Minutes - 24 January 2023 Agenda Item No: 3

Attendance

Members of the Pensions Board

Employer Representatives
Paul Johnson (Chair) – (Virtual)
Joe McCormick
Ian Martin
Mark smith
Jacqueline Carman – (Virtual)

Member Representatives
Julian Allum (Vice-Chair)
Sharon Campion
Stan Ruddock
Adrian Turner
Terry Dingley – (Virtual)

Observer Members
Steve Smith – (Virtual)

Employees

Rachel Brothwood	Executive Director of Pensions - West Midlands Pension Fund
Rachel Howe	Head of Governance, Risk and Assurance - West Midlands Pension Fund
Amy Regler	Head of Operations
Shiventa Sivanesan	Assistant Director, Investment Management and Stewardship
Simon Taylor	Assistant Director, Pensions
Karina Thomas	Head of People and Corporate Services
Hayley Reid	Regulatory Governance Manager – (Virtual)
Laura Parker-Marsden	Governance Support Officer
Holly Slater	Governance Officer

Part 1 – items open to the press and public

Item No. *Title*

1 **Apologies for Absence**
No apologies for absence were received.

2 **Declaration of Interests**
There were no declarations of interest made.

3 **Minutes of Previous Meeting**
That the minutes of the previous meeting be approved as a correct record.

4 **Matters Arising**
There were no matters arising.

5 **Compliance and Assurance**
Rachel Howe, Head of Governance, Risk and Assurance, presented the report on the work of the Fund to deliver a well governed scheme.

The Head of Governance, Risk and Assurance provided an overview of the Pensions Board nomination process, noting the seats due for re-nomination. In line with the appointments process the Board agreed to convene an appointments panel, Mark Smith and Joe McCormick – employer representatives volunteered to support the panel.

The Head of Governance, Risk and Assurance provided an overview of the Fund's quarterly assurance monitoring, noting the Fund's Key Performance Indicators (KPIs) and compliance monitoring updates. It was highlighted that, in relation to KPIs, from a Governance and Assurance perspective, there are no concerns with overall performance and delivery of Fund service areas.

Resolved:
1. That an appointments panel is convened to receive nominations for the 2023-2024 democratic year.
2. That the seats for nomination are confirmed.
3. That the latest Strategic Risk Register and areas being closely monitored in the current environment be noted.
4. That the Fund's KPIs and action taken to support service delivery be noted.
5. That the compliance monitoring activity undertaken during the quarter be noted.
6. That the Fund's Annual Report and Accounts which have been published on the Fund's website in accordance with the statutory deadline of 1 December 2022 be noted.

6 **Delivering our Corporate Plan**
Rachel Brothwood, Executive Director of Pensions, presented the report providing the Board with an update on the work of the Fund in achieving its deliverables and targets as set out in the Corporate Plan 2022-2027.

The Executive Director of Pensions highlighted the number of regulatory changes and consultations that the Fund continues to await. It was also noted that the Fund had responded to the Department for Levelling Up, Housing and Communities (DLUHC) consultation on climate risk and reporting within the Local Government Pension Scheme (LGPS) and were awaiting outcomes.

In response to a question with regards to staffing and retention of key Fund officers, the Executive Director of Pensions confirmed that although there remains a risk, it was not unique to the Fund or the LGPS. The Executive Director of Pensions was pleased to report that the Fund had recruited to the vacant Assistant Director of Investment Strategy position. It was noted that the Fund continues to seek resolution for the challenging market conditions in relation to recruitment and retention of staff, which involved reviewing roles, testing the market in different ways and ongoing employee development and training in order to build resilience within the Fund. It was agreed that an update on Fund Resources would be bought to the next Local Pensions Board meeting.

Resolved:

1. That the work undertaken by the Fund to work towards the goals and ambitions outlined in the Corporate Plan 2022 – 2027 be noted.

7 **Investment Governance**

Shiventa Sivanesan, Assistant Director – Investment Management and Stewardship, presented the report on investment governance.

It was noted that the Pensions Committee had approved both the Responsible Investment Framework and the publication of the Fund's Taskforce for Climate-related Financial Disclosure (TCFD) Report at their meeting on 14 December 2022 and that both documents had been published to the Fund's website.

Resolved:

1. That the update on investment governance matters including those in relation to responsible investment and investment pooling be noted.
2. That publication of the Fund's 2022 TCFD Report be noted.
3. That the Fund's 2022 Responsible Investment Framework be noted.

8 **Pensions Administration Report from 1 July to 30 September 2022**

Amy Regler, Head of Operations, presented the quarterly Pensions Administration Report providing an overview of the operational works undertaken by the Pension Administration service.

It was also noted that the KPIs are currently cumulatively achieving the 90% target for the year to date. The Head of Operations also drew the Board's attention to the positive response received from the overseas existence checking of deferred members, achieving a 60% verification success rate, which was higher than anticipated. A review will take place for those members from whom the Fund did not receive a response.

In response to a question around how admitted bodies are admitted to the Fund, the Head of Operations confirmed that each application is considered on an individual basis with appropriate due diligence. Further information with regards to the due diligence checks undertaken and employer covenant risk rating was provided by the Assistant Director – Pensions.

A further question was asked around the percentage of complaints being upheld and whether this was considered as high. The Head of Operations advised that the percentage upheld had slightly increased in the quarter linked to an increase in workload, complexity and changing regulations. The Head of Operations assured the Board that there were no concerns regarding the percentage of complaints that had been upheld.

Resolved:

1. That the 17 applications for admission from employers into the Fund as detailed in section 9 and Appendix E of this report be noted.
2. That the performance and workloads of the key pension administration functions be noted.
3. That the development of the Fund's membership and participating employers be noted.
4. That the outcomes of the Fund's deferred overseas existence exercise be noted.

9 **Customer Engagement Update**

Simon Taylor, Assistant Director – Pensions, presented the report on customer engagement, encompassing member engagement and communications.

The Assistant Director – Pensions highlighted an article that had been included in the December 2022 addition of the Local Government Chronicle, containing a case study on the Fund, its engagement and approach towards retirement planning.

Resolved:

1. That the engagement activity and informed service development be noted.

10 **2022 Actuarial Valuation Update**

Simon Taylor, Assistant Director – Pensions, presented the report providing an update on the actuarial valuation. The Assistant Director – Pensions highlighted the changes in approach from 2019, namely the adoption of a risk-based approach for determining contribution outcomes.

It was noted that the Fund would continue to consult on the Funding Strategy Statement over February 2023, to refine and enhance its approach from 2019, to reflect the diverse makeup of the Fund's employer base and the change in economic backdrop.

A Board member commented that the information the Assistant Director – Pensions and his colleagues had provided to the further education (FE) sector was very well received, noting that the information was helpful and informative.

A question was raised around what impact the recent Office of National Statistics (ONS) announcement on FE reclassification to the public sector would have on risk ratings. The Assistant Director – Pensions confirmed that the covenant ratings have not moved at this stage. This is largely due to uncertainty of what this change translates to in relation to the security of LGPS pension liabilities.

In response to a question raised regarding whether employer contributions have reduced following the actuarial valuation, the Assistant Director – Pensions confirmed that in general, contributions are broadly stable.

Resolved:

1. That the report and the associated update on progress with the 2022 actuarial valuation, including the two Admitted Body Sub Funds (ABSFs) be noted.
2. That the headline results of the 2022 actuarial valuation be noted.
3. That the consultation undertaken and planned activity over the forthcoming quarter be noted.

11 **Pension Administration System Change Project Update**

Amy Regler, Head of Operations, provided a presentation updating Board Members with regards to the Fund's Pensions Administration System Change Project. The presentation provided an overview of the system and its functionality.

In response to a question regarding the procurement of the new system, the Head of Operations confirmed that appropriate due diligence had been undertaken throughout the procurement process, with assessment based on both price and quality.

Resolved:

1. That the progress with the transition of the pension administration system to the Fund's new software supplier which was on schedule to complete Q2 2023 be noted.

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Agenda Item No: 5

CITY OF WOLVERHAMPTON COUNCIL	**Pensions Board** 25 April 2023

Report Title	Funding Strategy Statement	
Originating service	Pension Services	
Accountable employee	Simon Taylor Email	Assistant Director (Pensions) Simon.taylor2@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Email	Executive Director of Pensions Rachel.brothwood@wolverhampton.gov.uk

Recommendations for action:

The Pensions Board is asked to note:

1. The Funding Strategy Statement (FSS) and Asset Share Policy which were approved by the Pensions Committee in March 2023.

2. The consultation undertaken in relation to the 2022 actuarial valuation and the associated Funding Strategy Statement.

3. The delivery of the Fund actuary's valuation report and rate and adjustments certificate in accordance with the statutory deadline of 31 March 2023.

4. The updated Employer Risk Management Framework.

1.0 Purpose

1.1 To provide the Board with an overview of the 2022 actuarial valuation and finalisation of associated key policy documents and reporting,

2.0 Background

2.1 The Fund is currently required to carry out an actuarial valuation every three years and review and set the funding strategy and employer contribution rates for the following three years. As part of the valuation, effective 31 March 2022, the Fund Actuary has certified the employer contribution rates due for the three years 2023/24 – 2025/26. The Actuary's report and certificate must be obtained by the Fund by the statutory deadline of 31 March 2023.

2.2 The Fund Actuary prepares the valuation based on the Fund's own Funding Strategy Statement (FSS), which has been updated since it was last reviewed in 2021, to reflect the changing regulations and updated actuarial advice received as part of the 2022 actuarial valuation. The FSS forms an integral part of the valuation, as it sets out the Administering Authorities strategy and policy on funding Scheme benefits.

2.3 The FSS incorporates individual appendices covering funding strategy for the Admitted Body Separate Funds (ABSFs).

2.4 The draft FSS was issued to employers for consultation in February, following a series of employer presentations during November 2022 to January 2023.

2.5 Consultation on the FSS formally closed on 28 February 2023, with follow-up discussions with a handful of employers continuing during March 2023.

3.0 Engagement and Consultation

3.1 The Fund issued preliminary valuation results to employers during the course of November and December 2022. A complete suite of supporting documents was issued to employers alongside the results, together with an online survey link, to enable queries to be submitted to the Fund and where appropriate a meeting could be requested during the period of consultation (which ran until 31st January 2023).

3.2 The Fund ran a series of multi-employer briefing sessions during December 2022 and January 2023 which were attended by 254 individuals representing approximately 36% of Fund employers responsible for 95% of total Fund liabilities. The sessions were delivered virtually and face to face and covered the following areas:

- An overview of the provisional results of the 2022 valuation and changes since the 2019 valuation.
- An explanation of the new schedules which have been issued containing funding outcomes of the valuation.
- Details of the changes to the actuarial assumptions and funding approach
- Discussion surrounding how inter-valuation experience has impacted the Fund and employers.

3.3 The Fund has subsequently engaged in dialogue with employers to discuss their contribution outcomes, employer risk categorisation and funding strategy (including actuarial assumptions) as a whole, alongside formal consultation and update to the FSS.

3.4 Feedback from the dialogue and consultation process has focussed on five main areas:

- Employers' affordability and cashflow management concerns
- Advance payment options
- Contribution pooling arrangements
- Treatment of surplus and associated funding strategy
- Covenant rating and classification of employers into risk groups

3.5 For many employers, outcomes align to the outcomes at Fund-level, specifically the increase in funding level, and increased primary (future service) rate contributions, with a decrease in secondary (past service deficit) contributions. The range of funding outcomes reflects the diversity and legacy of employers within the Fund. The consultation process has benefitted from improved employer understanding and awareness of the valuation process and individual outcomes, largely as a result of the extensive engagement undertaken as part of prior actuarial valuations.

3.6 In a handful of cases affordability concerns have been raised by employers, primarily as a result of budgetary and/or cashflow pressures. In such cases, the Fund has requested evidence, to include updated financial information and short-term forecasts, to take into account in review of individual employer contribution plans.

3.7 In response to feedback from employers, the Fund (following advice of the Fund Actuary) has provided some easement to employers through phasing increases in contributions and offering alternative payment profiles with a reduction in contributions for advance payment.

3.8 Where initiated by the participating employer, the Fund has also engaged with scheme employers (guarantors) who provide a guarantee to another participating employer. This engagement has, in some cases, resulted in the guarantor extending comfort to afford the individual employer a more relaxed pace of funding, therefore minimising the cashflow pressure over the next three years, but with a further review at the next actuarial valuation.

3.9 Looking further ahead, and in particular at employers with increasingly mature membership profiles (those on a path to exit from the scheme), the Fund has engaged with certain employers around funding strategy to mitigate the effects of a significant exit debt on cessation. This is an initial step in a wider review of employers on a path to exit, which may include a subsequent change of funding and investment strategy.

3.10 Final contribution outcomes have been confirmed with the Fund Actuary and are included in the 2022 actuarial valuation report and rates and adjustments certificate. All employers received a copy of their final results and individual contribution schedules for 2023/24-2025/26 during March 2023.

4.0 Funding Strategy Statement

4.1 The Fund's Funding Strategy Statement (FSS) has been prepared based on prevailing Chartered Institute of Public Finance and Accountancy (CIPFA) guidance and reviewed by the Fund Actuary.

4.2 The key changes to the FSS considered as part of the 2022 actuarial valuation were outlined to Governing Body's at meetings during December 2022 and January 2023.

4.3 The Fund consulted with all participating employers on the proposed amendments to the FSS and the associated Asset Share Policy. This consultation period closed on 28 February and the Fund received responses from 2 employers, specific to these documents. Having considered the responses, the Fund did not make any material changes to the FSS, however minor wording amendments or points of clarification have been made.

4.4 In conjunction with the review of the FSS, the Fund has also updated the Employer Risk Management Framework (last reviewed in February 2021), which sets out the Fund's process and key principles surrounding the monitoring and mitigation of employer covenant risk. Whilst changes are relatively minimal, this document aligns to current funding strategy and with additional information added in the context of climate-related covenant risk, with further changes anticipated later in 2023/early 2024, as the Fund continues to consider further integration into its Funding Strategy and Risk monitoring.

4.5 Board is asked to note the FSS and Asset Share Policy, as attached in Appendices A and B which were approved by the Pensions Committee in March 2023. A link to the updated Employer Risk Management Framework is provided in Appendix C.

5.0 Financial Implications

5.1 This report has financial implications for employers and guarantors in that the outcomes drive contribution requirements as part of the 2022 actuarial valuation, effective from 1 April 2023.

6.0 Legal Implications

6.1 The report contains no direct legal implications.

7.0 Other potential implications

7.1 There are no other potential implications.

8.0 Schedule of Background Papers

8.1 2022 Actuarial Valuation Update – 24 January 2023 Pensions Board Paper

8.2 2022 Actuarial Valuation Update – 31 October 2022 Pensions Board Paper

8.3 2022 Actuarial Valuation Update – 26 April 2022 Pensions Board Paper

9.0 Schedule of Appendices

9.1 Appendix A: Funding Strategy Statement.

9.2 Appendix B: Asset Share Policy.

9.3 Appendix C: Employer Risk Management Framework: Employers - Risk Management Framework (wmpfonline.com)

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FUNDING STRATEGY STATEMENT

APRIL 2023

West Midlands Pension Fund

CONTENTS

1 INTRODUCTION

1.1 Local Government Pension Scheme (LGPS) regulations require administering authorities to prepare and maintain a *Funding Strategy Statement (FSS)* having regard to the guidance produced by The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Fund's *Investment Strategy Statement (ISS)*. This FSS has been prepared by the West Midlands Pension Fund based on the latest CIPFA guidance in accordance with the regulations issued in September 2016 and following consultation with appropriate persons. This FSS is effective for and underpins the outcomes of the Fund's 2022 actuarial valuation, as prepared by the Fund Actuary.

1.2 LGPS members' accrued benefits are guaranteed by statute and defined by the LGPS Regulations. Members' contributions are fixed in the Regulations at a level which covers part of the cost of accruing benefits. Employers pay the balance of the cost of funding the benefits, as reassessed at each triennial actuarial valuation and other relevant events such as exit. The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded and, insofar as is practical, aid in ensuring that employer contributions over time result in sufficient asset share to meet the liabilities associated with the benefits promised to their members.

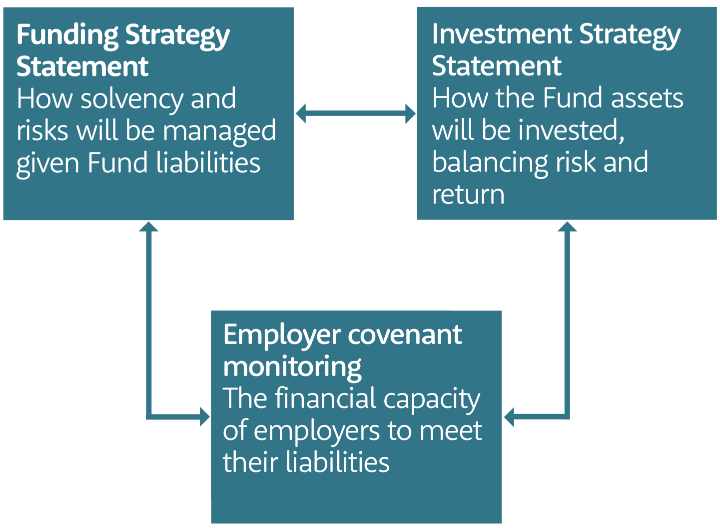
1.3 The FSS sets out how benefits will be funded over the long term through an accountable, transparent process with full disclosure of valuation methodology and assumptions. In line with the regulations administering authorities are required to ensure contributions are set at a level to achieve Fund solvency and long-term cost efficiency.

1.4 This statement was approved by the Fund's Pensions Committee on [22 March 2023] and updates and replaces the June 2021 FSS and all previous statements and policies on funding. The statement and principles contained within reflect an evidence- based review of West Midland Pension Fund's membership and employers in the context of regulations and guidance in force at the time. Where further Regulations and/or formal guidance is pending at the time of drafting, these areas may inform future review.

Integrated Funding Framework

1.5 The FSS informs the *Investment Strategy Statement (ISS)* and is supported by the Fund's employer covenant monitoring framework. Together these ensure an integrated approach to funding strategy and risk management supporting the Fund in meeting the regulatory funding requirements with a balance achieved though consideration of risk assessment and risk appetite. All three key elements of the framework are reviewed in tandem as part of each triennial review.

1.6 The statements and framework relate as follows:



1.7 The core purpose of the FSS is to summarise the Fund's approach to ensuring contributions are sufficient to meet pension liabilities. The parameters set within determine:

- the rates and adjustments certificate (confirming employer contribution rates for the period to the next triennial valuation);
- funding requirement on employer admission and exit (cessation); and
- actuarial factors for valuing bulk transfers, early retirement costs and the costs of additional benefits to members (for example, on purchase of added years' service).

1.8 The FSS is applied in the context of, and supported by, a wider framework of Fund policies and procedures which include those relating to:

- Asset share policy
- Employer admissions and exits (termination);
- Academisation
- Employer Risk Management

Consultation Process

1.9 In line with guidance and the aims of the Fund's employer engagement strategy, the Fund has been dialogue on the development and changes to funding strategy and funding outcomes with the Fund Actuary, participating employers, guarantors and governing bodies over the period March 2022 to March 2023, with formal engagement on the draft FSS during the first quarter of 2023.

In determining the funding and contribution strategy contained within the FSS, the Administering Authority has had regard to:

- the responses made to the FSS consultation with employers, representatives and other interested parties;
- relevant statutory guidance issued by the CIPFA;
- the need to balance a desire to attain the funding target as soon as possible against the funding and cash constraints of participating employers; and
- the funding outlook and relative strength of the participating employers' covenants, supported by independent advisers as required.

Where an employer has a guarantee from a statutory body participating in the Fund, or from another organisation approved for that purpose by the Administering Authority, the Administering Authority will recognise the requirement for the guarantor to be kept informed of the funding position of the relevant employer, and share funding information with the guarantor on request, unless the employer indicates otherwise in writing to the Fund.

Future Review

1.10 This policy statement will next be reviewed in detail ahead of completion of the next triennial valuation due 31 March 2025 or in the event of significant change in the regulatory landscape and/or the Fund's *Investment Strategy Statement* in the inter valuation period, noting that the FSS and ISS are inextricably linked and are reviewed in tandem every three years. Key funding principles and the overall development of the Fund's funding position are reviewed and monitored on an annual basis with any subsequent change in FSS made following consultation and as a matter of course in the event of significant change in scheme regulation and guidance.

2 AIMS AND PURPOSES OF THE FUND

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

2.2 The aims of the Fund are to:

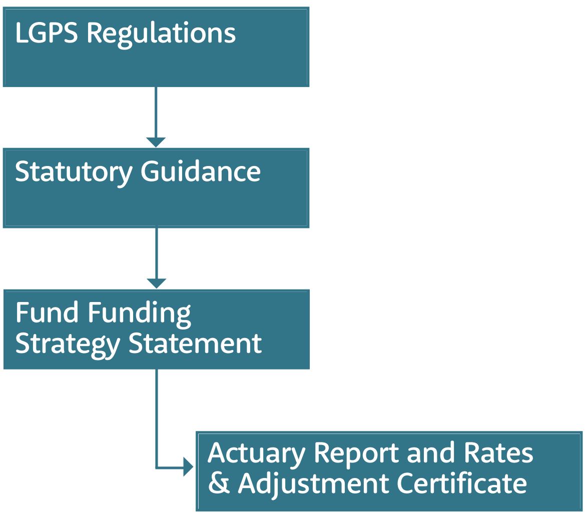
- manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- enable primary and total contribution rates to be kept as nearly constant as possible; and
- seek returns on investment within reasonable risk parameters.

2.3 The purpose of the Fund is to:

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

2.4 In its role as Scheme Manager for the Administering Authority under Section 4 of the Public Service Pensions Act 2013 the West Midlands Pension Fund commissions an actuarial valuation every three years, in line with LGPS regulation 62. The valuation is informed by the Administering Authority's FSS, prepared in line with regulation 58 and the guidance noted within. The Fund's Pensions Committee assumes responsibility for oversight for the FSS with implementation, monitoring and review undertaken by Fund officers on advice from the Fund Actuary.

2.5 The regulatory and governance framework in place to manage funding policy includes:



3 PURPOSE OF THE FUNDING STRATEGY STATEMENT

3.1 The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, together with how employers pay contributions to ensure their own liabilities are fully funded. The purpose of this FSS is:

- to establish a clear and transparent fund-specific strategy which will identify how employers' liabilities are met going forward;
- to take a prudent long-term view of funding those liabilities;
- to ensure that the regulatory requirements to set contributions to meet the future liability to provide scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the Fund are met; and
- to support the desirability of maintaining as nearly constant a primary contribution rate as possible, as defined in Regulation 62(5) of the LGPS Regulations 2013.

3.2 In line with the aims and purpose of the Fund, the funding policy objectives are:

- to ensure that pension benefits can be paid as and when they fall due over the lifetime of the Fund;
- to ensure the long-term solvency of the Fund;
- to set levels of employer contribution rates to target an appropriate funding level over a relevant time period and using appropriate actuarial assumptions, while taking into account the different characteristics of participating employers;
- to build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective; and
- to adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations.

3.3 The FSS and the West Midland Pension Fund's wider integrated funding risk framework are designed to ensure the funding strategy is both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting stakeholder objectives that need to be balanced and reconciled. Whilst the funding strategy applicable to individual employers is reflected in the FSS, on review and implementation. The Fund's focus at all times is on those actions that are in the best long-term interests of the Fund. Consequently, the FSS is a single all-employer strategy for the Administering Authority to implement and maintain, with variation in approach reflecting different employer type and routes to participation in the Fund.

4 RESPONSIBILITIES OF THE KEY PARTIES

4.1 Sound and effective management of funding strategies relies on key parties exercising their statutory responsibilities. These are set out in CIPFA guidance and are summarised below, together with the Fund's commitment to this integrated funding framework.

4.2 The Administering Authority is required to:

- operate the Fund in line with scheme regulations;
- collect employer and employee contributions, investment income and other amounts due to the Fund as stipulated in scheme regulations;
- pay from the Fund the relevant entitlements as stipulated in the scheme regulations;
- invest the Fund's assets in accordance with the Fund's ISS and the scheme regulations;
- ensure that cash is available to meet liabilities as and when they fall due;
- take measures as set out in the regulations to safeguard the Fund against the consequences of employer default;
- manage the valuation process in conjunction with the Fund's actuary;
- prepare and maintain an FSS and an ISS, both after proper consultation with interested parties;
- to include policies to manage and mitigate employer risk within the FSS in line with DLUHC guidance.
- monitor all aspects of the Fund's performance and funding and amend the FSS/ISS accordingly; and
- Effectively manage any potential conflicts of interest.

4.3 The **individual employer** is required to:

- calculate and deduct contributions from employees' pay correctly;
- pay all ongoing contributions to the Administering Authority, including employer contributions determined by the Fund Actuary and set out in the rates and adjustments certificate, promptly by the due date;
- develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework;
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of Fund benefits and early retirement strain;
- notify the Administering Authority promptly of any new scheme members and any other changes to membership which may affect future funding requirements; and pay any exit payments on ceasing participation in the Fund;
- comply with all aspects of the *Pensions Administration Strategy*, within the context of the FSS, relating to funding or payment of contributions, for example (but not limited to):
  - provision of supporting documentation and breakdowns with payment of contributions;
  - maintain optimum data quality to include timely and accurate notification to enable accurate calculations; and

– notify the Fund in advance of any employer initiatives (e.g. mergers, restructures), policy decisions or practices which could impact on LGPS member benefits.

4.4 **Active scheme members** are required to make contributions into the Fund as set by DLUHC.

4.5 The **Fund actuary** should:

- prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency having regard to the administering authority FSS and the LGPS regulations;
- prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill-health retirement costs, compensatory costs, etc.
- provide advice and valuations on the exiting of employers from the Fund;
- provide advice and valuations relating to new employers, including recommending the level of bonds or other forms of security against the financial effect on the Fund of employer default;
- assist the Administering Authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the regulations;
- ensure that the Administering Authority is aware of any professional guidance or other professional requirements which may be of relevance to his or her role in advising the Fund; and
- advise on other actuarial matters affecting the financial position of the Fund.

4.16 **Fund officers** undertake to:

- monitor, review and manage performance against the Fund's integrated funding management framework, to include developing funding, covenant and investment outcomes; and
- provide regular reporting, as required (but at least on an annual basis) to Pensions Committee and the Local Pensions Board to enable their review of the effectiveness of the framework and associated monitoring inter-valuation.
- Engage with employers in the event of change and emergence of individual events or issues which may have funding implications.

5 GENERAL FUNDING AND SOLVENCY CONSIDERATIONS

5.1 The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (determined by the funding strategy) or asset returns (largely driven by investment strategy). To the extent that benefit payments are greater than forecast or investment returns are lower than expected, higher contributions may be required from employers, and vice versa. Hence, the funding and investment strategy are inextricably linked.

5.2 The cost of benefits payable from the scheme in the future depends on a number of factors which are unknown in advance. Funding policy determines the pace at which contributions are collected from employers to ensure the Fund has sufficient money to pay future pensions promised to members and with reference to an employer's strength of covenant. In consideration of the pace of funding, a further review may be required in between triennial actuarial valuations if an employer is exiting the fund or on a journey towards exit, or if there is a material change impacting employer liabilities and/or their ability to pay the contributions due.

Solvency

5.3 The notes to the Public Service Pensions Act 2013 state that solvency means that the rate of employer contributions should be set at "such a level as to ensure that the scheme's liabilities can be met as they arise".

It is not regarded that this means that the pension fund should be 100% funded at all times. Rather, and for the purposes of Section 13 of the Public Service Pensions Act 2013, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

- the rate of employer contributions is set to target a funding level for the whole fund (assets divided by liabilities) of 100% over an appropriate time period and using appropriate actuarial assumptions; and either
- employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or
- there is an appropriate plan in place should there be, or if there is expected in future to be, a limited number of fund employers, or a material reduction in the capacity of fund employers to increase contributions as might be needed.

If the conditions above are met, then it is expected that the Fund will be able to pay scheme benefits as they fall due.

A significant factor in ensuring solvency of the Fund is the payment of contributions by employers, to continue to meet the cost of benefits accruing and recover any funding shortfall, together with the ongoing ability(employer covenant) to be able to continue to make payments required by the Fund.

The Fund carries out regular employer covenant reviews based on a range of key financial and non-financial information to monitor financial strength and ability to pay contributions as set out in our *Employer Risk Management Framework*[1]. This is informed by details of funding sources and annual financial strength. In addition, membership numbers are reviewed to monitor membership maturity. The results of the covenant review are used to categorise employers on risk level, with details being provided to the Fund's Actuary to inform the actuarial valuation.

[1] Employers - Risk Management Framework.qxp_Layout 1 (wmpfonline.com)

As required under Section 13(4)(c) of the Public Service Pensions Act, the Department of Levelling-Up, Housing and Communities (DLUHC) has appointed GAD to report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the solvency of the Fund and the long-term cost efficiency of the Local Government Pension Scheme, so far as relating to the Fund. Such reports must be made following each triennial valuation of the Fund.

Long-Term Cost Efficiency

5.4 The notes to the Public Service Pensions Act 2013 state "Long-term cost-efficiency implies that the rate must not be set at a level that gives rise to additional costs. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the time".

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long-term cost efficiency if the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual, with an appropriate adjustment to that rate for any surplus or deficit in the Fund.

In assessing whether the above condition is met, the review under Section 13(4)(c) may have regard to the following considerations:

- the implied average deficit recovery period
- the investment return required to achieve full funding over different periods, e.g. the recovery period
- if there is no deficit, the extent to which contributions payable are likely to lead to a deficit arising in the future. As such, a risk-based approach informs this assessment with an optic on the likelihood of achieving a funding target over the appropriate time-horizon.
- noting the link between the review of the FSS and ISS, the extent to which the required investment return is less than the administering authority's view of the expected future return being targeted by a fund's investment strategy, taking into account changes in maturity/strategy as appropriate.

Target Funding and Contributions Policy for the Fund

5.5 The LGPS regulations require the long-term funding objectives to achieve and maintain assets sufficient to cover 100% of the Fund’s projected accrued liabilities (i.e. the estimated cost of all the benefits members have built up to date). The funding strategy is set to target the level of assets which will meet this funding objective.

5.6 The Fund recognises the different characteristics of the variety of participating employer organisations, and will set funding strategy (including funding target and contributions) appropriately having regard to factors such as:

- strength of covenant, and security of future income streams;
- support or guarantee arrangements from scheme employers; and
- prospective period of participation in the Fund, and specifically the implications if the employer has closed membership of the Fund to new employees.

5.7 In developing the target funding level and associated contribution requirements, the Administering Authority has had regard to the subsequent GAD review under Section 13(4)(c). Notable from the outcomes of the review of 2019 actuarial valuations in LGPS (E&W), published in December 2021, was a focus on intergenerational fairness and an expectation that plans to address funding deficits are not be extended and forecast, noting the risk of future contribution rate rises in the future[2].

[2] LGPS England and Wales Section 13 Report - 31 March 2019: Executive Summary - GOV.UK (www.gov.uk)

5.8 The principal method and assumptions used in the calculation of the funding target and employer contributions are set out in Appendix 1, which also includes further detail on employer categorisation and the integration of the Main Fund funding and investment strategy with the employer covenant monitoring framework. For employers within the Admission Body Separate Funds, these are set out in Appendices 2 and 3.

5.9 Underlying the method and assumptions there are two tenets:

- that the scheme (and employer participation) is expected to continue for the foreseeable future; and
- investment returns are targeted to play a valuable role in achieving and maintaining asset values at a level which can meet the funding target over the long term.

This allows the Fund to take a long term view when assessing the overall contribution requirement for the Fund, which are then subject to considerations around individual employer covenant and the maturity of the employer's membership base together with the outlook for their ongoing participation in the Fund which may impact on their individual funding target and time horizon.

5.10 As part of each valuation, separate employer contribution rates are assessed by the Fund Actuary for each participating employer. These rates are assessed taking into account the experience and circumstances of each employer. In general, a principle of no cross-subsidy between the employers in the Fund is adopted, with some exceptions where these are set out alongside and rationale for pooling funding and risks. In response to consultation and feedback from employers, whose own operations have evolved over the time, the Fund has adapted its approach to employer contribution arrangements to reflect certain groups of pooled employers, whose budget and financial experience are interlinked. Further details of employer pooling arrangements for the 2022 actuarial valuation (and mitigation of associated risks) are set out in Appendix 1.

5.11 The extent to which the financial health and capacity of employers (covenant) impacts on their ability to withstand funding risk and increase contributions in the future is taken into account in setting the funding target as is the nature and expected future participation of non-local authority employers in the Fund.

5.12 The time horizon associated with each employer will be dependent on a number of factors, including the type and nature of the employer, any supporting guarantee or other forms of security, such as a charge on assets, where these can be provided.

5.13 Phasing of contribution increases may be considered at the discretion of the Administering Authority where an employer has evidenced affordability limits.

5.13 Any employing body with a surplus of assets over liabilities, sufficient covenant strength, and a local or central government guarantee (to include a defined link back to a local or central government body, such as wholly-owned or arms-length management organisations) may have a reduction in contributions to reflect an emerging and sustained surplus. Organisations without sufficient covenant strength i.e. category 3 employers or without a local or central government guarantee will not see a reduction in contributions unless a surplus exists on a minimum risk basis.

5.14 Any employing body with a surplus of assets over liabilities, sufficient covenant strength, and a local or central government guarantee (to include a defined and documented link back to a local or central government body, such as wholly-owned or arms-length management organisation) may experience a reduction in contribution requirement to reflect an emerging and sustained surplus. Organisations without sufficient covenant strength (for example, a category 3 employer or employer without a local or central government guarantee) will not see a reduction in contributions as a direct result of funding surplus unless a sustained surplus is observed relative to an estimate of the funding level required by that employer at the point of exit (assessed alongside the triennial actuarial valuation as the funding position on a "minimum risk" basis).

In line with the aims of the Fund's FSS, subject to the Fund continuing to meet the regulatory requirements for Fund solvency and long term cost efficiency, the funding strategy and associated policies aim to support in enabling all employer contribution rates to be as stable as possible. In order to achieve this and noting there may be times of extraordinary economic and market events, the Fund may suspend application of this FSS or implement alternative interim arrangements in order to preserve long term funding and mitigate risk to all participating employers. For example, suspension may be needed to review actuarial methodology and assumptions if a key employer event (such as bulk transfer or exit) coincides with an extraordinary economic or market event including step change in conditions which could trigger review of the funding approach and outlook.

In all cases, the Administering Authority reserves the right to apply a different approach as its sole discretion, taking into account the risk associated with an employer in proportion to the Fund as a whole.

Where the Administering Authority does agree to an alternative contribution plan for a particular employer, this will represent an employer-specific funding plan, and will be documented separately, together with any conditions surrounding this agreement.

On the cessation of an employer's participation in the Fund, the actuary will be asked to make a termination assessment unless the ceasing employer is a pass-through employer. Any deficit in the Fund in respect of the employer will be due to the Fund as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Fund to another participating employer. Details of the approach to be adopted for such an assessment on termination are set out in the *Termination Policy*.

Termination of an Employer's Participation

5.15 An employer's participation within the Fund ceases when they no longer have any active members within the Fund. This could happen for a number of reasons, typically:

- The last active member participating in the Fund leaves, retires or transfers to another employer and ceases to be a member of the Fund and the employer does not wish to admit any more employees to that admission agreement.
- For admission bodies, the contract to which the admission agreement relates, comes to an end or is terminated prematurely.
- The employer ceases to exist, for example it goes into liquidation or is taken over by/merged with another organisation.

5.16 When an employer's participation in the Fund terminates and the employer becomes an 'exiting employer', the LGPS Regulations require that a termination valuation is carried out. The purpose of this valuation is to determine the level of any surplus or deficit in an exiting employer's share of the Fund as at the exit date and whether the exiting employer is liable to pay an exit payment or is entitled to receive an exit credit in such circumstances.

5.17 The method used to calculate the termination valuation will ultimately depend on the characteristics of the exiting employer and in particular whether there is another scheme employer within the Fund that is prepared to act as a guarantor or succession employer for any residual liabilities and also in the context of the materiality of any impact on other participating scheme employers' contributions.

[2] WMPF Climate Change Framework and Strategy 2021 (wmpfonline.com)

5.18 The Fund's policy on the methodology for assessment cessation debt and contribution requirements on the termination of an employer's participation in the Fund can be found in the separate Termination Policy.

Review of Contributions Inter-Valuation

5.19 In accordance with the LGPS Regulations and this FSS the Fund may carry out an inter-valuation review where there is a significant change in individual employer liabilities and/or covenant (or where requested by employers with supporting evidence). Further details can be found within Addendum 1 of this FSS.

Links to Investment Policy Set Out in the Investment Strategy Statement (ISS)

5.21 Key financial assumptions used in the calculation of funding and contribution requirements relate to the future rates of return which will be achieved on the Fund's invested assets – the forward-looking expectation of the level of return across different asset classes, together with the volatility and correlation of these returns in different economic environments.

The Fund's investment strategy has been considered and reviewed in conjunction with the 2022 valuation and the FSS. In particular, the future return expectations of the main asset classes and strategic asset allocation benchmark set out within the Fund's ISS have been considered in determining a prudent funding approach, based on a range of potential future funding outcomes. The level of prudence set in determining individual employer contribution requirements is integrated with the employer categorization and covenant assessment as outlined in Appendix 1 to this FSS.

The discount rate adopted for the purposes of assessing the funding level at the actuarial valuation date is derived by considering the expected rate of future investment return which is anticipated to be achieved on the Fund's invested assets as a whole through the underlying investment strategy, based on medium term market forecasts, together with the overall allowance for prudence within the funding strategy.

Future employer funding and contributions levels will be determined, in part, by the extent to which investment returns are delivered in line with the assumptions set in the funding strategy.

As part of the investment strategy review, the future benefit cashflows are considered together with expected contribution income, to access the broad mix of assets required to deliver the return required to meet benefit costs, with an overarching aim to achieve this return with as low a level of investment risk as possible, to mitigate future employer contribution volatility.

Details of the Fund's strategic asset allocation and investment risk strategy are set out in the Fund's ISS.

6 IDENTIFICATION AND MANAGEMENT OF RISKS

6.1 Evaluating risks that may impact on the funding strategy and expectations of future solvency is crucial to determining the appropriate measures to mitigate those risks. The Fund operates a wider risk management framework predicated upon routine review with the FSS identifying key risks specific to funding and the management or controls in place to mitigate those risks.

Risk	Management/Control
Investment risk - assets do not deliver the return required to meet the cost of benefits payable from the Fund; potential drivers • Inappropriate asset allocation and risk • Investment market failure • Manager underperformance	• Investment strategy considered in context of Fund liabilities and return requirement set within the *Funding Strategy Statement* • Asset liability modelling and stress testing to set strategic benchmarks within *Investment Strategy Statement (ISS)*, with annual review • Regular monitoring of strategy asset allocation and returns relative to benchmark • Regular monitoring of manager performance • Investment strategy review develop based on future benefit cashflow projection • Modelling of investment strategy and future asset income streams • Regular monitoring of membership movements and liability profile
Increasing maturity and benefit cashflow • Falling contribution income and increasing total benefit payments as more members start to draw their benefits • Declining active membership due to change in local authority service delivery models • Increasing reliance on income-generating assets	• Investment strategy review develop based on future benefit cashflow projection • Modelling of investment strategy and future asset income streams • Regular monitoring of membership movements and liability profile
Increasing future benefit costs; potential drivers • Rising levels of future inflation • Increasing life expectancy beyond the level expected for Fund members	• Regular monitoring of funding level • Review of scheme membership experience vs expectations as part of each triennial actuarial valuation, with Fund-specific review of mortality experience • Ongoing review and cleanse of member data records to enable accurate and up to date assessment at each triennial valuation

Risk	Management/Control
Employer covenant – Employers are unable to meet the cost of pension obligations and contributions to the Fund; potential drivers • Competing pressure and/or reduction in employer's own funding and available financial resources • Service outsourcing or restructuring shifting responsibility for pension obligations, some of which may be delayed in notification to the Fund • Increasing scheme costs • Impact of climate change risk either physical or transitional	• Regular monitoring of employer financial capacity through employer risk management framework • Notification requirements with the Fund *Pensions Administration Strategy* and monitoring through the annual employer "health check" • Employer covenant assessment and categorisation to inform funding strategy and the actuarial valuation • Review of guarantee arrangements and exit at each triennial valuation • Up-to-date admission and termination policies, linked to funding strategy • Review and use of liability pooling arrangements where these may support greater stability in employer contributions • Contingent security arrangements to support cash contributions to the Fund
Changing employer structure within the LGPS – impacting employer covenant and guarantor backing for groups of employers within the scheme – potential to disturb/disrupt employer contribution pooling arrangements	• Ongoing monitoring of employer movement and change in status within the scheme • Participation in scheme-wide consultation and review on sectors within the LGPS (academy and tier 3 employers) • Monitoring of regulatory change which may impact the priority of payments to the LGPS, including regular engagement with employers
Changing scheme regulations and guidance - impacting scheme benefits, funding strategy, actuarial valuations, investment strategy	• Ongoing horizon scanning and consideration on the Fund risk register • Review and response to consultations on changes to the LGPS regulations and guidance which may impact scheme funding • Participation in national review and consideration of emerging issues within the LGPS

Risk	Management/Control
Failure to meet climate change transition objectives	The Fund has a dedicated and holistic *Climate Change Framework and Strategy* (most recently updated in December 2021) covering funding and investment risk manage set itself the objective for 100% of assets to be Net-Zero Asset Owner commitment with overarching target to achieve by 2050 or sooner in line with the Paris agreement including appropriate interim targets to ensure continual progress. Employer engagement and data collection and review of developing scenario analysis. Governing Body members are provided training on climate change and other ESG risks which helps guide and inform decision-making.

6.2 The Fund has in place an employer risk management framework, incorporating an assessment of the sustainability of all employers to establish the risk of an employer failing to meet their pension liabilities.

6.3 **Insurance of Certain Benefits**
The Fund has explored arrangements to help mitigate employer financial implications of unexpected additional ill-health costs, with the primary advantage being the protection of employers with weaker covenants or smaller workforce against the significant strain costs and additional (unbudgeted) contribution requirements that can arise following an ill-health early retirement. More information can be found in the Fund's *Asset Share Policy* (in relation to the captive reserve held) and the *Employer Contribution Risk Management Policy*.

6.4 **Climate Risk and TCFD reporting**
The Fund has considered climate-related risks when setting the funding strategy, noting the potential for impact upon employers, members and investments with the Fund making progress through development of a *Responsible Investment Policy Framework* and a separate *Climate Change Framework and Strategy*, last reviewed in 2021. The Fund has also carried out engagement with employers during 2022 to raise awareness of the potential implications of climate risk upon employer covenant as well as collecting data to inform future review.

6.5 The Fund has implemented and maintains an internal control framework with regular risk monitoring. This includes advice from appointed advisors and quarterly reporting to Pensions Committee for review.

[3] WMPF Climate Change Framework and Strategy 2021 (wmpfonline.com)

APPENDIX 1: MAIN FUND – METHOD AND ASSUMPTIONS AS AT 31 MARCH 2022

This appendix sets out the method and assumptions used in the development of funding targets and employer contribution requirements, as applied for the Fund's triennial actuarial valuation as at 31 March 2022. It demonstrates the Fund's risk-based, integrated funding framework in practice, outlining how the general funding and solvency principles set out in the FSS, are applied in the context of the Fund's investment strategy and employer risk management framework.

The approach and assumptions adopted for the 2022 actuarial valuation have been adopted by the Fund based on the advice of the Fund's Actuary, risk and covenant advisers. These have been developed and refined in consultation with Fund employers, alongside funding and contribution outcomes of the 2022 review.

Actuarial Methodology
The Fund Actuary uses Asset and Liability Modeling (ALM) techniques to project each employer's notional asset share and liabilities forward in time, over a range of future economic scenarios. The model projects outcomes over 5,000 possible future economic scenarios, using variables for future inflation and investment returns for each asset class, calibrated using market data as at 31 March 2022.

Investment return projections are net of costs, with the outlook for market yields and inflation modelled in context of economic forecasts and central bank targets. Funding outcomes are modelled in the context of an overarching target to achieve and retain full funding by 2030 (17 years from new contributions rates taking effect in April 2023).

Employer contribution rates are set to target sufficient assets being the Fund to meet the employer's funding target in a given proportion of projected funding outcomes.

The total contribution rate for each employer depends on:

- the funding target – how much money the Fund aims to hold for each employer
- the time horizon – the time over which the employer aims to achieve the funding target
- the likelihood of success – the proportion of modelled scenarios where the funding target is met.

The projections allow for the specific cashflows and membership profile of each employer. The Fund considers the type of employer, the employer's covenant and the nature of participation for each employer within the Fund and reflects this in the funding target, the time horizon and the likelihood of success required when setting the employer's contribution. An overview of how the approach is tailored for each employer is set out under Employer Categorisation.

Employer Asset Share
The Fund is a multi-employer pension fund that is not legally sectionalised and so individual employer asset shares are calculated at each actuarial valuation. More information can be found in the Fund's *Asset Share Policy*.

Employer Contribution Requirements

The required levels of employee contributions are specified in the regulations. Employer contributions are determined in accordance with the LGPS regulations, following the actuarial valuation completed every three years. The Fund Actuary records individual employer contribution requirements in the Fund's rates and adjustments actuarial certificate, specifying the 'primary' and 'secondary' rate of the employer's contribution; aligned to the actuarial methodology adopted for the 2022 actuarial valuation these are defined and specified as follows:

Primary Rate

The 'primary rate' for an employer is the contribution rate required to meet the cost of the future accrual of benefits, allowing for employer membership profile. The primary rate for the whole Fund is the weighted average (by pensionable payroll) of the individual employer's primary rates.

Secondary Rate

The 'secondary rate' is an adjustment to the primary rate to arrive at the total rate of contribution each employer is required to pay. The secondary rate may be expressed as a percentage adjustment to the primary rate, and/or a cash adjustment in each of the three years beginning 1 April in the year following the actuarial valuation. For the purpose of the 2022 actuarial valuation secondary contributions will, in the main, be expressed as a percentage of payroll. As such, any secondary rate contributions are included in each employer's total contribution rate percentage.

Pooling of Employers for Funding Purposes

Fund policy in line with the core principle of no-cross subsidy is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are typically set for individual employers reflecting their own liabilities and particular circumstances.

However, as a continuation from the 2019 valuation and reflecting employer consultation over the period to 2022, certain groups of individual employers are pooled for the purposes of determining contribution rates to recognise common ownership and organisational structures, and to assist in managing employer exposure to individual member liability risks.

The funding pools adopted for the Fund at the 2022 valuation are summarised in the table below:

Pool	Type of pooling	Notes
Individual academies within a multi-academy trust	Total contribution rate only	Individual academy funding positions continue to be tracked
Pass-through arrangements	All risks (employer pays primary rate only	Pass-through employers are effectively pooled with the ceding scheme employer for for funding purposes and pay the same primary rate only
All participating employers with less than 1,000 active members	Ill-health risk only	Pooling of ill-health risk/experience via captive insurance reserve
Bespoke arrangements	Primary and/or secondary rate contributions	As agreed at the sole discretion of the Fund, certain subsidiary employers may be pooled with a ceding or core employer for the purpose of contribution rates

The main purpose of pooling is to produce more stable employer contribution levels and assist employer budgeting. The funding and contribution pooling arrangements operated by the Fund will continue to be kept under review at each triennial valuation, as the effectiveness and associated operational risks (for the Fund and employers) continued to be monitored.

Financial Assumptions

- **Investment Return (Discount Rate)**
  One of the key assumptions used to determine the funding position at a point in time is the discount rate. The actuary estimates the future benefit cashflows which will be made to and from the Fund in the future. These cashflows are then discounted to a present day value using the discount rate. This value is essentially the estimated amount of money which, if invested now would be sufficient together with the income and growth in the accumulating assets to make these payments in future, using a prudent assumption about future investment returns (the discount rate).

  The discount rate of 4.3% p.a. adopted for the purposes of assessing the funding level at the actuarial valuation date has been derived by considering the expected rate of future investment return anticipated to be achieved on the Fund's invested assets as a whole through the underlying investment strategy, based on medium term market forecasts, together with the overall allowance for prudence within the funding strategy.

  It may be appropriate for an alternative discount rate to be adopted to reflect an individual employer's situation. This may be, for example, to reflect an employer targeting or approaching cessation (exit) or to reflect the Administering Authority's views on the level of risk that an employer poses to the Fund. The Administering Authority will incorporate any such adjustments after consultation with the employer and Fund Actuary.

  A lower discount rate assumption of [2.6% pa] has been used to value orphan liabilities (those no longer linked to an active employer) as this reflects the lower risk investment strategy developed and notionally attributed to support these liabilities.

- **Long-Term Funding Target and Likelihood of Success**
  The Fund actuary has modelled the annual returns and cashflows over the next 17 years on the Fund's assets and liabilities under 5,000 different economic scenarios. The overall contribution requirement for the Fund has been set to ensure that 70% of the projected funding scenarios produce a fully funded outcome by the target funding date (this is defined as the "Likelihood of Success").

  There is no guarantee that the Fund's assets will meet or out-perform the investment return required to meet the long term funding target. The risk of under-performance is greater when measured over short periods such as the time between formal actuarial valuations, when the actual returns and assumed returns can deviate sharply. For employers of a weaker covenant strength and/or a more mature membership profile, an alternative and higher Likelihood of Success percentage can apply when setting contribution rates, to reflect the higher short-term risk.

- **Inflation (Consumer Prices Index - CPI)**
  The Fund's liability projections are based on long term, forward looking expectations for benefit costs, rising in line with CPI. The Fund actuary has modelled CPI projections over the next 20 years, with implicit assumption that inflation will return to the Bank of England's target rate of 2% ahead of the next funding review. The CPI assumption of 2.9% pa set by taking the median annualised value of CPI inflation from this model and incorporating a margin to recognise higher rates and volatility experience observed over 2022 (10.1% in September 2022) and expected to be persistent in the short term.

- **Salary Increases**
  The assumption for long-term real salary increases (salary increases in excess of price inflation) makes an allowance of 1.0% pa over the CPI inflation assumption described above. The valuation allows for both the impact of this general salary increase and, in addition, promotional increases (with sample rates set out in the demographic assumptions below).

  These assumptions will continue to be kept under review at each valuation based on Fund-wide experience, with actual individual employer experience being reflected in the employer contribution outcomes of each triennial review.

- **Pension Increases (and CARE Revaluation)**
  Increases to pensions are assumed to be in line with the CPI inflation assumption described above.

Demographic Assumptions
The Fund has reviewed and adopted demographic assumptions based on review of the Fund's own population, experience and wider trends observed and generally accepted practice across the LGPS and pensions industry. Allowances will continued to be reviewed and updated at each triennial review, as more data and observations are made to inform future projections of benefits payable from the Fund.

Mortality/Life Expectancy
The longevity assumptions used by the Fund are defined by a bespoke set of VitaCurves produced following detailed analysis and tailored to fit the Fund's individual membership.

Allowance has been made for future improvements to mortality, in line with the 2021 version of the continuous mortality investigation (CMI) model published by the actuarial profession. The starting point has been adjusted by +0.25% to reflect the difference between the population-wide data used in the CMI and LGPS membership. A long-term rate of mortality improvements of 1.5% pa applies.

The smoothing parameter used in the CMI model is 7.0.

There is little evidence currently available on the long-term effect of Covid-19 on life expectancies. To avoid an undue impact from recent mortality experience on long-term assumptions, no weighting has been placed on data from 2020 and 2021 in the CMI model.

Commutation
It has been assumed that, on average, members will take 50% of the additional tax-free cash available to them on retirement, in addition to taking their accrued lump-sum entitlement. The option which members have to commute part of their pension at retirement in return for a lump-sum is on fixed terms, set in the LGPS regulations at a rate of £12 cash for each £1 pa of pension given up.

Summary Including Other Demographic Assumptions

Retirement in normal health	Members are assumed to retire at the earliest age possible with no pension reduction.
Promotional salary increases	Sample increases in the table below
Death in service	Sample rates in the table below
Withdrawals	Sample rates in the table below
Retirement in ill health	Sample rates in the table below
Family details	A proportion of members are assumed to have a dependant partner at retirement or on earlier death, according to age and sex. For example, at age 60 this is assumed to be 90% for males and 85% for females. Beyond retirement the proportion is adjusted for assumed dependant mortality. Males are assumed to be three years older than females, and partner dependants are assumed to be opposite sex to members.
Commutation	50% of maximum tax-free cash
50:50 option	Based on current Fund membership elections, assuming no further members move to the 50:50 option

Rates for Demographic Assumptions Males

Incidence per 1,000 active members per year									
Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
20	105	0.17	404	813	0.00	0.00	0.00	0.00
25	117	0.17	267	537	0.00	0.00	0.00	0.00
30	131	0.20	189	381	0.00	0.00	0.00	0.00
35	144	0.24	148	298	0.10	0.07	0.02	0.01
40	150	0.41	119	240	0.16	0.12	0.03	0.02
45	157	0.68	112	225	0.35	0.27	0.07	0.05
50	162	1.09	92	185	0.90	0.68	0.23	0.17
55	162	1.70	73	146	3.54	2.65	0.51	0.38
60	162	3.06	65	130	6.23	4.67	0.44	0.33

Rates for Demographic Assumptions Females

Incidence per 1,000 active members per year								
Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
20	105	0.10	352	467	0.00	0.00	0.00	0.00
25	117	0.10	237	314	0.10	0.07	0.02	0.01
30	131	0.14	199	264	0.13	0.10	0.03	0.02
35	144	0.24	172	227	0.26	0.19	0.05	0.04
40	150	0.38	143	189	0.39	0.29	0.08	0.06
45	155	0.62	133	177	0.52	0.39	0.10	0.08
50	160	0.90	112	149	0.97	0.73	0.24	0.18
55	163	1.19	84	111	3.59	2.69	0.52	0.39
60	170	1.52	68	89	5.71	4.28	0.54	0.40

Expenses
Expenses incurred are paid from the assets held by the Fund, in accordance with the LGPS regulations. For the 2022 valuation, administration expenses have been allowed for as 0.5% of employer pensionable payable, incorporated within contribution rates

Discretionary Benefits
The costs of any discretion exercised by an employer in order to enhance benefits for a member through the Fund will be subject to additional contributions from the employer as required by the regulations as and when the event occurs. As a result, no allowance for such discretionary benefits has been made in the valuation.

Employers are required to meet all costs of early retirement strain (non ill-health) by immediate capital payment to the Fund.

McCloud Provisions
The Local Government Pension Scheme (England and Wales) (LGPS) introduced a new CARE benefit structure with effect from 1 April 2014 ('the 2014 scheme'). For members who were 10 years or less from normal retirement age on 1 April 2012 (ie aged 55 or above), an underpin was provided based on the existing final salary scheme ('the 2008 scheme'). In December 2018, the Court of Appeal found that similar transitional provisions in the pension schemes for firefighters and the judiciary resulted in unlawful age discrimination.

To remedy the issues arising from the McCloud case Government introduced the Public Service Pensions and Judicial Offices Act 2022. The 2022 Act has, as of the date of drafting, not been harmonised with the LGPS Regulations. As a temporary measure DLUHC has advised all English and Welsh Administering Authorities to value members' benefits as required by the various Regulations in force as at 31 March 2022, except with respect to the following assumptions:

- It should be assumed that the current underpin (which only applies to those members within 10 years of their NPA at 31 March 2012) will be revised and apply to all members who were active in the scheme on or before 31 March 2012 and who join the post 1 April 2014 scheme without a disqualifying service gap.
- The period of protection will apply from 1 April 2014 to 31 March 2022 but will cease when a member leaves active service or reaches their final salary scheme normal retirement age (whichever is sooner).
- Where a member remains in active service beyond 31 March 2022 the comparison of their benefits will be based on their final salary when they leave the LGPS or when they reach their final salary scheme normal retirement age (again whichever is sooner).
- Underpin protection will apply to qualifying members who leave active membership of the LGPS with an immediate or deferred entitlement to a pension.
- The underpin will consider when members take their benefit so they can be assured they are getting the higher benefit.

The Fund has reviewed and updated its approach to funding allowance for the McCloud remedy since 2019, to align with the assumptions as advised by DLUHC. It should, however, be noted that regulatory changes to the LGPS in relation to McCloud are still be confirmed (at time of drafting) and the Fund may subsequently need to review and revise the FSS and reassessed funding requirements.

A summary of the headline financial and demographic assumptions adopted at 2022 and in 2019 is included below. Further details may be found in the Fund Actuary's Valuation Report published on the Fund's website.

Comparison of Key Financial Assumptions – 2022 and 2019 Actuarial Valuations

Financial

Assumption	2022	2019
Discount rate (for non-orphan liabilities)	4.3% per annum	4.6% per annum
Discount rate (for orphan liabilities)	2.6% per annum	2.6% per annum
Risk profiling / categorisation	71% / 72% Likelihood of Success target for 'Category 2' or 'Category 3' employers	5.0%/10.0% loading on past service liability for 'Category 2' or 'Category 3' employers
Inflation/pension increases (CPI)	2.9% per annum	2.6% per annum
Salary increases	3.9% pa (CPI plus 1.0% pa)	3.9% pa (CPI plus 1.5% pa)

Mortality	2022	2019
Pre-retirement mortality	See sample tables under demographic assumptions	GAD 2016 tables with a rating of 115% for males and 125% for females
Post retirement mortality	Vita curves tailored to individual membership	SAPS (S3PA_H) tables with specific adjustments of 85% for males and 95% for females. (S3DA tables 110% / 125% for dependents)
Allowances for future improvements	CMI (2021) model with an initial adjustment of +0.25%, smoothing parameter of 7.0, 0% weighting to 2021 (and 2020) data and a long term rate of improvement of 1.5% pa	CMI (2018) model with an initial adjustment of +0.5%, smoothing parameter of 7.5 and a long term rate of improvement of 1.5% pa

Employer Categorisation
The Fund employer covenant monitoring framework (established and maintained since 2010), takes into account a number of financial, funding and structural factors needed to rate employer covenant and allocate each individual employer to a risk banding (RAG rated). More information can be found in the Fund's *Employer Risk Management Framework*.

For the purpose of the triennial actuarial valuation, the Fund covenant risk ratings are used, together with employer characteristics (type of body, membership profile, level of government backing or other security) to allocate employers within the Fund into three categories to assist in determining an appropriate funding strategy.

Employers in different categories will have differential contribution plans determined by their funding target and time horizon. Typically, those employers with weaker covenant would have a faster pace of recovery to mitigate overall funding risk and the impact of default on other employers.

Outlined below are the categories.

Allocated Category[1]	Fund Covenant Risk Rating	General Features
Category 1	Green	Government-backed/guarantee for Government-backed organisation and over 100% funded
Category 2	Green/Amber	Guarantee/Strong balance sheet relative to pension liability
Category 3	Red/Critical (Black)	Exiting/Weak balance sheet relative to pension liability

The general treatment of certain types or groups of employers in terms of funding strategy is set out in the table below. The funding strategy applied will factor in both the type of employer and the risk category in determining contribution outcomes.

Type of employer	Scheduled bodies			CABs and designating employers		TABs
Sub-type	e.g. Local authorities, police, fire	Colleges & universities	Academies	Open to new entrants	Closed to new entrants	(all)
Typical risk categorisation	Category 1	Category 2 or 3	Category 1	Category 1, 2 or 3	Category 1, 2 or 3	Category 1
Funding target	Ongoing	Ongoing	Ongoing	Ongoing, but may move towards low-risk exit basis		Ongoing
Typical (range of) likelihood of success	70%	70% to 72%	70%	Commensurate with risk profile/ covenant of individual employer	Commensurate with risk profile/ covenant of individual employer	70% to 72%
Maximum time horizon	17 years	17 years	17 years	17 years	17 years or average future working lifetime, if less	17 years
Primary rate approach	The contributions must be sufficient to meet the cost of benefits earned in the future with the required likelihood of success at the end of the time horizon					
Secondary rate	Default position of percentage of pensionable payroll, unless an alternative is agreed at the sole discretion of the Fund, based upon the individual circumstances of the employer (for instance, those with a known and expected decline in pensionable payroll)					
Treatment of surplus	Winding-down of surplus may be permitted by the administering authority	Contributions maintained at a floor equivalent to primary rate	Winding-down of surplus may be permitted by the administering authority	Preferred approach: contributions maintained at (minimum of) primary rate. Winding-down of surplus may be permitted by the administering authority in specific circumstances e.g. where guarantee in place and agreed with guarantor		Winding-down of surplus may be permitted, depending upon length of contract term and/or funding level

Transferee Admission Bodies

Transferee admission bodies are be treated in accordance with the membership profile, maturity and contract length associated with their participation in the Fund relative to their funding level. The approach considers of the relationship with the ceding Scheme employer, noting that engagement on the FSS extends to relevant guarantors. Transferee admission bodies who have pass-through arrangements are subject to the approach outlined in the table above.

Community Admission Bodies

For community admission bodies, where closed to new entrants (or deemed to be so based on membership activity over previous six years), a higher Likelihood of Success target may be implemented or a reduced time-horizon to implement a higher pace of funding.

Academies

Academies will be treated in accordance with the factors and legislation that lead to their creation. In July 2013, the Department for Education (DfE) provided a guarantee that in the event of the closure of an academy trust, any outstanding liabilities, where not met from the trust's asset on closure, would be met by the DfE in full. More recently, on 14 October 2022, this guarantee was revisited to expand upon the original provision and confirm new annual limits from April 2021.

To reflect the DfE guarantee, and in particular the improved nature and certainty of payment (based upon experience since 2019) all academies will be considered to have the same covenant strength and placed in the employer category 1. This treatment is consistent with the approach applied to the local authorities from which the academies convert. The position will continue to be reviewed, with the 2025 valuation at the latest, to reflect the evolving sector, not least the direction of travel proposed in the Government White Paper "Opportunity for all" published in March 2022.

Further Education Colleges

- In 2019 a college insolvency regime came into effect for further education colleges (2017 Technical and Further Education Act). This regime means:
  - normal commercial insolvency law will apply to colleges. Where a college is in severe financial distress and there is no other solution, new statutory insolvency procedures can apply;
  - the college itself or its creditors can ask the court to apply a normal commercial insolvency processes. These processes include a company voluntary arrangement, administration, creditor's voluntary winding up, court-directed winding up or receivership;
  - in the case of an insolvency, the Department for Education ('DfE') can appoint an education administrator who will have wider duties. These duties will include the avoidance and minimisation of disruption to the studies or existing students as well as to secure the best outcome for learners; and
  - statutory insolvency is considered a backstop. The DfE has indicated that it will use a non-statutory route in the first instance, including the commissioning of an Independent Business Review.

Since the 2019 actuarial valuation, the Office for National Statistics (ONS) has undertaken a review of the sector which has resulted in reclassification to the central government sector (previously classified as part of the private sector). Whilst mindful that this reclassification could have further implications for FE Colleges in the context of the LGPS, the nature of these is unknown at this stage and therefore not reflected as a change in funding strategy. Nonetheless, the Fund continues to monitor developments in this area, both from the perspective of reclassification and as colleges enter into administration under the insolvency regime, in particular the degree of risk for the Fund and its participating employers.

APPENDIX 2: ADMISSION BODY SEPARATE FUND – WEST MIDLANDS TRAVEL LIMITED (WMTL)

a) Introduction

- To reflect the DfE guarantee, and in particular the improved nature and certainty of payment (based upon experience since 2019) all academies will be considered to have the same covenant strength and placed in the employer category 1. This treatment is consistent with the approach applied to the local authorities from which the academies convert. The position will continue to be reviewed, with the 2025 valuation at the latest, to reflect the evolving sector, not least the direction of travel proposed in the Government White Paper "Opportunity for all" published in March 2022.

b) Assessment of Contributions

- As part of each valuation, separate employer contribution rates are assessed by the actuary for WMTL These rates are assessed taking into account the experience and circumstances of WMTL, following a principle of no cross-subsidy with any other Fund employer.
- In line with the status of being a separate admission body fund, WMTL has its own individual investment strategy and as such investment performance is directly attributable to the assets of the employer.

c) Links to Investment Policy Set Out in the Investment Strategy Statement (ISS)

- WMTL has its own Investment Strategy Statement (ISS).
- The Fund uses an asset liability study and stochastic modelling in order to assist the process of formulating a strategic asset allocation. The outcomes are reflected in WMTL's ISS.
- WMTL's investment strategy has been considered and reviewed in conjunction with the 2022 valuation and the FSS. In particular, the future return expectations of the main asset classes in which the Fund invests have been considered in determining the prudent allowance for future investment returns and extent of reliance on these by WMTL.

d) Key Assumptions

Discount rate (non buy-in pensioners)	2.9% per annum
Allowance for potential McCloud remedy (incorporated within discount rate above)	0.05% per annum
Discount rate (buy-in pensioners)*	1.6% per annum
Discount rate (buy-in asset valuation)*	1.6% per annum
Salary increases	3.0% per annum
Inflation/pension increases (CPI)	3.0% per annum (13-year duration)

Discount rate for buy-in liabilities is based on the relevant duration point of the Bank of England nominal gilt yield curve: 1.6% p.a. (based on duration of 9.5 years).

[1]DfE local government pension scheme guarantee for academy trusts - GOV.UK (www.gov.uk)

e) Management of Funding Deficit

i) Employer contributions will be expressed and certified as two separate elements:

- the primary rate: a percentage of pensionable payroll in respect of the cost of the future accrual of benefits.
- the secondary rate: a fixed schedule of incremental annual lump sum amounts, payable over the three years to 2025/26 increasing annually in line with the valuation funding assumption for long-term pay growth in respect of deficit recovery.

Both elements are subject to review from April 2026 based on the results of the 2025 actuarial valuation.

Employers are required to meet all costs of early retirement strain (non ill-health) by immediate capital payment to the Fund.

ii) A funding time-horizon was set for WMTL commensurate with the risk profile and current funding position of the employer.

f) Employer Covenant

The Fund undertook a detailed assessment of WMTL to include a review of the UK bus market and the guarantee arrangements currently in place. The outcome of this assessment and the potential likelihood and scale of employer default was used in the context of the funding strategy review. As such, WMTL does not form part of the employer categorization outlined in appendix 1.

Mortality Assumptions

Post-retirement mortality - base table	In line with Club Vita Curves (member specific mortality tables)
Allowances for improvements in life expectancy	2021 CMI model with a long-term rate of improvement of 1.5% p.a., a smoothing parameter of 7.0 and an initial addition to improvements of 0.25% p.a.

The mortality assumptions above, and in particular the allowances for improvements in life expectancy, can be further illustrated by the table below which is based upon a refresh of the employer's own mortality experience together with observed changes to improvement rates over the last few years.

	31 March 2022	31 March 2019
Male pensioner	19.7 years	20.7 years
Male non-pensioner	21.5 years	22.6 years
Female pensioner	22.6 years	23.8 years
Female non-pensioner	25.7 years	25.7 years

Other Demographic Assumptions

All other demographic assumptions are the same as adopted for the main Fund and as detailed in appendix 1.

APPENDIX 3: ADMISSION BODY SEPARATE FUND – PRESTON BUS LIMITED (PBL)

a) Introduction

- As a separate admission body fund, PBL complies with all areas of this *Funding Strategy Statement*, save for the matters covered within this appendix.

b) Assessment of Contributions

- As part of each valuation, separate employer contribution rates are assessed by the actuary for PBL. These rates are assessed taking into account the experience and circumstances of PBL, following a principle of no cross-subsidy with any other Fund employer.
- In line with the status of being a separate admission body fund, PBL has its own individual investment strategy and as such investment performance is directly attributable to the assets of the employer.
- Employers are required to meet all costs of early retirement strain (non ill-health) by immediate capital payment to the Fund.

c) Links to Investment Policy Set Out in the Investment Strategy Statement (ISS)

- PBL has its own Investment Strategy Statement (ISS).
- The Fund uses an asset liability study and stochastic modelling in order to assist the process of formulating a strategic asset allocation. The outcomes are reflected in PBL's ISS.
- PBL's investment strategy has been considered and reviewed in conjunction with the 2022 valuation and the FSS. In particular, the future return expectations of the main asset classes in which the Fund invests have been considered in determining the prudent allowance for future investment returns and extent of reliance on these by PBL

d) Key Assumptions

Discount rate	2.3% per annum
Inflation/pension increases (CPI)	3.0% per annum (13-year duration)

e) Employer Covenant

The Fund undertook a detailed assessment of PBL to include a review of the UK bus market and the guarantee arrangements currently in place. The outcome of this assessment and the potential likelihood x scale of employer default was used in the context of the funding strategy review. As such, PBL does not form part of the employer categorization outlined in appendix 1.

Mortality Assumptions

Post-retirement mortality - base table	In line with Club Vita Curves (member specific mortality tables)
Allowances for improvements in life expectancy	2021 CMI model with a long-term rate of improvement of 1.5% p.a., a smoothing parameter of 7.0 and an initial addition to improvements of 0.25% p.a.

The mortality assumptions above, and in particular the allowances for improvements in life expectancy, can be further illustrated by the table below which is based upon a refresh of the employers own mortality experience together with observed changes to improvement rates over the last few years.

	31 March 2022	31 March 2019
Male pensioner	19.7 years	20.7 years
Male non-pensioner	21.5 years	22.6 years
Female pensioner	22.6 years	23.8 years
Female non-pensioner	25.7 years	25.7 years

Other Demographic Assumptions

All other demographic assumptions are the same as adopted for the main Fund and as detailed in appendix 1.

GLOSSARY

50/50 Scheme
In the LGPS, active members are given the option of earning half of the standard LGPS benefits and paying half the standard member contribution rates.

Actuarial Valuation
An assessment by an actuary into the ability of a pension fund to meet its liabilities. At the actuarial valuation, the Fund's actuary will assess the funding level of each participating employer and agree contribution rates with the Administering Authority to fund the cost of new benefits and make good any existing deficits.

Administering Authority
A body listed in Part 1 of Schedule 3 of the LGPS Regulations, who maintains a fund within the LGPS. Administering Authorities are typically councils based in England and Wales. The Fund's Administering Authority is the City of Wolverhampton Council.

Admission Body
An admission body is an employer admitted to the LGPS by way of an admission agreement. Admission bodies arise from contracts or outsourcing of services from local government.

Assets
Based on the assessments undertaken by the Fund actuary at each actuarial valuation, a level of contributions (primary and secondary) will be set for each participating employer within the Fund, payable in accordance with the Rates and Adjustment Certificate. Member contributions are set out in statute and collected and paid to the Fund by participating employers. The contributions received by the Fund are invested in accordance with the Fund's investment strategy and strategic asset allocation. Examples of invested assets include equities, bonds, cash and alternatives.

Asset Allocation
The breakdown of the Fund's assets in different asset classes.

Career Average Revalued Earnings ('CARE') Scheme
With effect from 1 April 2014, benefits accrued by members in the LGPS take the form of CARE benefits. Every year members will accrue a pension benefit equivalent to 1/49th of their pensionable pay in that year. Each annual pension accrued receives inflationary increases (in line with the annual change in the Consumer Prices Index) over the period to retirement.

Consumer Prices Index ('CPI')
CPI is an abbreviation standing for 'Consumer Prices Index'. CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. Pension increases in the LGPS are linked to the annual change in CPI.

Deficit
An employer has a deficit when its actuary calculates that it does not currently have enough assets to pay all future commitments. Deficits are typically corrected over periods of time by the payment of additional contributions by employers.

Discount Rate
The rate of interest used to estimate the amount of money needed to be held now to meet a benefit payment occurring in the future.

Employer Covenant
The degree which an employer participating in the LGPS is able to meet the funding requirements of the scheme, both now and in the future.

Employer's Future Service Contribution Rate ('Primary Rate')
The contribution rate payable by an employer, expressed as a% of pensionable pay, as being sufficient to meet the cost of new benefits being accrued by active members in the future. The cost will be net of employee contributions and will include an allowance for the expected level of administrative expenses and investment expenses.

Funding Level
The ratio of a fund's assets to the estimated value of its past service liabilities. This is expressed as a percentage. If a fund has a funding level of 100% then the value of its assets are equal to those of its liabilities.

Funding Strategy Statement (FSS)
This is a key governance document that outlines how the Administering Authority will determine employers' contributions to the Fund and manage its funding risks.

Funding Target
An assessment of the assets required to be held now in order to meet the benefits to be paid in the future. The desired funding target is to achieve a funding level of a 100% i.e. assets equal to the past service liabilities assessed using appropriate actuarial assumptions.

Government Actuary's Department ('GAD')
The GAD is responsible for providing actuarial advice to public sector clients. GAD is a non-ministerial department of HM Treasury.

Guarantor
A guarantor in the context of the FSS is any Scheme Employer, organisation or entity that underwrites the LGPS liabilities of a Scheme Employer either in part or in full.

Investment Strategy
The long-term distribution of assets among various asset classes; it takes into account the Fund's objectives and attitude to risk.

Liabilities
The estimated value, using actuarial methods and assumptions, placed on the obligations of a pension scheme. These obligations include the present value of future pension benefits and contingent benefits and may include the expected value of future expenses.

Local Government Pension Scheme ('LGPS')
An occupational pension scheme for Local Government workers and other related workers made up of 88 individual funds located across England and Wales. West Midlands Pension Fund is one of the 88 individual funds.

Prudent Assumption
An assumption where the outcome has a greater than 50% chance of being achieved. Legislation requires the assumptions (when considered collectively) adopted for an actuarial valuation to be prudent.

Rates and Adjustment Certificate
In accordance with the LGPS regulations, the Administering Authority must obtain this document from an actuary which sets out the contributions payable by each employer.

Real Return or Real Discount Rate
A rate of return or discount rate net of inflation.

Scheme Employer
A Scheme Employer is an employer that is legally obliged to take part in the LGPS by virtue of the LGPS Regulations. This includes councils of all types, academy schools and certain other public sector bodies.

Section 13 Valuation
Section 13 of the Public Service Pensions Act 2013 requires that all public service pension schemes, like the LGPS, undertake an actuarial valuation that ensures their solvency and their long-term cost-efficiency.

ADDENDUM 1: POLICY ON CONTRIBUTION REVIEWS INTER-VALUATION

Introduction
In line with the Regulations that came into force on 23rd September 2020, the Administering Authority has the ability to review employer contributions between valuations. The Administering Authority and employers now have the following flexibilities:

1) The Administering Authority may review the contributions of an employer where there has been, or where there is likely to be, a significant change to the liabilities of an employer.

2) The Administering Authority may review the contributions of an employer where there has been a significant change in the employer's covenant.

3) An employer may request a review of contributions from the Administering Authority if they feel that either point 1 or point 2 applies to them and that employer would be required to pay the costs of any review.

Where the funding position for an employer significantly changes solely due to a change in assets (and changes in actuarial assumptions), the Regulations do not allow employer contributions to be reviewed outside of a full valuation. However, changes in assets may be taken into account when considering an employer's ability to support its obligations to the Fund after a significant covenant change (see 2. above).

The Administering Authority undertakes to consult with the employer prior to undertaking a review of their contributions including setting out the reason for triggering the review.

For the avoidance of doubt, any review of contributions may result in no change and a continuation of contributions as per the latest actuarial valuation assessment. In the normal course of events, a rate review would not be undertaken close to the implementation of the rates from the latest actuarial valuation, unless there are exceptional circumstances.

Circumstances Whereby Contributions May be Reviewed
Contributions may be reviewed if the Administering Authority becomes aware of any of the following scenarios. Employers will be notified if this is the case.

Employers may also request a review as a result of the following scenarios and subject to required contribution payments and monthly membership data being up to date, as well as ensuring there are no significant historical data gaps in accordance with the employer obligations outlined within the Pensions Administration Strategy.

1) Significant Changes in the Employer's Liabilities
This includes but is not limited to the following scenarios:

a) Significant changes to the employer's membership which will have a material impact on their liabilities, such as:

   i) Restructuring of an employer (for instance, which results in a material change in the purpose, nature or scale of the organisation)

   ii) A significant outsourcing or transfer of staff to another employer in the Fund

   iii) A bulk transfer into or out of the employer

   iv) Other significant changes to the membership for example due to redundancies, significant salary awards, ill health retirements, large number of withdrawals

b) Two or more employers merging including insourcing and transferring of services

c) The separation of an employer into two or more individual employers

In terms of assessing the triggers under a) above, the Administering Authority will only consider a review if there is a demonstrated and evidenced expectation of a significant change in liabilities. In some cases this may mean there is also a change in the covenant of the employer.

Any review of the contributions will consider the effect of the new active membership profile on the primary rate of contributions and the impact of the change in liabilities on the secondary contributions.

2) Significant Changes in the Employer's Covenant
This includes, but is not limited to the following scenarios:

a) Provision of, or removal of, or impairment of, security, bond, guarantee or some other form of indemnity by an employer against their obligations in the Fund. For the avoidance of doubt, this includes provision of security to any other creditor which may impair the security provided to the Fund.

b) Material change in an employer's immediate financial strength or longer-term financial outlook (evidence should be available to justify this)

c) Change in potential outcome and recovery by the Fund, where an employer exhibits behavior that suggests a change in their ability and/or willingness to pay contributions to the Fund.

In some instances, a change in the liabilities will also result in a change in an employer's ability to meet these obligations.

Whilst in most cases the regular covenant updates requested by the Administering Authority will identify some of these changes, employers will be required to notify the Administering Authority of any material events. The Administering Authority will set out notifiable events requirements in the Pensions Administration Strategy.

Additional information will be sought from the employer in order to determine whether a contribution review is appropriate. This may include annual accounts, budgets, forecasts and any specific details of restructure plans. As part of the review, the Administering Authority will take advice from the Fund Actuary, covenant, legal and any other specialist adviser, as deemed appropriate.

In this instance, any review of the contribution rate would include consideration of the updated funding position both on an ongoing and termination basis (if applicable).

Timing and Charges Associated With a Contributions Review
Where an employer makes a request for a contribution review, it is considered that it should be limited to a maximum of one request per calendar year, unless circumstances dictate a further review is deemed appropriate and at the sole discretion of the Fund, having obtained relevant evidence from the employer to support the request.

In addition, unless in exceptional circumstances at the sole discretion of the Fund, a request for a contribution review will not be permitted within 12 months from the statutory valuation date, during the period when updated membership data and more in depth assessment of the Fund and individual employer liabilities is under review.

Where the review of contributions has been initiated by the Administering Authority, any costs incurred as part of the review in relation to the gathering of evidence to present to the scheme employer and the actuarial costs to commission the contribution review will be met by the Fund. This is with the exception of any costs incurred as a result of extra information requested by the Scheme employer which is not ordinarily anticipated to be incurred by the Administering Authority as part of the review. These exception costs would be recharged to the scheme employer.

For the avoidance of doubt, where the contributions review is requested by an employer the expectation would be that responsibility for associated costs are passed onto the employer, unless specifically agreed otherwise and at the discretion of the Fund.

The review of contributions may take up to three months from the date of confirmation to the employer that the review is taking place, in order to collate the necessary information (note in most cases it is expected that there will be a requirement for the employer to supply relevant information and data to support the review).

Process and Potential Outcomes of a Contribution Review
Where review is triggered, the Administering Authority will notify the employer of the intention to review contributions. Ultimately, the decision to review contributions as a result of the above events rests with the Administering Authority after, if necessary, taking advice from their Actuary, legal or a covenant specialist advisors.

This also applies where an employer notifies the Administering Authority of the event and requests a review of the contributions. The employer will be required to confirm payment of the costs associated with the review and outline the rationale and case for the review through a suitable exchange of information prior to consideration by the Administering Authority. The Administering Authority will determine any information it requires from the employer, in addition to the information held or provided with the request for review.

Consideration will be given to the impact of change in an employer's contributions may have on the other employers and on the Fund as a whole, when deciding whether to proceed with a contribution review.

The most recent actuarial valuation data will be used as a starting point for the review, with amendments made where required to reflect any significant changes in the employer's membership profile. The Administering Authority will consider whether it is appropriate to use updated membership data within the review, for example where the level of manual amendments required to the valuation data would require a disproportionate level of work or if there has been a significant change in an employer's membership.

The approach to setting assumptions will be in line with that adopted for the most recent actuarial valuation, and in line with that set out in the Fund's *Funding Strategy Statement*. The market conditions and demographic assumptions used will be in line with those at the most recent actuarial valuation unless an update is deemed more appropriate by the Fund Actuary.

As well as revisiting the employer's contribution plan, as part of the review it is possible that other parts of the funding strategy will also be reviewed where the covenant of the employer has changed, for example the Fund will consider:

- The Employer Categorisation and in particular whether the employer's risk rating (as outlined on page 25) remains appropriate or whether they should move to a different category.
- As a consequence of the point above, whether the secondary contributions should be adjusted either as a result of the amending the recovery period and/or the volatility reserve for that employer.
- Whether the Primary contribution rate should be adjusted to allow for membership profile change.

Any change to an employer's contributions will be implemented at a date agreed between the employer and the Fund. The schedule to the Rates and Adjustment Certificate at the last valuation will be updated for any contribution changes.

Version control:

Version	Responsible Officer	Change	Date	Next Review
1.0	Assistant Director Pensions	2022 Actuarial Valuation	March 2023	2025/2026

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ASSET SHARE POLICY

MARCH 2023

West Midlands Pension Fund

BACKGROUND

The West Midlands Pension Fund (like all funds in the Local Government Pensions Scheme) is not a legally sectionalised arrangement by employer under the LGPS regulations. The *Asset Share Policy* outlines how the Fund allocates total Fund assets to employers in order to provide a notional employer asset share, for employer funding and accounting purposes.

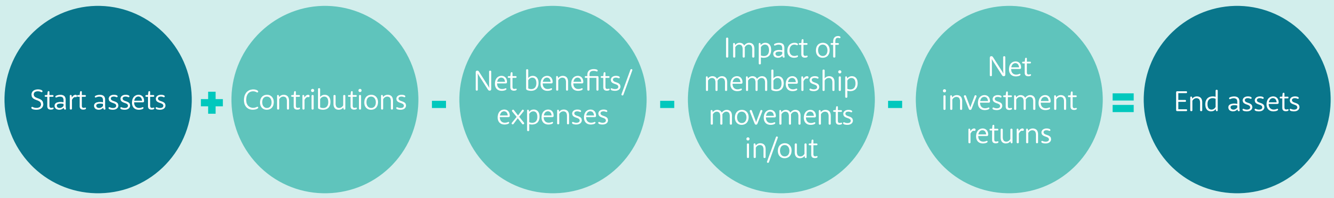
West Midlands Pension Fund has two Admitted Body Separate Funds (ABSFs) to which this policy is not relevant and does not apply as they are single employer ABSF (see Appendix B for further details).

For employers in scope of this policy, an employer's allocated asset share is calculated on a notional basis, taking into account the circumstances of that employer, in order to assess that employer's contributions (including on termination) as per the LGPS Regulations. Employer asset shares are considered formally and most in-depth at each triennial actuarial valuation with interim review and updates where required by employer or Fund event. Employer asset share values will move (most significantly) in line with the total Fund assets, according to Fund investment strategy and market movements. Subject to individual employer funding, membership size and experience; cashflow and events can cause changes in the employer asset share over time.

The Fund's Actuary assesses this asset share in line with the policies agreed with the Administering Authority. The Fund's Asset Share Policy sets out the principles adopted by the Fund which are routinely reviewed and informed by common practices adopted across all LGPS Funds. This document will be formally reviewed at least at each triennial actuarial valuation.

There is therefore no separately audited asset statement in relation to each employer's own asset share within the Fund and an employer does not formally get allocated the underlying assets. The assets remain the property of the Fund and are simply notionally allocated to employers as referred to above. This is of particular importance in the context of accounting figures where the Fund will be unable to provide individual audited assets statements.

What are the key factors that can influence an employer's asset share?
In simple terms an employer's asset share at a certain point in time will typically be determined by:



In practice, there are a number of other factors that need to be taken into account and these are explained in more detail in this policy together with the main circumstances when an asset share will need to be determined to inform calculations and assessment undertaken by the Fund Actuary.

It is also important to note that it is often necessary to make some practical approximations in the timing of employer cashflows and allocation of investment returns when deriving the asset share for employers. Equally, employers may see material changes in their asset share when members move between employers in the Fund and a notional intrafund transfer of assets is made.

In attributing the overall investment performance of the assets of the Fund to each employer, a pro-rata principle is adopted, in accordance with the applicable investment strategy

The asset share for an employer in the Fund during its participation in the Fund will be determined according to the event and purpose of the asset value as follows:

Event	Purpose
Admission to the Fund	Determine initial balance sheet/contribution
Triennial Actuarial Valuation	Inform decision-making on contribution requirements
Employer Accounting	For employers to include in their accounts
Bulk Transfers	To determine value of payments to/from the Fund, or between employers in the Fund.
Inter-Valuation Funding Updates	To assist with employer budget setting and/or inform decision-making on contribution requirements
Cessation	To determine potential exit payment to/from the outgoing employer.

ADMISSION TO THE FUND

On entry to the Fund, unless a pooled contribution rate is payable (see below), the Actuary will be required to assess the contribution rate payable of the employer entering the Fund, based on their employer asset share.

The appropriate asset share, which will impact on the initial contributions payable, will be determined in line with this *Asset Share Policy* and the Fund's admission body and academy policies. Further detail on the approach relating to groups of employers can also be found in Appendix 1 of the Fund's Funding Strategy Statement (FSS). The FSS is reviewed on a regular basis and fully as part of each actuarial valuation.

The asset share allocated to the new employer on entry to the Fund will be determined by the funding status:

- For **partially funded admissions**, the assets share will be equal to the value of the liabilities assessed by the Actuary (for benefits accrued up to the admission date for those members transferring to the new employer) less any deficit allocated on inception based on agreed policies. (This would be subject to a minimum asset share of zero.)
- For **fully funded admissions**, the initial asset share will be the same as the value of the liabilities assessed.
- Where a local authority school **converts to academy status**, the assets allocated to the new academy will depend on the Administering Authority's policy to allocating a share of the ceding local authority's deficit or surplus to the new academy. Further details of this policy can be found in the Fund's academy policy as referenced above. Generally this is based on the proportion of accrued benefits of transferring members of the new academy to the ceding authority, with other aspects, such as the time-horizon for funding, set out in the FSS.

In situations where a pooled rate is payable (and hence an initial contribution rate assessment is not required), or an employer is admitted via a pass-through arrangement, the initial asset share will be determined by the Actuary at the subsequent actuarial valuation (or accounting) exercise undertaken, whichever is first, in line with the principles set out in this *Asset Share Policy*.

ACTUARIAL VALUATION

For all employers in the Fund at the triennial actuarial valuation, the Fund and the Actuary will review the notional asset shares of all employers in order to determine the funding position for each employer and inform the appraisal of future contributions payable by the employer for the next inter-valuation period.

"Asset Roll-Forward"
As part of this review, to determine an updated notional asset share, the Actuary will follow the policies determined by the Administering Authority. This will involve considering a "roll- forward" approach whereby the assets allocated to an employer at the previous actuarial valuation (or date of entry to the Fund if later) are rolled forward to the current valuation date taking into account the following key data items:

Investment Return – the performance of the Fund's assets (net of expenses) over the inter-valuation period (based on the applicable investment strategy).

Contributions – a combination of both employer and employee contributions. This will include any additional payments to the Fund over the inter-valuation period e.g. in relation to early retirement strain costs.

Benefit Payments and Transfers – the combined total of transfers received/paid to and from the Fund (both individual and bulk), lump sum payments (retirement and death), pension payments, and other payments to leavers will also be incorporated into the assessment.

Net Intrafund Transfers – whilst benefit payments assigned to an employer represent actual monetary transactions which are recorded by the Fund, in some instances individual member movements between employers within the Fund trigger a notional "intrafund" payment and therefore need to be allowed for in any "asset roll-forward" that is undertaken as part of a valuation. This intrafund transfer will be derived from the liabilities that have also transferred in relation to the members taking account of the timing and relevant returns in the same way as other monetary payments.

Generally speaking, apart from significant contributions e.g. prepayments, or significant transfers in/out of the Fund (or significant intrafunds), cashflows (and the investment returns associated with them) will be assumed to occur mid-period over which the investment return is allocated.

Where significant contributions/cashflows have occurred at points within the roll-forward period, the allocation of investment returns will be reviewed and may be adjusted by the Actuary in order to allow for the timing of payments.

"Analysis of Surplus"
In some instances, e.g. where sufficient transaction data isn't available or where the underlying membership data differs significantly to the prior valuation, the Actuary will adopt an "analysis of surplus" approach whereby the surplus/deficit position of each employer will be calculated according to their experience since the previous valuation (or since admission if they are a new employer to the Fund).

This surplus/deficit is then added to/subtracted from the employer's liabilities (in relation to benefits accrued up to the valuation date) to give the notional asset share. This is on the basis that the surplus or deficit is needed to derive the secondary contribution rate requirements on a fair and reasonable basis for each employer.

When undertaking the "analysis of surplus" approach similar principles apply as per the roll forward approach, but additional factors which have impacted the liabilities, and hence surplus or deficit, are also taken into account. These include, but are not limited to, the impact of pension and pay increases and changes in the liabilities as a result of experience from key demographic assumptions such as mortality experience. This is in line with common actuarial practices

Other Adjustments

Under both approaches above, other adjustments may also be made to individual employer asset share by the actuary on account of the funding positions of orphan bodies in the Fund (i.e. those where liabilities remain, that all other remaining active employers in the Fund are responsible for in the absence of a guarantor body within the Fund). This ensures any surplus or deficit in relation to these bodies is considered in the context of the collective nature of the Fund and wider LGPS, and a pro-rata basis on which unfunded liabilities fall amongst the remaining employers in the Fund. To inform this the Administering Authority considers the orphan body funding requirements as part of each triennial actuarial valuation and reserves appropriately.

The Fund also operates a captive insurance arrangement to cover ill-health early retirement risk for smaller employers. Ill-health premiums are paid into the captive fund, which forms a separate notional pot of assets tracked by the Fund Actuary at each triennial valuation.

All ill-health retirement strains arising in respect of eligible employers are then met by the captive fund. In practice, assets equal to the strain payment due would be transferred within the Fund from the captive fund to the employer's asset share. This is designed to remove the deficit caused by an ill-health retirement cost on the employer's funding position. More information can be found in the Fund's Captive Ill-Health Insurance Policy.

The total of individual employer asset shares (and reserves) following initial assessment is then cross-referenced against the Fund's total assets (as quoted in the Fund's audited accounts) and adjusted in proportion as necessary, to ensure Fund assets are fully allocated across the employer base.

ACCOUNTING DISCLOSURES

Whilst not impacting directly on contributions payable to the Fund, many employers are required to obtain and report on their defined benefit obligations to the Fund in their annual accounts, in accordance with relevant accounting standard, e.g. IAS19, FRS101/102 etc.

The production of employer pension accounting disclosure report requires the Fund's Actuary (or the employer's own nominated Actuary if disclosures are calculated outside of the Fund's standard bulk process) to obtain an updated employer asset share value in relation to the employer's participation in the Fund. This is calculated based on a roll-forward approach which was agreed with CIPFA when accounting standards were introduced in the early 2000's for public bodies. Whilst some of the details in the CIPFA guide have been superseded by changes in the accounting standards, the underlying roll-forward approach is recognised as valid and maintained.

Unless requested by the employer, the asset share and Actuary accounting disclosure will only allow for changes in the underlying membership, e.g. transfers of staff, etc. within the annual pensions accounting disclosure where the employer's materiality limit (as advised by the employer to the Fund on agreement with the employer's auditor) is expected or known to have been breached. It is the employer's responsibility to request allowance for such events to be made depending on their materiality and as agreed with the employers' auditors.

To facilitate and aid in meeting reporting timescales for employers, the Fund may apply some estimation to cashflows and investment returns where only part year data is available, in determining the asset share for the purposes for accounting disclosures. This will be notified to employers when the accounting disclosures are provided for discussion with their auditor.

For example, for those employers requiring 31 July and 31 August accounting disclosures, which do not coincide with a Fund quarter-end reporting date and reporting cycle, allowance will be made for actual cashflows and investment return to the latest date available (typically 30 June). For the remaining period, estimated cashflows and investment returns (based on market indices) used to determine employer asset share.

BULK TRANSFER

On occasion, there may be a bulk transfer of staff between two employers. For internal transfers, where the two employers both participate in the Fund, the employers may request in some cases that the Actuary calculates the potential impact on their balance sheet at the point of transfer (rather than at the subsequent actuarial valuation). For instance, the transfer may need to be reflected in inter-valuation accounting figures, or if the transfer is significant, may trigger the need for a contribution rate review (see below). In such cases, in the same way as asset share calculations are undertaken on admission, the basis of transfer i.e. fully funded or partially funded, will determine the value of assets to be transferred (alongside the underlying liabilities).

Where one of the employers involved in the transfer does not participate in the Fund, the value of the assets to be transferred to/from the Fund ("the transfer payment") is determined in accordance with the LGPS Regulations[1] on agreement between the Actuary's appointed by the transferring and receiving Funds. This may involve a calculation of Cash Equivalent Transfer Values, or where the number of members transferring is sufficient, the employer asset share will be determined in accordance with this policy and methodology for determining the transfer payment (including date and associated membership data schedule) will be agreed between the Actuary to both Funds (with input from the administering authority as required).

To facilitate and aid in meeting reporting timescales for employers, the Fund may apply some estimation to cashflows and investment returns where only part year data is available. This will be notified to employers when bulk transfer estimates are provided.

INTER-VALUATION FUNDING UPDATE/CONTRIBUTION REVIEW

During an inter-valuation period, there may be occasions where the Actuary needs to determine an updated asset share figure for an employer. The two main scenarios where a determination may be required would be:

a) in the lead up to the next actuarial valuation, where the assessment of an updated funding level for the employer will assist with potential budgeting discussions in light of how contribution requirements may evolve following the valuation, and

b) where the Fund agrees to a review of an employer's contribution requirements in advance of a valuation being undertaken in line with the Fund's employer flexibility policy which can be found in Addendum 1 of the Fund's FSS. This policy sets out the circumstances when such a review may be undertaken.

For both the exercises above, the starting point for the determination will be the most recent actuarial valuation assessment undertaken (or date of admission of later). This figure will be rolled forward to the review date allowing for Fund investment returns, the employer's contributions and net benefit payments.

In the case of a contribution rate review, relevant membership experience and benefit record changes during the period (which could include both movements between employers and changes in underlying data e.g. updated member data from an employer that wasn't previously available etc.) may also be considered.

[1] Timeline LGPS Regulations 2013 (lgpsregs.org)

CESSATION OF PARTICIPATION IN THE FUND

Whilst the above scenarios set out the approach adopted to determine the asset share allocation for employers on entry to the Fund, and at subsequent actuarial valuation or event, asset share calculations are also undertaken to determine whether contributions are required to be paid by the employer when they exit the Fund. Equally an exit credit may be payable to the employer if the assets share exceeds the termination liabilities on exit.

When such events occur, the Actuary will be commissioned by the Administering Authority to undertake an assessment of the exit funding position, informed by an up-to-date assessment of the employer asset share. This Fund's termination policy sets out the process by which amounts payable on cessation are determined, according to the nature of exit and the funding positions on exit.

As for other scenarios above, the determined starting point for assessing the asset allocation for the employer on cessation will be the most recent actuarial valuation assessment undertaken (or date of admission of later). This figure will be rolled forward to the termination date allowing for the investment returns/contributions/net benefit payments and membership experience/data changes (as per the comments above). For cessations, the final asset share will be dependent on the treatment of any remaining active members on cessation where a transfer to other employers in the Fund is taking place i.e. whether or not the transfer is on a partial/fully funded basis. Any residual assets would then be compared to the remaining non-active liabilities to determine any final payment due/payable from/to the employer. Following termination, the liabilities would either become orphan or subsumed into another employer in the Fund depending on the circumstances

APPENDICES

Frequently Asked Questions
Appendix A below sets out a summary of the key areas from this policy document in a FAQ format alongside other commonly asked questions.

Admitted Bodies Separate Fund
Appendix B provides brief commentary on the Admitted Bodies Separate Fund referred to in the introduction to this policy paper and the reasons why this policy does not apply to those employers participating in the ABSF.

APPENDIX A – FREQUENTLY ASKED QUESTIONS

Question	Answer
Can employers be provided with an audited asset statement in relation to the assets allocated?	No. The West Midlands Pension Fund is not legally sectionalised (apart from the ABSF – see Appendix B) and so the assets allocated to the employers in the Fund are done so on a notional basis for funding and to inform contribution requirements only and hence individual employer audited asset statements can't be provided.
What investment strategy will be applied to the employer's asset share?	Unless the Administering Authority have notified otherwise, investment performance will be allocated to each employer in the Fund on a pro-rata basis based on the Fund's overall investment strategy.
How are assets allocated to employers on entry to the Fund?	The assets to be allocated to an employer on entry to the Fund will be dependent on: • The associated past service liabilities of the membership associated with the employer on entry, • The funded status of the employer, e.g. partially funded, or fully funded. The funded status of employers on entry may vary depending on the employer type and how the Fund's policy and approach is tailored to differed types of employers, for example scheduled bodies such as academies compared to admitted bodies. In some cases, e.g. for pass-through arrangements, the associated assets may remain with the ceding employer or the initial asset allocation may not be carried out on entry, but as part of the subsequent actuarial valuation assessment.
When will an employer's asset share be reassessed?	The asset share will be formally reviewed at the triennial actuarial valuation following entry to the Fund (unless the employers participation ceases beforehand), and at each valuation thereafter. There may be occasions when the asset share is reviewed inter-valuation depending on the circumstances of the employer, for example to facilitate an annual funding review or where an inter-valuation contribution rate assessment is required in line with the policy set out in the FSS.

Question	Answer
What are the key factors that will determine the asset share in between triennial actuarial valuation assessments?	The key factors impacting on asset allocations from one valuation to the next will be: • Investment return impacts asset value (and therefore quantum of employer share) over time • Contributions paid • Net benefit payments • Changes in underlying membership data • Review of the Fund's Asset Share policy and/or FSS • Changes in the employer base
How are assets allocated when an employer is part of a pooling arrangement e.g. payment of a pooled rate by a Multi-Academy Trust (MAT)	The asset shares for each academy associated with the MAT are tracked individually from one valuation to the next and the same approach will apply as to other non-pooled employers in the Fund. The pooling arrangement simply serves to produce a combined contribution rate payable by the MAT covering all constituent academies.
How are assets calculated when an employer leaves the Fund?	The starting point for such calculations will be the most recent triennial valuation assessment undertaken. The employer asset share at this date is rolled forward to the termination date allowing for Fund investment returns, the employer's contributions and net benefit payments, together with review for any relevant membership experience and benefit record changes during the period. The treatment of any member transfers on termination will also impact the final asset share calculated for the purposes of determining an exit (cessation) debt or credit (where relevant).
Why is the employer asset share values different for funding and accounting even though the effective dates are the same?	Depending on the timescales for preparing figures for accounting exercises, the Actuary may need to estimate cashflows and investment returns when calculating the employer asset share value. In addition, the impact of membership movements (including those in relation to membership whose employer no longer participate in the Fund (orphan liabilities) will typically only emerge in accounting figures every three years i.e. following completion of a triennial actuarial valuation.

Question	Answer
Will the % share of assets for an employer relative to the Whole Fund assets be fixed?	No. The % share is not fixed and will vary as the employer's experience differs from the Fund as a whole e.g. in terms of contributions and benefits paid in respect of membership relating to that employer and to reflect any variation in return based on the investment strategy applied to the employer's asset share. The overall number of employers participating within the Fund is also not constant.

APPENDIX B – ADMITTED BODIES SEPARATE FUNDS

As referred to in the introduction to this policy document, the Fund is not a legally sectionalised arrangement with the exception of two employers who participate in Admitted Body Separate Funds of the Fund.

With effect from 1 April 2020, the West Midlands Integrated Transport Authority Pension Fund formally merged with the West Midlands Pension Fund.

In line with the Direction Order issued by the Secretary of State in relation to this merger, the ABSFs were established. The assets associated with the two employers of the WMITA Fund – West Midlands Travel Ltd and Preston Bus Ltd were formally sectionalised at that time. Each employer has its own funding and investment strategy.

This differs to the employers in the main section of the West Midlands Pension Fund which is not legally sectionalised. The policies set out in this paper therefore relate to these employers only.

POLICY OWNERSHIP

Version control:

Version	Responsible Officer	Change	Date	Next Review
1.0	Assistant Director Pensions	2022 Actuarial Valuation	March 2023	2025/2026

West Midlands Pension Fund
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This report is PUBLIC

Agenda Item No: 6

CITY OF WOLVERHAMPTON COUNCIL	**Pensions Board** 25 April 2023

Report title	Investment Strategy Statement	
Originating service	Pension Services	
Accountable employee	Shiventa Sivanesan	Assistant Director, Investment Management and Stewardship
	Email	shiventa.sivanesan@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Email	Executive Director of Pensions rachel.brothwood@wolverhampton.gov.uk

Recommendation for action:

The Pensions Board is asked to note:

1. The revised and updated Investment Strategy Statement (ISS) that was approved by the Pensions Committee at their meeting in March 2023.

1.0 Purpose

1.1 To present for Board the reviewed and approved ISS which has been updated to reflect the Fund's review of its investment strategy, incorporating updated investment beliefs, governance and risk management arrangements and the Strategic Investment Allocation Benchmark (SIAB).

2.0 Background

2.1 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, in force from 1 November 2016, require Administering Authorities to publish their first Investment Strategy Statement (ISS) from 1 April 2017 and keep under review.

2.2 To comply with the regulations and guidance, the ISS must include:

- A requirement to invest money in a wide variety of investments
- The authority's assessment of the suitability of particular investments and types of investments
- The authority's approach to risk, including the ways in which risks are to be measured and managed
- The authority's approach to pooling investments, including the use of collective investment vehicles and shared services
- The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments
- The authority's policy on the exercise of rights (including voting rights) attaching to investments

2.3 The ISS was last reviewed in-depth in conjunction with the 2019/20 triennial review and has been reviewed and updated in 2021 and 2022 to reflect annual review and developing implementation and supporting policy.

2.4 The 2023 statement reflects an in-depth review of the investment strategy undertaken by the Fund's investment and risk consultants, in conjunction with the Fund's officers. The updated ISS and SIAB targets have been reviewed by the Fund's Investment Advisory Panel and shared with key stakeholders (employers and governing bodies). Revisions reflect review of the Fund's long-term investment objectives, in context of the outcomes of the triennial Funding Strategy and Employer Covenant review, and as part of the Fund's Integrated Risk Management Framework.

3.0 Changes Incorporated in the Revised Investment Strategy Statement

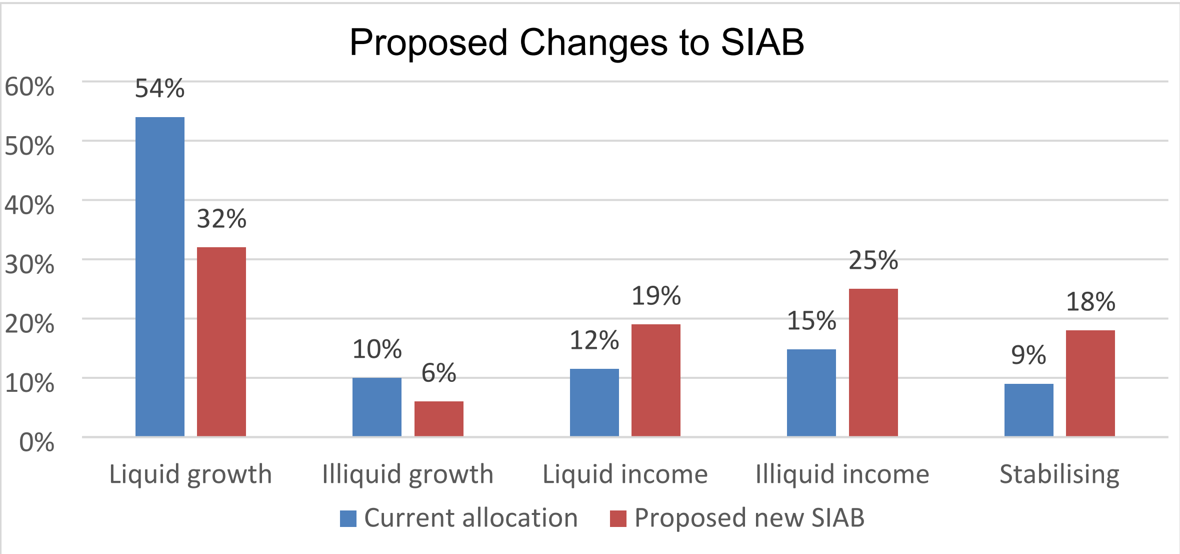
3.1 Following the 2022 triennial actuarial valuation and review of the funding strategy, the Fund has been working with its external investment and risk advisers to review the investment strategy and to update the strategic asset allocation in light of the improved funding position and changing future contribution outlook. The investment beliefs outlined within the ISS and risk tolerance of the Fund have been considered and are reflected within the recommendations stemming from the review.

3.2 The ISS has been updated to reflect changes in strategy for both the Main Fund and the Admitted Body Separate Funds (ABSFs). Governing Body members have received through recent training, further detail of the review, risk considerations and rationale for changes to the SIAB.

3.3 The investment strategy has been assessed and considered in context of the economic outlook, Fund commitment to Climate Change and ambition to further integrate wider environmental, social and governance factors into investment decision making. The review reflects a forward-looking approach to managing both risk and opportunity through the investment strategy.

3.4 When considering the investment strategy, the Fund looks to set a medium-term strategy to cover the next one to two actuarial valuation cycles (3-6 years) reflecting on the longer-term funding requirements and the development of the future benefit cashflow and evolving liability profile. It is recognised that conditions may well change over that time period and as a consequence the Fund will keep its ISS under review with the Pensions Committee reviewing the ISS on an annual basis.

3.5 Key strategic asset allocation changes contained within the ISS for the Main fund are to further reduce the target allocation to growth assets and continuing to increase the strategic allocation to income producing assets and stabilising (lower risk) assets, reflecting the improved funding position from the actuarial valuation and the desire to reduce overall levels of investment risk whilst maintaining a return target focused on delivering the longer-term investment returns to meet the Fund's funding strategy. The risk reduction envisaged through the revised allocation benchmark will aid in increasing funding and contribution stability over time.



3.6 Key changes for the ABSFs reflect the closed and maturing nature of the liabilities the assets are held to support. Improving funding levels has enabled further investment risk reduction and increased collateral backed liability matching assets.

3.7 Proposals have been developed in consideration of the liquidity requirements of the Fund, resilience to changing levels of inflation and the potential for market shocks.

3.8 As part of the ISS review, the Fund has undertaken a consultation process with key stakeholders which have included group consultation and individual meetings on the valuation outcomes and high-level investment strategy review.

3.9 The SIAB and the wider ISS will continue to be reviewed annually, as implementation plans develop, to ensure it remains "on track" in context of developing economic and market conditions, and emerging guidance applicable to the Local Government Pension Scheme (LGPS) investment strategy, governance and implementation. The next full investment strategy review will be carried out in conjunction with the 2025 actuarial valuation, for approval by 31 March 2026.

4.0 Financial Implications

4.1 This report contains no direct financial implications.

5.0 Legal Implications

5.1 Regulation 8 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 enables the Secretary of State to issue a Direction if he is satisfied that an administering authority is failing to act in accordance with the guidance issued by the Department of Levelling Up, Housing and Communities (DLUHC).

The Secretary of State's power of intervention does not interfere with the duty of elected members under general public law principles to make investment decisions in the best long-term interest of scheme beneficiaries and taxpayers.

The power of Direction can be used in all or any of the following ways:

- To require an administering authority to make changes to its investment strategy in a given timescale
- To require an administering authority to invest assets as specified in the Direction
- To transfer the investment functions of an administering authority to the Secretary of State or a person nominated by the Secretary of State
- To require an administering authority to comply with any instructions from either the Secretary of State or the appointed person in circumstances when the investment function has been transferred

6.0 Equalities Implications

6.1 This report contains no equal opportunities implications.

7.0 Other Implications

7.1 This report contains no other implications.

8.0 Schedule of Background Papers

8.1 Department of Communities and Local Government guidance on preparing and maintaining an investment strategy statement (September 2016) https://www.gov.uk/government/publications/local-government-pension-scheme-guidance-on-preparing-and-maintaining-an-investment-strategy-statement

9.0 Schedules of Appendices

9.1 Appendix A – Investment Strategy Statement 2023

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INVESTMENT STRATEGY STATEMENT

MARCH 2023

West Midlands Pension Fund

CONTENTS TO UPDATE

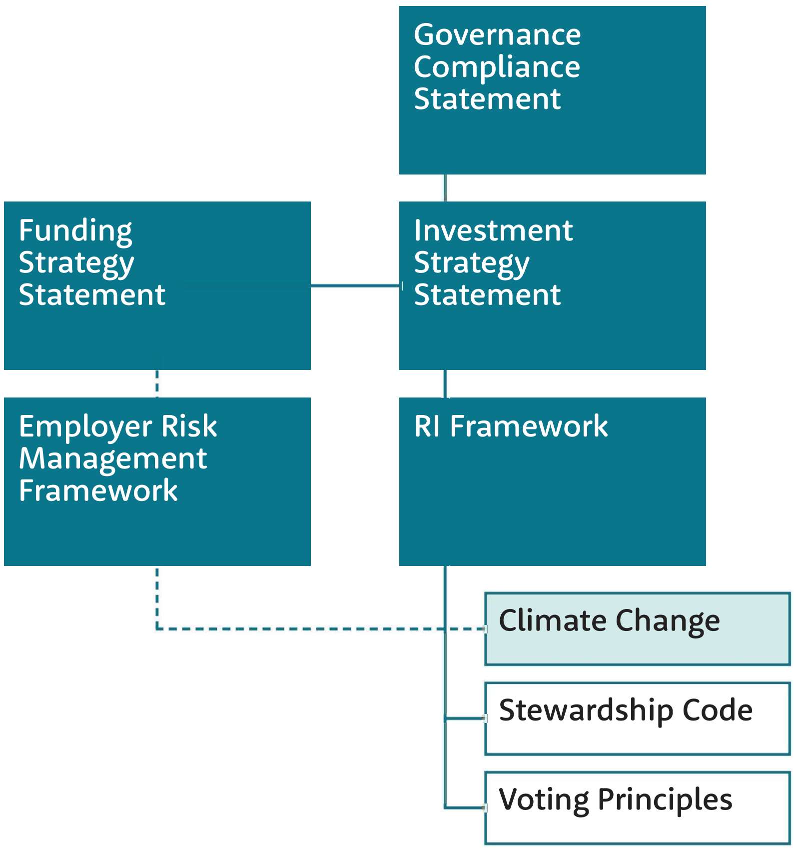
1 INTRODUCTION

Local Government Pension Scheme (LGPS) regulations require administering authorities to prepare and maintain an Investment Strategy Statement ('ISS'). This ISS has been prepared by the West Midlands Pension Fund (the Fund) in accordance with regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the 'Regulations') and associated guidance. In preparing the ISS, the Fund has consulted with such persons as it considered appropriate. This statement updates and replaces the March 2022 ISS for the Fund. This statement was approved by Pensions Committee on 22 March 2023.

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

The ISS also outlines the Fund's views on Responsible Investment (RI) and how RI and environmental, social and governance factors are integrated into the investment decision-making process and how this and the associated *Climate Change Framework and Strategy* guide the way in which the Fund considers asset allocation and selects and stewards its assets. Further information on the Fund's approach to RI is set out in the Fund's *Responsible Investment Framework*.

The ISS is supported by the *Funding Strategy Statement (FSS)* and the Fund's employer covenant monitoring framework. Together these ensure an integrated approach to funding and investment strategy and risk management, supporting the Fund in meeting its regulatory funding requirements and long-term obligation to pay member benefits. The core statements and frameworks relating to funding and investment strategy are summarised as follows:



ISS Review
The ISS is subject to fundamental review at least every three years and from time to time on any material changes to any aspects of the Fund, its liabilities, long-term cashflow projection and its attitude to risk which are judged to have a bearing on the stated investment policy. In line with other Fund policies, the ISS is reviewed annually. In preparing the ISS, the Fund has considered advice from its appointed investment and risk consultants who it reasonably considers to be qualified by their ability in and practical experience of pension scheme funding and investment matters.

Following the merger of the former West Midlands Integrated Transport Authority (WMITA) pension fund into that of the main West Midlands Pension Fund, former employers of the WMITA pension fund now participate in the main West Midlands Pension Fund with associated assets and liabilities transferred to two separate admission body funds (ABF). The associated investment strategy statements for the separate ABFs are included as appendices to this ISS (appendices D and E).

The Fund has undertaken a consultation process with key stakeholders over 2022/23 as part of its fundamental triennial review of the ISS which has included, communication and forum discussions on the funding strategy, actuarial valuation and headline investment strategy, incorporating considerations in the context of the evolving liability profile and economic environment, as relevant to meet the Fund's overarching funding and investment objectives. A copy of the draft ISS has been made available to employers and published on the Fund's website, with briefings provided to governing bodies and to wider employer representative groups on request, pending approval by Pensions Committee. The two employers covered by the ABFs have also been consulted on change to their individual investment strategies, where applicable, which are incorporated into the relevant appendices.

The City of Wolverhampton Council is the administering authority for the Fund under the LGPS regulations. The City of Wolverhampton Council delegates responsibility for the administration and management of the Fund to the Pensions Committee who, in turn, delegates certain responsibilities to the Executive Director of Pensions.

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

The Investment Advisory Panel includes two external advisers alongside the Executive Director of Pensions and Investment Assistant Directors. The Investment Advisory Panel provides challenge and oversight of the Fund's implementation of the ISS including strategic asset allocation and investment decisions taken by the Internal Investment Committee (IIC).

The IIC, led by the Investment Assistant Directors, is responsible for the day-to-day management of investment strategy and oversight of investment management arrangements, incorporating the aims and ambition set out in the *Responsible Investment Framework* and *Climate Change Framework and Strategy*. The IIC is supported by an internal investment team, investment and risk consultants, the Investment Advisory Panel and external investment managers including the pool company, LGPS Central Limited.

The Pensions Committee comprises representatives from the seven West Midlands metropolitan district councils and three local trade unions. The Fund's governing bodies also encompass a statutory Local Pensions Board whose role is to assist in the good governance of the scheme by ensuring compliance with statutory and regulatory duty. The Local Pensions Board includes representatives from sectors across the employer base. Neither the Local Pensions Board nor the Investment Advisory Panel have any decision-making powers.

Further details relating to the Fund's investment governance framework and roles and responsibilities are set out in Appendix A. The Fund is aware of the risks arising from potential conflicts of interest and has established a conflicts of interest policy which sets out the approach taken to identify, monitor and manage conflicts. Further information on the Fund's overall governance framework is set out in the *Governance Compliance Statement*.

2 PURPOSE OF THE ISS

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

The aims of the Fund are to:

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

The purpose of the Fund is to:

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

The purpose of the ISS is:

- To set out the governance arrangements for investment;
- To set out the Fund's investment objectives;
- To define the Fund's investment beliefs;
- To set out how the Fund will manage investment-related risks;
- To explain how the Fund incorporates responsible investment across the investment strategy including the integration of environmental, social and governance factors; and
- To set out the Fund's strategic investment asset benchmark (SIAB) and permitted allocation ranges

3 INVESTMENT OBJECTIVES

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

The Fund's investment objectives are represented by the Strategic Investment Allocation Benchmark (SIAB) included as Appendix B (and Appendix D and E in relation to the ABFs). This reflects the Committee's views on the appropriate balance between generating long-term investment return and taking account of market volatility, the risk and nature of the Fund liabilities and the strength of the employer covenant. Following review over 2022/23, the SIAB has been updated to reflect the Fund's commitment to net zero and recognition of climate change as a material financial risk.

Over the long-term, it is expected that investment returns will be at least in line with the requirements underlying the actuarial valuation. The asset class (and underlying individual investment mandates) are expected to match or exceed the target returns set for each portfolio over time.

Alongside the Fund's primary investment objectives and fiduciary duty to protect and ensure monies are available to pay pensions, the Fund is committed to collaborating with other asset owners and institutional investors to influence positive change. Through a combination of capital allocation, engagement and stewardship the Fund aims to champion initiatives which enhance portfolio environmental, social and governance credentials, including through investment to support climate transition, the development of sustainable business practices and social gain on both a local and global scale. These supplementary objectives are aligned to the expectations of the Fund's key stakeholders and are considered alongside the Fund's investment risk and return objectives.

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

4 INVESTMENT BELIEFS

The Fund's Statement of Investment Beliefs are set out in Appendix C. These underpin the Fund's approach to investment strategy, implementation, monitoring and stewardship framed around the following core beliefs:

- **Objectives** – Setting clear and well-defined objectives are essential to achieving success and being able to appropriately reflect the Fund's long-term ambition.
- **Governance and organisational beliefs** – The Fund believes having effective governance structures and policies will enable rigorous and tested decision making and will add value to the Fund over the longer-term. Transparency and cost effectiveness provide key tenets of a well-governed Fund.
- **Asset allocation and implementation beliefs** – The Fund adopts a long-term approach to investing as its liabilities stretch far into the future but in so doing seeks to also take a proactive approach to the management of assets, taking into account the risk/return profile of different investment opportunities over a range of time periods. Strategic asset allocation is the most important driver of the Fund's investment outcome and is a key determinant of risk and return. The Fund's investment strategy will encompass its approach to risk management, risk tolerance, return and liquidity requirements in order to meet its strategic objectives.

- **Responsible investment** – As long-term owners of capital (assets), the Fund believes that investing responsibly is key to ensuring the long-term value of the assets in which it invests is protected and where possible, enhanced. Investing responsibly and engaging as long-term owners reduces risk over time and has been proven to positively impact investment returns. The Fund is integrating responsible investment into the way it selects and stewards all assets.
- **Climate change** – The Fund adopts an evidence-based approach to climate change and believes there is overwhelming evidence to support that climate changes poses both risks and opportunities to the Fund's investments. The Fund will consider the impact of climate change in both its asset allocation and individual investments when making decisions.

5 IDENTIFICATION AND MANAGEMENT OF RISKS

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

Risks	Management / Control
Investment risk - Assets do not deliver the return required to meet the cost of benefits payable from the Fund; potential drivers: • Inappropriate asset allocation and risk management • Investment market performance/volatility • Manager underperformance • Concentration risk that a significant allocation to any single asset category and/or region/sector and its underperformance relative to expectation would result in difficulties in achieving funding objectives • Responsible investment (RI) risks that are not given due consideration by the Fund or its investment managers	• Investment strategy is considered in context of the Fund liabilities and return requirement set within the *Funding Strategy Statement* • Asset liability modelling and stress testing to set strategic benchmarks within Investment Strategy Statement (ISS), with annual review • Regular monitoring of strategic asset allocation and returns relative to benchmark • Regular monitoring of manager performance • Diversified portfolio with exposure to a wide range of asset classes, geographies, sectors, portfolio holdings and different management styles • The Fund actively addresses environmental, social and governance risks through implementation of its *Responsible Investment (RI) Framework* and its Compliance with the UK Stewardship Code for Institutional Investors
Increasing maturity and benefit cashflow requirement; potential drivers: • Falling contribution income and increasing total benefit payments as more members start to draw their benefits • Declining active membership due to change in local authority service delivery models • Increasing reliance on income-generating assets	• Investment strategy review is informed by future benefit cashflow projections • Modelling of investment strategy and future asset income streams • Regular monitoring of membership movements and liability profile

Risks	Management / Control
Increasing future benefit costs; potential drivers • Rising levels of future inflation • Increasing life expectancy beyond the level expected for Fund members	• Diversified portfolio of growth and inflation-linked assets • Regular monitoring of funding level • Review of scheme membership experience vs expectations as part of each triennial actuarial valuation, with Fund-specific review of mortality experience
Changing scheme regulations and guidance – impacting scheme benefits, funding strategy, actuarial valuations, investment strategy	• Ongoing horizon scanning and consideration on the Fund risk register • Review and response to consultations on changes to the LGPS regulations and guidance which may impact scheme funding and investment strategy • Participation in national review and consideration of emerging issues within the LGPS
• Illiquidity risk - the Fund is unable to meet its immediate liabilities because it has in sufficient liquid assets	• Investing across a range of liquid assets, including quoted equities/bonds and implementation and monitoring of a liquidity waterfall to ensure sufficient liquidity across the investment portfolio. This recognises the Fund's need for some access to liquidity in the short-term
• The failure to appropriately address the impact of climate change	• The Fund has a dedicated and holistic *Climate Change Framework and Strategy* (most recently updated in December 2021) covering funding and investment risk management • Net-Zero Asset Owner commitment with overarching target to achieve by 2050 or sooner in line with the Paris agreement including appropriate interim targets to ensure continual progress • Monitoring and measuring the impact of climate change risks, with annual disclosure
Operational risk; potential drivers • Transition risks – unexpected costs or losses arising from transition of assets • Custody – risk of losing economic rights to Fund assets when in custody or being traded • Counterparty and third party supplier – potential default or failure of counterparty or third party • Financial recording of assets is inaccurate	• Professional advice from specialist transition managers, due diligence and oversight on transitions • Use of global custodian for directly held assets, contractual management and accounting records • Due diligence prior to appointment, review of credit ratings, internal controls reporting and compliance monitoring • Reconciliation of assets records

6 INVESTMENT STRATEGY

The Fund has translated its objectives into a suitable strategic investment allocation benchmark (SIAB) (set out in Appendix B, D and E) which takes into account the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst considering market volatility and risk, Environmental, Social and Governance risks, the nature of the Fund's liability structure, the strength of the employer covenant and the Fund's investment objectives. The investment beliefs in Appendix C also help in formulating the investment strategy.

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

The Fund's investments will be diversified across multiple asset classes with different risk return expectations and correlations to deliver the targeted return of the Fund. Appendix B, D and E shows the Strategic Investment Allocation Benchmark (SIAB) and strategic ranges for the Main Fund and two ABFs.

The Fund undertakes risk attribution, stress testing and scenario analysis provided by independent advisors as part of its risk management framework and to assess the benefits of diversification and test the resilience of the portfolio to changing economic and market conditions.

7 INVESTMENT ARRANGEMENTS

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

The investment managers are required to comply with LGPS investment regulations and operate within investment mandates set by the Fund. External managers are also expected to comply with the Fund's requirements on cost transparency and adopt a best practice responsible investment approach, to ensure appropriate stewardship of Fund assets.

Suitable Investments
Subject to the LGPS regulations on allowable investments the Fund may invest in a wide range of assets and strategies including quoted equity, government and non-government bonds, currencies, money markets, commodities, traded options, financial futures and derivatives, alternative strategies (including insurance linked securities and loans), private equity and debt markets, infrastructure and property. A variety of investment vehicle and approach may be utilised by the Fund, according to the nature of the asset and investment opportunity, governance and operational requirements. The Fund will use managers to carry out stock lending ensuring suitable controls/risk parameters are put in place to prevent losses.

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

The Fund, after seeking appropriate investment advice, has agreed specific benchmarks each mandate so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund's investment managers, subject to individual investment mandates, may hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the Fund aims to ensure a diversified portfolio across a range of geographies, investment style and economic sensitivity.

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

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

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

Monitoring the Performance of Fund Investments
The performance of all assets and investments is independently measured by an external provider. The Fund has a manager monitoring and oversight framework which ensures routine engagement, investigation and escalation of any significant and sustained risks to the performance of investment mandates which may impact on the Fund attaining its investment objectives. The Pensions Committee meets regularly and reviews markets and Fund investment performance at least quarterly.

8 DAY-TO-DAY CUSTODY OF THE ASSETS

The Fund invests a significant proportion of its assets in third party pooled investment vehicles, including through its pool Company, LGPS Central Limited. For segregated mandates, the Fund has appointed a custodian to ensure the safekeeping of the assets and to support with other investment administrative requirements.

9 SECURITIES LENDING

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

10 INVESTMENT POOLING

The Fund is part of the LGPS Central pool with the objective that the pooled investments can expect to benefit from lower investment costs and the opportunity to access alternative investments on a collective basis. As a local authority-owned and FCA-registered investment manager, the pool company, LGPS Central Limited is required to provide governance, transparency and reporting to give the Fund assurance that its investment instructions are being carried out appropriately. The Fund monitors the performance and management of its assets with LGPS Central Limited on a quarterly basis as part of its manager monitoring and oversight framework.

The Fund currently invests the majority of its assets through the LGPS Central Pool, with an expectation that more investments will be made through the pooled vehicles over time.
The Fund holds a number of legacy assets and may invest assets outside the pool to access investments to meet specific strategic investment requirements, where these are not available through the pool.

Investment strategy is set by the Pensions Committee who also continues to oversee implementation of the investment strategy and application of responsible investment and climate change frameworks with the assistance of Fund officers and independent advisors. This includes the ongoing monitoring of those arrangements, through the pool's governance framework.

11 RESPONSIBLE INVESTMENT

The Fund believes that it is part of its fiduciary duty to incorporate Responsible Investment ("RI") into the investment and decision-making process. The Fund defines the term RI as the integration of financially material environmental, social, and corporate governance ("ESG") factors into investment processes. The Fund's approach to RI is outlined below and is underpinned by the Fund's RI beliefs and guiding principles which are detailed in the Fund's *Responsible Investment Framework*.

RI Integration
The Fund believes that effective management of financially material RI risks, including systematic risks such as climate change, should support the Fund's requirement to protect and potentially enhance returns over the long-term. The Fund seeks to integrate responsible investment factors (adding ESG to the existing financial factors) into the investment process across all asset classes through the selection and stewardship of its assets. Therefore, investment managers are expected to incorporate RI into their investment process on behalf of the Fund.

The Fund considers RI to be relevant to the performance of the entire Fund across all asset classes. RI investments will be considered where any non-financial benefit is aligned with a positive financial benefit. There are some investment opportunities arising from environmental and social challenges which can be captured so long as they are aligned with the Fund's investment objectives and strategy. The Fund will look to incorporate opportunities which actively seek initiatives which drive both financial benefit and support change, including through the development of solutions to support the climate transition and will consider opportunities across asset classes which have a positive intent alongside a financial return. These opportunities should align with the time horizon and the financial interest of the Fund's underlying beneficiaries.

Engagement Versus Exclusion
As long-term holders of capital, the Fund believes it is part of its responsibility to ensure high standards of corporate governance and corporate responsibilities in its assets held. Investee companies with robust governance structures should be better positioned to handle the effects of shocks and stresses of future events.

Despite the underlying risk, the Fund believes there are potential opportunities in holding companies that have weak governance or financially material RI issues. Engagement provides an opportunity to positively influence company behaviour, enhance shareholder value and drive real-world change, influence that would be lost through a divestment approach. Hence, the Fund prefers to adopt a policy of risk monitoring and engagement, extending this principle of 'engagement for positive change' to the due diligence, appointment and monitoring of external fund managers.

The Fund believes that the effectiveness of engagement improves by acting collectively with other like-minded investors and gathering a more influential investor voice that is more likely heard by the company, fund manager or other relevant stakeholder compared with acting alone. The Fund will continue to monitor the success of both its individual but also collective engagement with companies.

Collaboration

The Fund recognises the need to operate at a market-wide level to promote improvements that will help it to deliver sustainable long-term growth. Where possible the Fund looks to collaborate with industry groups and like-minded investors to improve the effectiveness of its activities by acting collectively and promoting best practice in long-term stewardship of investments and RI. The Fund is a signatory to the UK Stewardship Code and the Principles of Responsible Investment (PRI). A significant part of the Fund's engagement programme is implemented through partnerships including the PRI, the Local Authority Pension Fund Forum (LAPFF), EOS at Federated Hermes (via a contract held by LGPS Central Limited) and the Institutional Investors Group on Climate Change (IIGCC).

Voting

To exercise the full opportunities and rights as a shareholder, where practical, the Fund aims to vote in every single market in which it invests in alignment with corporate governance best practice guidelines. Voting is used as part of a wider engagement strategy and is used as a form of escalation. The Fund engages a proxy research provider through LGPS Central Limited to analyse and provide advice relating to the Fund's voting opportunities, consistent with the Fund's policies. The provider also executes the Fund's votes through the relevant intermediaries. The Fund has oversight of voting outcomes which in line with the Fund's ambition for full transparency are published on a quarterly basis. Further information on the Fund's approach to voting can be found in the Fund's *Voting Principles* which are reviewed annually.

12 CLIMATE CHANGE

The Fund recognises that the scale of the potential impact of climate change and its risks is such that a proactive and precautionary approach is needed to address it. In line with the 2015 Paris Agreement, the Fund has made a net zero commitment and is working alongside the Institutional Investor Group on Climate Change to develop best practice methodologies and reporting to address this global issue.

The Fund takes an evidenced-based approach to the risks around climate change and acknowledges the potential financial risks that climate change pose to the Fund's investments. The Fund has developed and published a separate *Climate Change Framework and Strategy*, setting out how it intends to manage both the risks and opportunities of climate change and how it will integrate climate change into its broader investment strategy. The Fund monitors the risks associated with climate change through its annual climate-related financial disclosures report, produced in line with the recommendations by the Task Force on Climate-related Financial Disclosures (TCFD). Metrics included within this report aid in monitoring and reporting progress against the delivery of net zero by 2050 (or sooner), and interim targets.

The Fund intends to align its investments in line with its net zero ambition, RI beliefs and overall investment objective. This includes investing in opportunities such as 'climate solutions' with the Fund currently defining climate solutions as investments that contribute substantially to, and/or enable emissions reductions to support decarbonisation in line with credible 1.5°C pathways towards net zero. The Fund has made a number of investments in this area and continues to adopt best practice and latest industry standards to understand climate-related risks and opportunities apparent in the Fund's portfolio.

The Fund has considered climate-related risks when setting the funding strategy and has carried out engagement with employers to raise awareness of the potential implications of climate risk upon employer covenant as well as collecting data to inform future review. Through investment management arrangements and supply change, the Fund is advocating a proactive approach to climate change throughout the investment chain.

13 LOCAL INVESTMENTS

The Fund does not have a target allocation to invest in the UK or within the West Midlands region but has, over time, allocated capital to local investment opportunities, across asset classes including direct property, infrastructure, housing and small companies, where these have offered an attractive risk and reward, alignment with the Fund's RI objectives and a suitable scale and governance arrangement. The Fund will consider opportunities to invest locally on a limited and case-by-case basis noting the potential for regional benefit and innovation required to address some of the environmental and social challenges which need to be addressed by all, in order to build sustainable futures. Any decisions on local investments will continue to made in line with the Fund's strategic asset allocation benchmark, risk and return targets, broader objectives and beliefs, in context of the Fund's primary objective to meet its fiduciary duty to its beneficiary members.

14 COMPLIANCE WITH THIS STATEMENT

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

15 COMPLIANCE WITH MYNERS

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

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

The Myners' principles have since been updated, and the Fund continues to support and comply with them.

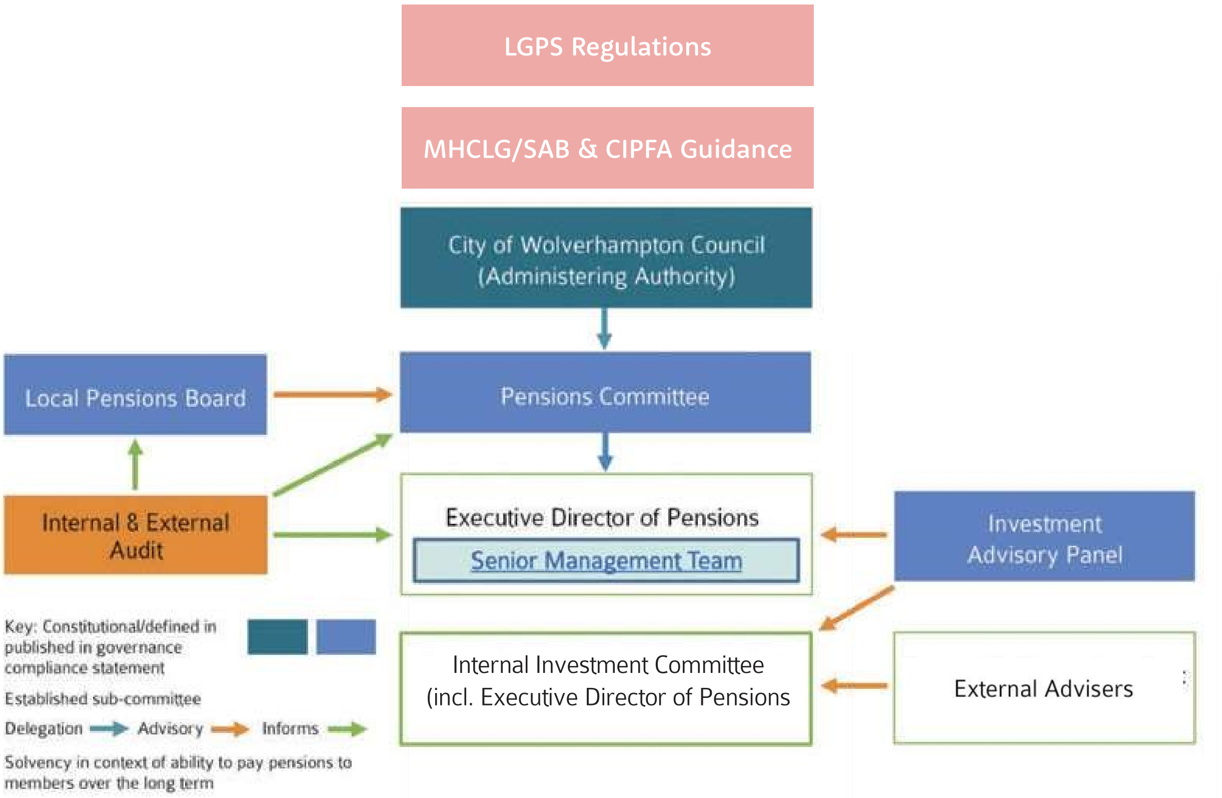
LIST OF APPENDICES

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

Appendix A

APPENDIX A: ROLES AND RESPONSIBILITIES

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



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

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

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

Medium-term asset allocation	Target %	Total %	Range %
Growth		37.5	30-45
Liquid growth		31.5	
Developed market equities	26.5		
Emerging market equities	5.0		
Illiquid growth		6.0	
Private equity	5.0		
Special opportunities	1.0		
Income		44.5	35-50
Liquid income		19.5	
Multi-asset credit	3.5		
Corporate bonds	8.5		
Emerging market debt	2.5		
Liquid stable income	5.0		
Illiquid income		25.0	
Infrastructure	9.0		
Property	9.0		
Diversified private credit	7.0		
Stabilising and liability aware		18.0	10-25
Government bonds	4.0		
Index-linked bonds	14.0		
Total	100.0		

Note: Liquid stable income allocation includes an allocation to cash. Asset allocation may be outside ranges shown above whilst transitioning to the medium-term asset allocation.

The Fund is developing a combination of dedicated mandates and guidelines within mandates which actively support the Fund's commitment to sustainable futures and net zero. Progress and outcomes of these will be reported in the Fund's annual Climate Risk Monitoring and Stewardship Reports.

APPENDIX C: STATEMENT OF INVESTMENT BELIEFS

The Fund's investment beliefs outline key aspects of how it sets and manages the Fund's investment strategy including the management of exposure to investment risk. The Fund's investment beliefs are as follows:

Objectives

- Setting clear and well-defined objectives are essential to achieving success and being able to appropriately reflect the Fund's ambition and path to achieving it long-term direction of travel
- Use of an integrated risk management framework including interlinking with both employer covenant monitoring and funding work to assist in delivering the sustainability of the Fund
- Objectives and subsequent implementation decisions to achieve such objectives are made based on data and evidence where possible and through a combination of quantitative and qualitative assessment which is used to continue to test and evolve the Fund's approach

Governance and organisational beliefs

- Having effective governance structures and policies will enable rigorous and tested decision-making and will add value to the Fund over the longer-term
- Transparency and cost effectiveness provide key tenets of a well-governed Fund
- Effective governance and clear decision-making structures promote clear accountability, audit and transparency in decision-making leading to appropriate levels of challenge and improved investment outcomes
- Having a diverse workforce within a leadership team and across the organisation will likely lead in outperformance and can add value

Asset allocation and implementation beliefs

- The Fund takes a long-term approach to investing as its liabilities stretch far into the future
- The Fund takes a proactive approach to the management of assets considering the risk/return profile of different investment opportunities over a range of time periods
- There exists a relationship between the level of investment risk taken and the rate of expected investment return. The Fund monitors the long-term returns (10 years plus) of asset classes and their level of risk through time
- Strategic asset allocation is the most important driver of the Fund's investment outcome and is a key determinant of risk and return. The Fund believes that strategic asset allocation will add greater value than individual manager or stock selection over time
- Diversification through effective portfolio construction is a key technique available to investors for spreading risk across a range of factors and improving risk-adjusted returns
- There are opportunities for the Fund to access a level of illiquidity premium by its ability to invest longer-term in illiquid assets where there is evidence that it is beneficial to do so. Any investment in illiquid opportunities will be considered in the context of the liquidity of the Fund's investment portfolio to ensure the Fund has sufficient liquidity to meet its ongoing cashflow requirements

Asset allocation and implementation beliefs (continued)

- Alternative asset classes add further diversity to the portfolio and improve its risk-return characteristics
- Markets are dynamic and asset values can become distorted over time providing opportunities for the Fund to benefit from the mispricing of assets which may occur due to market disruption or dislocation. Strategic asset allocation targets need to encompass flexibility to be able to take account of market volatility and enable the Fund to effectively meet its objectives
- Active management can add value over time, but it is not guaranteed and can be hard and more expensive to access. Where actives strategies are not considered to add value, a passive approach will be selected
- Investment costs should be fully transparent and assessed as part of any investment decision with effective cost management being able to enhance overall returns. It is important to understand all costs associated with any particular investment including the costs of trading
- The use of derivatives can enable the Fund to implement its investment strategies and make asset allocation changes in a cost effective and efficient way

Responsible investment beliefs

- As long-term owners of capital, the Fund believes that investing responsibly is key to ensuring the long-term value of the assets in which it invests
- Investing responsibly and engaging as long-term owners reduces risk over time and positively impacts investment returns
- Responsible Investment should be integrated into the investment process across all assets
- Effective management of financially material ESG risks including climate change risks should support the Fund's requirement to protect and optimise returns over the long-term
- Investee companies with robust governance structures should be better positioned to handle the effects of shocks and stresses of future events
- The Fund looks to invest sustainably across its investment portfolio and will seek to invest in opportunities such as, but not limited to, climate solutions where doing so aligns with the Fund's overall investment objectives
- There are some investment opportunities arising from environmental and social challenges which can be captured so long as they are aligned with the Fund's investment objectives and strategy
- The Fund believes in an approach of engagement rather than divestment/exclusions in order to drive meaningful change and have a positive real-world impact
- The Fund may take into account non-financial factors when making investment decisions, provided that it is able to demonstrate no significant financial detriment from doing so
- The Fund believes working collaboratively with other investors will deliver improvements to the way in which companies are managed and the provides the opportunity to influence wider policy which could impact positively on the long-term returns to the Fund

Climate change beliefs

- The Fund adopts an evidence-based approach to climate change and believes there is overwhelming evidence to support that climate changes poses both risks and opportunities to the Fund's investments and that this will have longer-term consequences for the Fund's financial returns if not managed
- The Fund will consider the impact of climate change in both its asset allocation and individual investments when making decisions
- Climate change has the potential to impact the funding level of the pension fund through impacts on employer covenant, asset pricing, and longer-term inflation, interest rates and life expectancy
- A transition to a low carbon economy is essential and that carefully designed and targeted government and company policies can ensure a just transition for workers and communities, with substantial economic and social benefits. In addition, public finance will be important as a cross cutting mechanism to invest in human capital and inclusive growth
- The Fund will collaborate with other investors to campaign for positive changes to policy both nationally and at a company level to bring about change aligned to the Paris accord of 1.5 to 2.0 degrees scenarios
- The Fund will adopt a focused climate change policy which will be monitored and measured to ensure that the Fund is delivering against policy targets set within its climate change policy
- In order to assess progress for the Fund towards a lower carbon economy it is essential for the Fund to measure its climate risk exposure at regular intervals

At this time the Fund defines climate solutions as investments that contribute substantially to, and/or enable emissions reductions to support decarbonisation in line with credible 1.5˚C pathways towards net zero.

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

Medium-term asset allocation	Target %	Total %	Indicative range %
Growth		**8.0**	**5-10**
Equity	8.0		
Illiquid income		**29.0**	**25-35**
Private debt	29.0		
Liquid income		**35.0**	**30-40**
Multi-asset credit	19.0		
Corporate bonds	16.0		
Stabilising		**28.0**	**20-35**
LDI	28.0		
Total		**100.0**	

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

Asset allocation may be outside ranges shown above whilst transitioning to the medium-term asset allocation.

WMTL target hedge ratios	Target	Indicative range
Interest rates	65%	55%-75%
Inflation	50%	40%-60%

The target hedge ratios above are inclusive of the buy-in policy and are based on gilts + 1.2% p.a. basis.

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

Medium-term asset allocation	Target %	Total %	Indicative range %
Growth		**0.0**	**0-5**
Equity	0.0		
Liquid income		**40.0**	**35-45**
Corporate bonds	40.0		
Stabilising		**60.0**	**50-70**
Gilts and LDI	60.0		
Total		**100.0**	

Asset allocation may be outside ranges shown above whilst transitioning to the medium-term asset allocation.

PBL target hedge ratios	Target	Indicative range
Interest rates	100%	90-105%
Inflation	100%	90-105%

The target hedge ratios above are based on a gilts flat basis.

West Midlands Pension Fund
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Agenda Item No: 7

CITY OF WOLVERHAMPTON COUNCIL	**Pensions Board** 25 April 2023

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

Recommendations for action:

The Pensions Board is asked to note:

1. The Fund's Corporate Plan for 2023-2028.

1.0 Purpose

1.1 The purpose of this report is to present the Board with the Fund's Corporate Plan for 2023 – 2028 confirming the areas of focus and drivers for change over the next five years, together with the goals and ambitions for continuing to develop the Fund and deliver a high-quality service to our customers.

2.0 Corporate Plan 2023 – 2028

2.1 Our Corporate Plan 2022 – 2027 outlined our goals and ambitions across seven key themes which would enhance service delivery to members and employers, be responsive to regulatory change and take opportunities to actively participate in the development of the Fund to the benefit of both our people and our customers.

2.2 Over the last 12 months, the Fund has made progress across all seven themes, noting a core focus during the year of:

- Delivering in line with statutory requirements, the triennial funding and investment strategy reviews
- Preparing for implementation of the McCloud remedy and Pension Dashboards including through review and response to consultations
- Development of the new Pensions Administration System
- Ongoing development of information and cyber security management
- People development recruitment and training; and
- Evolving customer facing services to reflect changing customer demand and interests in the context of rising inflation and financial pressures

2.3 The Fund, through its ongoing dialogue with customers, employees, industry and governing bodies, has identified risk-based drivers for priority and change which are common across a number of themes. These relate to ongoing enhancement of data and information management, supporting customers and people through change and extending inclusive engagement supported by an outcome orientated approach.

2.4 The Plan, refreshed for 2023-2028, includes spotlights on our targeted investment implementation and stewardship, adding value for our customers, operational resilience and the development of internal controls, risks management and assurance.

2.5 A copy of the Corporate Plan2023 – 2028, as approved by the Pensions Committee in March 2023 is attached at Appendix A.

3.0 Financial Implications

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

4.0 Legal Implications

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

5.0 Equalities Implications

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

6.0 Other Potential Implications

6.1 There are no other potential implications.

7.0 Schedule of Background Papers

7.1 None.

8.0 Schedule of Appendices

8.1 Appendix A: Corporate Plan 2023 – 2028

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Appendix A

CORPORATE PLAN 2023 – 2028

Creating sustainable futures for all

West Midlands Pension Fund

OUR FUND

The West Midlands Pension Fund works in partnership with over 800 participating employers to support pension saving and provide benefits to 340,000 members and employees who provide public services, which support communities across the West Midlands.

Our mission is to provide sustainable futures for all – engaging our customers in retirement planning, ensuring efficient pension administration and return on contributions through responsible investment and influence for positive environmental and social benefit, all of which deliver long term benefit promises.

£19.3bn net assets

340,000 members

800+ employers

Information correct as at 31 December 2022

OUR COMMITMENT

STRONG GOVERNANCE

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

CUSTOMER FOCUSED

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

GLOBAL INFLUENCE

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

DELIVERING FOR LOCAL PEOPLE

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

West Midlands Pension Fund

FOREWORD

Each year we review and evolve our rolling five-year corporate plan, to reflect what we have learned about our customers and people, to respond to our changing operating environment and improve our service offering.

2022/23 saw a substantial shift in global economic and market conditions, provided new opportunities to engage with our customers, and marked a step-change in our working practices. We continue to adapt and respond to those issues which matter most to our members and employers.
The changing interest rate environment and inflationary cost pressures have been a key focus over the immediate term, with an evolving engagement program to support member and employer financial planning.

Longer term resilience and the prioritisation of value-added activities has remained at the centre of both our financial strategy reviews and operational development, with good progress made to deliver plans across all seven themes which drive our goals and ambitions. We continue to enhance investment stewardship and initiatives which support delivery of our corporate ambition as we look holistically at our action on climate change and foster an inclusive and progressive workforce culture – living by the standards we expect from others.

We continue to invest in our people to enable career progression and enhance technical and leadership skills - fit to thrive and lead in our changing world. We also continue to develop and challenge our risk management and internal controls to ensure we can respond to change, events and meet increasing standards of assurance. By empowering our members and employers to engage with their pensions saving and the services provided by the Fund, we aim to support them in developing sustainable financial futures.

Over the next five years to 2028, we will continue to focus on enhancing our operational capabilities and information services, developing further resilience and build on the passion of our people and customers to drive positive change which will make a real-world difference to the future of our members and local communities, alongside delivering on the pension benefit promises payable for decades to come.

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

Rachel Brothwood
Executive Director of Pensions

EMPOWER INCLUDE INFORM DRIVE CHANGE

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

OUR VISION

"Contributing together to create sustainable futures for all"

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

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

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

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

Over the next five years to 2028, we remain committed to ensuring our customers are informed and supported in their own financial planning and decision making, as we continue to demonstrate the long-term value we are able to bring to the West Midlands region and further afield.

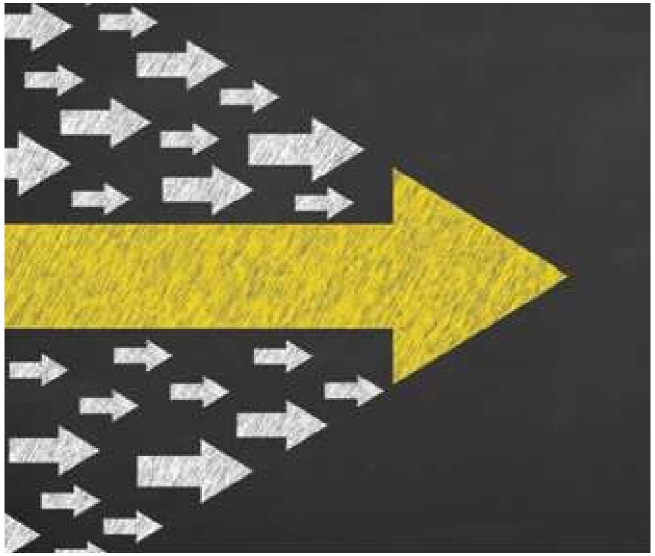
OUR OUTLOOK AND DRIVERS FOR CHANGE

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

We routinely monitor and engage in industry and scheme change, alongside our own organisational development. The LGPS and pensions industry continues to see a heavy programme of regulatory change, with increasing asks and expectations on funds to do more to engage members in their pension saving and retirement planning and to increase awareness and action on emerging risks and opportunities. All are expected to achieve and demonstrate higher standards of governance and reporting, at the same time as responding to change.

Our assessment of the outlook and drivers has identified areas of focus to inform the Fund's action and priorities.

Increasing demand from growing membership and employer base and an evolving asset base, together with interest in a wider range of Fund information and its use in decision making means the Fund will, as a matter of course, continue to build capacity and capability to collate, analyse, protect, report and communicate information including through ongoing development of operational activity. We continue to see the ongoing cycle of organisational and service development as key to building the resilience and capacity to respond to change alongside growth.



Our areas of focus centre around how we use the combination of our evolving information sets, intellectual capital and customer insight to deliver valued outcomes for our customers.

Area of Focus	Action Taking
Data culture and information management	Data is at the heart of the Fund's ability to effectively support and inform its customers, enabling reporting and decision making and facilitating oversight. It ensures the Fund is accountable for its decisions and actions, reporting to statutory and regulatory bodies, informing action and change. The Fund has a focus on building data culture and reporting to support its ability to be transparent and accountable to its customer, stakeholders and regulators, ensuring informed action on business initiatives which continue to meet the growing needs of our diverse customer base.
Change management and support	An evolving industry, scheme, technologies, and member expectations requires the Fund to be agile to change and engaged in opportunities for ongoing development and improvement. The Fund, and its ability to plan for change, by being active, informed and by engaging and communicating emerging insights, can deliver on its mission to create sustainable futures. By supporting members through a change in life with tailored support for each event, to supporting our people in their roles through wellbeing in the workplace, the Fund is committed to creating a collaborative and nurturing environment and becoming a progressive change agent supported by investment in our people's own development and personal growth.

Area of Focus	Action Taking
Outcome orientated	For our members, we remain focused on the things which could impact on their retirement outcomes and believe engaging and building member confidence will enable our members to make better choices. The Fund adapts its engagement program to suit the emerging needs of our customers, travelling region wide to deliver support in a time and location suitable for them. We believe that now more than ever it is critical to take an active role in being responsible asset owners. Through working with our partners, we will strive for real world change in how we vote, engage and respond to global challenges, using our position as long term global investors to secure sustainable returns to pay pension benefits. We recognise that many of our employers face similar challenges – to do more with limited financial resource - and that the Fund provides a valued part of their employee benefits. The Fund, through its own practices and wider industry and Scheme engagement, seeks to ensure change is timely and effected efficiently with a focus on member outcomes, to ensure value added information and services.

Area of Focus	Action Taking
Inclusive engagement	For the Fund, inclusion and opportunity is the heart of the culture of the organisation, ensuring our people feel valued and supported in their roles. This year the Fund has enhanced its workplace wellbeing, building on the success of the space created throughout 2022, it has placed a strong focus on providing opportunities for our colleagues to support each other, ensuring everyone has the opportunity to contribute and succeed, regardless of background. The Fund provides a variety of opportunity for members and employers to engage and continues to develop these through the *Customer Engagement Strategy*, extending this engagement to industry partners provides opportunity for the Fund to be part of the debate on the future of pensions representing our customers and highlighting their concerns.

Area of Focus	Action Taking
Proactive assurance	The Fund sees risk management as an integral part of how we manage our services and change activity, ensuring we protect our customers while driving performance of the services they receive. Through early identification of risks and challenges, the Fund is able to take effective action reducing impacts while maintaining stakeholder confidence. Notwithstanding the specific requirements of each individual risk approach, ensuring the operating model and its mechanisms (e.g., policies, process, procedures, systems, roles and responsibilities etc.) are clearly defined, owned, supported and fit for purpose, is the fundamental foundation upon which any inherent risks are identified, understood, managed and reduced. The Fund's ability to provide certainty through evidence provides confidence to our customers and stakeholders that how the Fund operates is effective and sustainable. Through independent challenge and oversight we are able to undertake a program of continual review ensuring we build confidence in our understanding of customer needs and our response to a changing environment.

Our Scheme Manager and Regulators

The Pensions Regulator

Local Government Pensions SAB England and Wales

Department for Levelling Up, Housing & Communities

OUR GOALS AND AMBITIONS 2023-2028

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

PEOPLE AND CUSTOMERS | CORPORATE COMMUNICATIONS | COMPLIANCE AND RISK | INVESTMENT IMPLEMENTATION | OPERATIONAL RESILIENCE | STEWARDSHIP | CORPORATE RESPONSIBILITY

PEOPLE AND CUSTOMERS

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

Continuing to create opportunities for members to engage with their pension saving and future benefits, enabling retirement planning and avoiding expectation gaps.

CORPORATE COMMUNICATIONS

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

COMPLIANCE AND RISK

As we look to enhance our services and respond to regulatory change, we continue to review, build and maintain integrated assurance, instilling confidence in our services and ensuring that we are effectively managing the risks and opportunities as they emerge.

INVESTMENT IMPLEMENTATION

Having recently completed the triennial valuation, funding, and investment reviews, the Fund has reassessed it long-term objectives and investment approach. The Fund's focus will now be on the efficient implementation of the new strategic asset allocation targets to increase the resilience of the portfolio in what we see as a challenging market environment.

OPERATIONAL RESILIENCE

In line with the expectations set for all financial service organisations and recognising both the reliance placed on the Fund to safeguard and grow Fund assets and deliver long term benefits to public sector workers across the West Midlands region, our change programme will ensure that the Fund attains and retains business resilience. By actively reviewing our capabilities, suppliers, processes and information management we will meet our commitment to strong governance and add demonstrable value in change management and customer confidence in the context of a changing scheme, regulatory and economic environment and emerging risk landscape.

STEWARDSHIP

We believe that now more than ever it is critical to take an active role in being responsible asset owners. We will continue to enhance our approach to stewardship across all assets in order to improve outcomes and contribute to positive real-world change, looking to collaborate with like-minded investors and industry groups where possible.

CORPORATE RESPONSIBILITY

All the above themes centre around our corporate responsibility to ensure our own organisation lives up-to the standards we set for others. As a Fund, we will manage our own environmental impact, provide inclusive services and work culture and continue to support our employees and local community. We will continue to develop, measure and report our progress on climate action, diversity and social impact over the coming years.

Our Accreditations and Signatory Status

Accredited Member
Pensions Administration Standards Association
assess | aspire | achieve

Signatory of: UK STEWARDSHIP CODE |

CUSTOMER SERVICE EXCELLENCE CSE

INVESTORS IN PEOPLE™
We invest in people Gold

CREATING SUSTAINABLE FUTURES

Spotlight on Investment Implementation and Stewardship

Over 2022 we worked with our pool partner LGPS Central to develop investment products that provide the Fund with access to new investments at attractive costs via an efficient governance structure.

Across our pooled and direct investments we've committed over £1bn to private market strategies including investments in:

- A substantial Grade A local office building, improving the quality of our direct property portfolio whilst providing scope to further improve the building's ESG credentials in the future
- £400m across a range of infrastructure opportunities including mandates specifically focused on providing renewable energy and energy transition assets
- £100m commitment as a cornerstone investor to launch a private debt strategy with a focus on clean energy generation, storage and distribution, transport and social infrastructure

Having recently completed our review of the investment strategy, attention over the next few years will shift on to implementation of the new strategic target allocation. Recent events have highlighted the need for resilience across the investment strategy and an increased need for an integrated approach to risk management which should be assessed through various lenses. A key focus area of the strategy review was increasing the diversification of underlying risk exposures and sources of expected return which we believe will reduce risk.

Implementation of the investment strategy will be centred around our broader climate and net zero goals and our ambition to be leaders in the active stewardship of our assets. We continue to believe it is critical to integrate responsible investment and Environmental, Social and Governance (ESG) factors across all aspects of the portfolio to achieve better investment outcomes and ultimately deliver value for our members. Where appropriate we will look to rationalise our portfolio to have meaningful allocations creating opportunity for greater influence over outcomes to positively drive change.

Over the last year we have enhanced our reporting in relation to climate-related risks which included new climate scenario modelling. A key focus area over the next few years will be developing our internal reporting, oversight and data framework across our investment portfolio. This will enable us to do more meaningful analysis and reporting across all our assets and improve the quality of decision-making as well as meet the expected increase in climate related disclosure requirements.

We will work with investment partners, including LGPS Central Limited, to enhance the quality and coverage of data across our portfolio so that we can monitor progress of our climate strategy and net zero ambitions.

West Midlands Pension Fund

Spotlight on Adding Value for Our Customers

The Fund upholds a commitment to engage, consult and involve our customers as we seek to put them at the heart of everything we do. This commitment is embodied by our *Customer Engagement Strategy*, with the Fund seeking to ensure we drive continuous improvement and develop working practices, systems and processes, which are informed and prioritised according to the needs of our customers.

As a public service pension scheme, the West Midlands Pension Fund is focussed on delivering value to our customers and stakeholders.

Our Corporate Plan has been developed in the context of the long-term trends in the pensions landscape, recognising that the landscape continues to evolve and that we must adapt to the challenges that face us to protect and enhance outcomes for our customers. A good example of this are the economic challenges that are driving inflation and heightening cost of living pressures. Over recent times the Fund has promoted greater awareness of LGPS member benefits and improved retirement planning.

Engagement with pensions and planning for the future will help our members achieve the standard of living they hope for in retirement. Carefully thought-out guidance and tailored literature simplifies complexity, making it easier to understand the decisions that need to be made and the steps to take. Over the next five years, we will continue to review and challenge the way we engage with our members, to continue to help them plan their financial futures. We will ensure that people can access the right guidance at the right time, through different channels, at different life-stages and when they have complex decisions to make.

Digital, data and technology will drive and enable change. The development of pensions dashboards will drive an increased focus on administration and investment in technology in the market, and at the same time, we will continue to look for new methods and initiatives to engage with our customers, improving outreach and catering for differing needs.

Employers are also coping with ongoing financial pressures, and this strain is particularly acute in certain sectors of our employer-base, with many facing budgetary and resourcing challenges as a result. We aim to continue to support our participating employers to comply with their LGPS duties and to protect the solvency and security of the Fund. At the same time, we acknowledge that pension provision is an element of our employers' overall business, and yet in some cases represents a significant item on their balance sheet – as such, we will seek to engage and work with our employers proactively on the management of risk with annual funding and covenant reviews.

We will partner with our employers through a framework of tailored guidance and policies, designed to ensure they have the access to the information they require. Complementing this approach, we will continue to review, enhance and expand our successful employer coaching programme, which enables new and existing employers to inform their own performance and maximise efficiency in delivering their own responsibilities to the Fund.

The new pension administration system will launch over 2023 and provides a critical interface for employers in fulfilling their duties. As with prior development and change programmes we will engage proactively with our employers to enhance understanding, provide on-hand support, and ensure the new toolkit delivers efficiencies and enhanced user experience.

We also recognise the value to our customers from our engagement with a wide range of partner organisations, be it other LGPS funds, service providers or industry bodies. We will continue to engage early to inform debate and look to ensure best practice is achieved through collaboration and sharing of experience, ideas and innovation.

Underpinning our approach will be valuable feedback received from our customers, whether ad-hoc or through scheduled forums we will deliver on an annual cycle, to gain up to date insight to the services we are delivering and to aid continual improvement.

Our Recent Awards

PROFESSIONAL PENSIONS
UK PENSIONS AWARDS 2022
25 ANNIVERSARY
WINNER
Pensions Communication Initiative of the Year
West Midlands Pension Fund

PENSIONSAge AWARDS 2021
WINNER:
Pensions Marketing Campaign of the Year

Spotlight on Operational Resilience

OUR AMBITION

Our ambitions for operational resilience are:

- To develop a robust operational capability focused on value for money, organisational agility improved customer experience delivered by a highly engaged and effective workforce.
- Going beyond cyber and technology resilience, ensuring we have capabilities, processes and controls supporting full end to end business-critical activities, focused on meeting our customer requirements and enabling an efficient response to regulatory changes.
- To remain a trusted leader, with embedded resilience for both internal operations, routine deliverables and customer service.

PLANS FOR 2023/24 – FINANCE & OPERATIONS

Our ambition to improve and enhance operational resilience in the Fund continues into 2023/24 with significant projects underway to enhance pension administration and benefit operations capabilities and the Fund's finance functions. 2023/24 will see the transition to the new pension administration system, the culmination of 15 months of planning and implementation work which will maintain and enhance operational resilience in an increasingly demanding pensions environment.

The implementation of the new pension administration system will provide the Fund and its customers with visible and reportable efficiencies and create capacity to respond to rising customer numbers and expectation. The system brings with it improved online portals for our employers and members, with enhanced levels of security and increased ability to self-serve. The transition to the new system will build the foundations to develop robust operational capability focussed on value for money, organisational agility and improved customer experience, through increased automation and improved casework management.

In addition, our Finance function is continuing the transformation program which started in 2022 to update, enhance and develop its controls and processes. To date this has led to development of fund accounting capabilities and enhancing internal controls through review of process and accountabilities across interdependent teams. The next phase, during 2023/24, is to review the use of technology to support financial processes, including linking in with the introduction of the new pension administration system, and developing internal reporting to both ensure resilience but also increase scrutiny to ensure continued achievement of best value.

Both projects play important roles in the achievement of our other goals, supporting the areas of Governance and Risk, and People and Customers.

BENEFITS FOR MEMBERS AND EMPLOYERS

It is easy to see how activities to improve operational resilience benefit the day-to-day work of the Fund however these projects are rooted in ensuring the delivery of benefits to members and employers.

The Pension Administration System will improve the flow of information to employers and members through new online portals and improve the review of information received by the Fund, reducing the time taken to resolve queries. This enhanced automation will increase capacity for proactively responding to changes in regulatory requirements affecting our members and employers.

Similarly, improvements in finance operations will result in more capacity for supporting the Pension Services and Operations teams to deliver to our customers and will also support in improving the management of fund assets for the ongoing sustainability of the Fund.

Spotlight on Internal Controls, Risk and Assurance

The West Midlands Pension Fund seeks to deliver better outcomes for members, employers, stakeholders and our people by producing solid, sustainable services and priorities which are resilient to challenges and flexible to the changing environment in which we operate.

It is now more important than ever to have the best possible understanding of the world around us and that we review, prioritise, scrutinise and adapt effectively.

The Fund's risk management framework supports us in doing this with ongoing review and challenge through an effective assurance program. This has been reviewed over 2022 and will continue to be developed over 2023.

Our aim is to ensure that:

- Implications for risk are highlighted at the right levels within the fund
- We share best practices to establish a common understanding of risks across all levels within the organisation
- Actions and controls are closely monitored to ensure mitigation of risks

The Fund has a continuing obligation to ensure that it remains resourced and well equipped to carry out its statutory duties. Compliance oversight identifies the effectiveness of the Fund's risk management and service delivery arrangements, including through the assurances sought of its third parties, making recommendations as required for appropriate remedial action to support ongoing fitness and propriety.

A monitoring programme is in place to cover the main areas within the Fund, including contract management arrangements for third party suppliers with Business Continuity plans having been reviewed and updated over 2022 to reflect our changing working environment and evolution. Both business continuity and cyber resilience strategies will continue to be reviewed and developed over 2023 as Fund operations develop and arrangements are tested for ongoing improvement.

The Compliance Team carries out a monitoring programme, providing formal reporting to the Executive Director of Pensions, Senior Management and Governing Bodies on a quarterly basis.

The monitoring programme is intended to be flexible, so that it may easily be amended in the light of experience, operational/systems change, or new regulatory requirements. The Fund also monitors LGPS Central Ltd and external fund managers to satisfy itself that they are performing suitable compliance monitoring and that they remain fit and proper persons with the FCA to manage the Fund's investments.

We aim to provide a progressive and transparent assurance programme to retain the confidence of our customers and stakeholders in our resilience and ability to adapt to change and learned experience.

OUR PEOPLE

"Our people are enabled to develop their careers and innovate through an inclusive and supportive working environment which embraces diversity and prioritising wellbeing"

Our employees are an integral part of our service delivery, with both our customer and employees at the heart of all that we do. We strive for continuous improvement and as the Fund evolves and grows, we expect our people to grow with us, ensuring they are confident and effective in their roles, as these drive improved efficiency, service and productivity.

We value the opinions of our employees, celebrating their individuality and diversity and shall continue to work collaboratively on driving our employee culture and development, with inclusivity and well-being as fundamental parts of our people strategy.

Our People Strategy sets out how we will realise our workforce ambition to enable people to reach their full potential which supports the organisation's ambition to continue to be a high-performing Fund.

As the Fund expands so does our human capital which increases our levels of competency, capacity and knowledge required from our employees and we support their growth through continuous development, bespoke training plans, individual CPD, and various professional vocations. This enables our workforce to deliver our corporate objectives through developing careers and being an employer of opportunity.

At the Fund we PRIDE ourselves on our values, and we continue to support our people to deliver their roles through a variety of incentives, commitments and pledges. We have signed up to the Mental Health at Work Commitment and we have attained the British Dyslexia Association Bronze Award and Investors in People Gold Accreditation. Our commitment to our employees and and customers is to ensure our people are fully supported and equipped to perform their roles effectively to meet individual and Fund objectives.

OUR PRIDE

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

P

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

R

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

I

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

D

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

E

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

OUR RESOURCES

WEST MIDLANDS PENSION FUND

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

FINANCE
- Financial Reporting
- Fund Accounting
- Pensions Finance
- Business Finance
- Treasury Management

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

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

GOVERNANCE, RISK AND ASSURANCE
- Legal, Risk and Compliance
- Data Management
- Governing Body Liaison

PEOPLE AND CORPORATE SERVICES
- Recruitment and Resourcing
- People and Organisational Development
- Wellbeing and Inclusion
- Facilities Management

FINANCE - OPERATING BUDGET

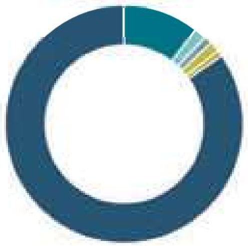
Budget 2022/2023

Employees	10.4
Advisers	1.9
Corporate costs	1.1
Service development	1.4
Support systems and services	0.8
Investment management cost	100.2

Total operating budget

£116.0 million

Budget 2023/2024



Employees	12.8
Advisers	2.0
Corporate costs	1.5
Service development	1.6
Support systems and services	1.0
Investment management cost	103.9

Total operating budget

£122.7 million

ASSETS UNDER MANAGEMENT

AUM 2021/22 as at 31 March 2022

£20.3 billion

Net assets at 31 December 2022

£19.3 billion

VALUE FOR MONEY

We are continually focused on delivering value for money for both members and employers. Value for money encompasses a range of considerations for the Fund particularly the additional services, support and outreach that we provide and continue to be recognised for through the recognition and engagement we receive from peers and industry bodies. We actively support scheme and industry-wide research and working groups to aid in developing common approach, consistency and cost-efficient procurement routes where this will create value for our customers. At the same time we are ensuring that our costs are monitored, controlled and are appropriate is important to us and to support this we are part of the CEM benchmarking framework which allows us to compare ourselves against a full range of relevant peer pension funds to monitor and challenge our spend and value added on an ongoing basis.

Our Industry Engagement and Collaboration

Councillor Milkinder Jaspal
Chair – Pensions Committee

Rachel Brothwood
Executive Director of Pensions

Simon Taylor
Assistant Director – Pensions

Shiventa Sivanesan
Assistant Director – Investment Management & Stewardship

Paul Nevin
Assistant Director – Investment Strategy

Chjris Manning
Head of Finance
(Deputy S151 for the Fund)

Rachel Howe
Head of Governance, Risk and Assurance

Amy Regler
Head of Operations

Karina Thomas
Head of People and Corporate Services

West Midlands Pension Fund

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PO Box 3948
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WV1 1XP

Agenda Item No: 8

CITY OF WOLVERHAMPTON COUNCIL

Pensions Board

25 April 2023

Report title	External Audit Plan	
Originating service	Pensions Services	
Accountable employee	Christopher Manning Email	Head of Finance Christopher.Manning@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Email	Executive Director of Pensions Rachel.Brothwood@wolverhampton.gov.uk

Recommendations for action:

The Pensions Board is asked to note:

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

2. The external Audit Plan for the 2022/2023 Audit Progress and Indicative Risks Report as prepared by Grant Thornton [Appendix A].

1.0 Purpose

1.1 The purpose of this report is to inform Board members of the progress of the external audit and the preparation of the Audit Plan for the Fund's Annual Report and Accounts for 2022/23.

2.0 Background

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

3.0 Audit of Accounts 2022/23

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

- *The Audit Progress and Indicative Risks Report [Appendix A]* – this sets out the high level timings of Grant Thornton's proposed work on the external audit along with other relevant information in advance of completing the Audit Plan.

- *Informing the Audit Risk Assessment [Appendix B]* – this document sets out some of the potential areas of risk with regard to the Annual Report and Accounts. In accordance with auditing standards, Grant Thornton are required to formally seek the views of the Pensions Committee on these areas. The document provides management responses to the questions posed by the auditor and the Pension Committee approved these responses as part of the meeting in March 2023.

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

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

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

3.4 The audited Statement of Accounts, including the audit opinion, will be presented for Committee's formal approval in September ahead of this year's statutory deadline for publication by 30 September 2023.

4.0 Financial Implications

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

5.0 Legal Implications

5.1 This report contains no direct legal implications.

6.0 Equalities Implications

6.1 This report contains no equalities implications.

7.0 Other Potential Implications

7.1 This report contains no other potential implications.

8.0 Schedule of Background Papers

8.1 None.

9.0 Schedule of Appendices

9.1 Appendix A: External Audit Progress and Indicative Risks Report.

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

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Grant Thornton

Progress Report and indicative audit risks

Year ending 31 March 2023

West Midlands Pension Fund

22 March 2023

Contents

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Introduction

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

We will provide our formal Audit Plan for consideration subsequent to conclusion of planning and interim procedures and anticipate presenting this to the forthcoming Pensions Committee in early summer 2023.

Respective responsibilities

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

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Fund's financial statements that have been prepared by management with the oversight of those charged with governance. For West Midlands Pension Fund the Audit & Risk Committee at City of Wolverhampton Council is responsible for approving the statutory accounts and is therefore ultimately those charged with governance. However, as the Pensions Committee oversees production of the Pension Fund Annual Report which includes the Fund's financial statements we have determined that they are the group we will communicate with.

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

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

Financial Statements Audit 2022/23

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 aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Headline materiality is typically set as a percentage of assets. Following regulatory feedback, and with a focus on ensuring unpredictability and freshness of approach, the Firm is undergoing a process of reviewing LGPS materiality guidelines for 2022/23 audits. As such, materiality levels will be communicated as part of our audit plan.

Informing the audit risk assessment

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

Significant risks

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

Presumed significant risks

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

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

Valuation of Direct Property and other Level 3 investments – The Fund revalues its property portfolio and other investment holdings throughout the year to reflect the most up to date position. To achieve this, the Fund requests valuations from its fund managers. These valuations represent a significant estimate by management in the financial statements due to the value involved and the sensitivity of these estimates to changes in key assumptions. It is therefore expected that the valuation of these assets will be identified as a significant risk. Due to the nature of Direct Property holdings as a highly material subsection of Level 3 investments with a specific, subjective range of inputs to valuation calculations we expect to disaggregate these assets and treat them as a separate class subject to a significant risk of material misstatement.

Other expected areas of focus

- In line with the Public Audit Forum Practice Note 10 in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition. We do not anticipate there being a significant risk in this regard, but will consider as part of our planning processes and again on receipt of the draft financial statements whether there is an increased level of risk associated with these transactions which would require additional audit effort to be made.
- Committee members will be aware of the impact of amendments to the auditing standard on estimates which have come into effect in recent years. This raises the bar in terms of what both we and management are required to do. Therefore there will be a key focus on material estimates in general, including ensuring that there is adequate dialogue between management, members and the engagement team via the Informing The Informing the Audit Risk Assessment document and ISA 540 estimates letters, which we will present to the Committee.
- Whilst not deemed a significant risk, Level 2 investment valuations, completeness of contributions and completeness of benefits payable will also be areas of focus during the audit.

Audit Deliverables

2022/23 Deliverables	Expected Date*	Status
Audit Plan and Interim Audit Findings We are required to issue a detailed audit plan to the Pensions Committee and the City of Wolverhampton Council's Audit & Governance Committee setting out our proposed approach in order to give an opinion on the Fund's 2022/23 financial statements. Where there are findings from our interim audit to report we will incorporate those within our Audit Plan or Progress Reports.	July 2023	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the September Pensions Committee.	September 2023	Not yet due
Auditors Report This includes the opinion on your financial statements.	September 2023	Not yet due
Triennial Valuation and IAS 19 Assurance Reports to NAO Code of Audit Practice Employer Auditors We receive requests for assurances from other auditors. We respond to these on conclusion of sufficient work on the Fund's Statement of Accounts.	September 2023	Not yet due

Progress on the 2022/23 Audit so far

Starting in February, the engagement team began work on its audit planning and risk assessment processes, and has now arrived at an audit strategy and an indicative set of significant risks of material misstatement. Walk through reviews of significant risk areas have been undertaken. Work on the Fund's opening balances remains ongoing pending the signing of the 21/22 opinion. Furthermore, additional work around the body's control environment in respect of the updated auditing standard ISA 315 is also being undertaken. Upon completion of these tasks and quality reviews of the audit planning work, we will issue our full audit plan for presentation at the next Pensions Committee.

*Note on expected dates;

Due to local elections taking place in May 2023 and the possible reconfiguration of membership of Council committees, dates for upcoming Pensions Committees are not yet set for 2023. We have therefore used the dates from 2022 as a guideline but these may be subject to change once the Council sets out its new calendar.

Furthermore, the statutory deadline for publication of audited accounts in the Local Government sector will be 30 September 2023. However, it should also be noted that issuance of our auditor's report on the Pension Fund is tied to completion of work on the administering authority, City of Wolverhampton Council's financial statements.

Sector Update

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

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

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

- Grant Thornton Publications
- Insights from local government sector specialists
- Reports of interest
- Accounting and regulatory updates

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

Public Sector

Local government

Delayed publication of audited local authority accounts

In December 2022 there were over 600 local audit opinions outstanding. This means that many stakeholders can't rely on audited accounts to inform decision making – a significant risk for governance and control.

Local authority accounts are becoming increasingly complex as accounting standards evolve and local authorities enter more and more innovative financing arrangements and income generation projects. A significant challenge in managing local audits is the differing needs of various stakeholders. The local government sector, central government and regulators need to agree on the purpose of local audit and find a consensus on improving efficiency in publishing accounts. Grant Thornton has produced a report that explore the reasons for delayed publication of audited local authority accounts.

Table 1 below illustrates the declining performance against the target date for publication of audited accounts in recent years.

Table 1 Audited accounts published by target date over the last six years

Financial year	Deadline for publication of unaudited accounts	Target date for publication of audited accounts	% audited accounts published by target date (all firms average)	% audited accounts published by target date (Grant Thornton audits)
2016/17	30 June 2017	30 September 2017	95	97
2017/18	31 May 2018	31 July 2018	87	91
2018/19	31 May 2019	31 July 2019	58	65
2019/20	1 September 2020	30 November 2020	45	54
2020/21	1 August 2021	30 September 2021	9	12
2021/22	1 August 2022	30 November 2022	12	20

Appendix A

Delayed publication of audited local authority accounts

What more can be done?

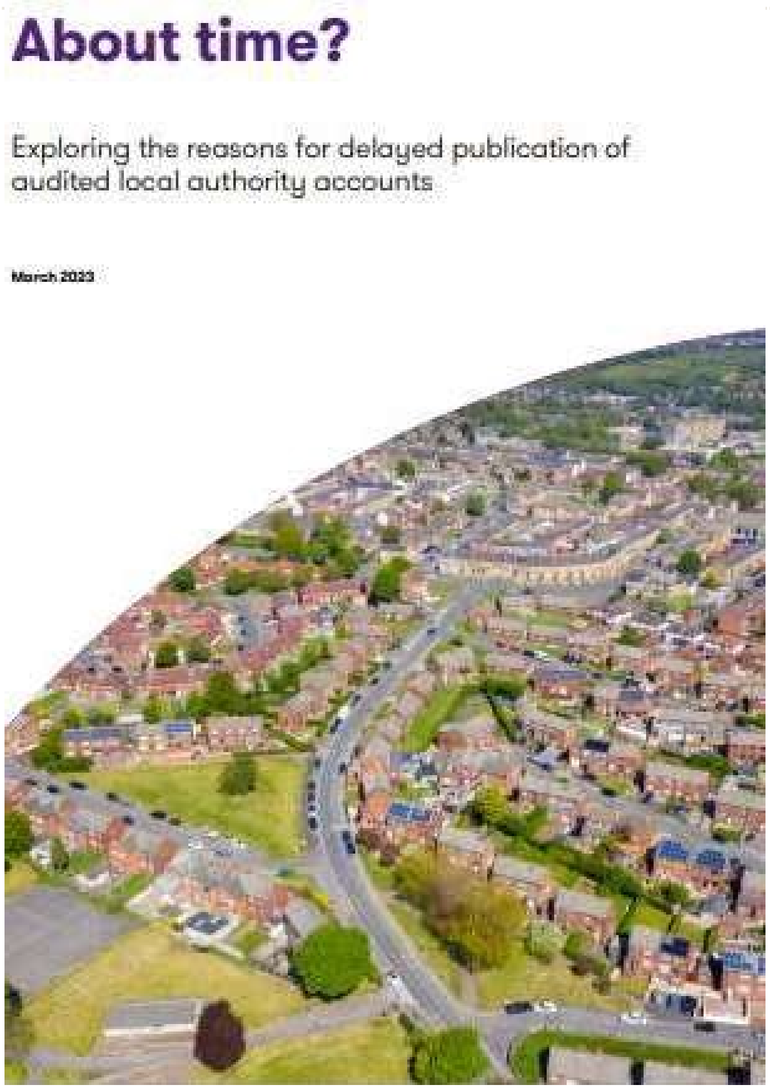
All key stakeholders in the local audit system will need to continue their efforts to secure improvement and a return to high levels of compliance with timely publication of audited accounts. The report explores several of the causes of delay and steps which might be taken to reduce the incidence of delays.

These steps relate to systems leadership, holding both authorities and auditors to account for their performance, a continued focus on the quality of accounts preparation and audit, and the effective engagement between auditors and audited bodies.

The report makes 20 recommendations for improving timeliness in publishing audited accounts.

The report also sets out a checklist which management and the audit committee should consider. The report recommends DLUHC, CIPFA or the FRC set out expectations for the system as a whole.

Click here for full report



Appendix A

Local government procurement and contract management

Background

Local authorities in England spend around £82.4 billion a year on goods and services. More than a third of all UK government spending on goods and services is spent in the local government sector. Allowing for capital spending as well, the UK public sector procures around £300 billion a year overall.

We reviewed a large number of reports, inspections and interventions issued by a number of firms, including 53 Annual Auditor Reports issued by Grant Thornton UK LLP. To help build on existing good practice, in this report we highlight some common themes for members and officers to consider:

This report considers a selection of issues we identified under each theme and makes recommendations both to local authorities and, in one case, to central government. The report presents a good practice checklist for local authority members and officers to reflect on.

The analysis sets out five key themes for ensuring good practice:

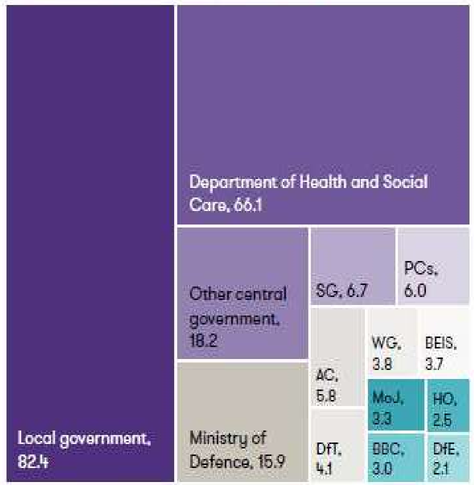
- Strategic planning
- Internal control
- Time, technical expertise, and people
- Commercial awareness
- Contract management

full report here

More than a third of all UK government spending on goods and services is spent by local government, so it's important councils have effective arrangements for procurement and contract management

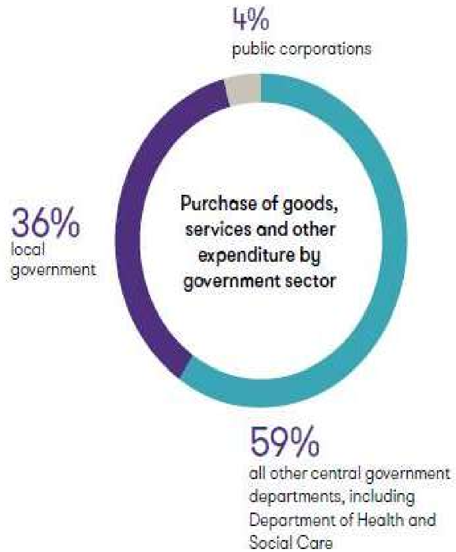
UK public spending

Public spending on goods and services, £ billions – analysis by segment and department[3]



PCs	Other Public Corporations	AC	Academies
DfT	Department for Transport	MoJ	Ministry of Justice
WG	Welsh Government	BBC	British Broadcasting Corporation
HO	Home Office	BEIS	Department of Business, Industry Strategy
DfE	Department of Education		
SG	Scottish Government		

Goods, services and other expenditure by segment[4]



1 HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022
2 Cabinet Office, Transforming Public Procurement: Government response to consultation, December 2021
3 HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022
4 HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022

Stonewall Gold Employer: GT's LGBTQIA+ inclusion journey

Background

15 Feb 2023, Stonewall, Europe's largest charity for Lesbian, Gay, Bi, Trans, and Queer (LGBTQIA+) rights, launched its widely anticipated Top 100 Employers List – recognising us for our work in supporting LGBTQIA+ colleagues to be the best versions of themselves at work and awarding us Gold Employer, the highest award.

We're proud to announce that we've ranked among the UK's leading employers from the public, private, and third sectors in the Stonewall Workplace Equality Index (WEI). We've also been recognised as a Gold Employer. Overall, we've ranked 38th in the latest WEI results, and 26th in the private sector, and 9th in the financial services sector.

Audit Market Developments

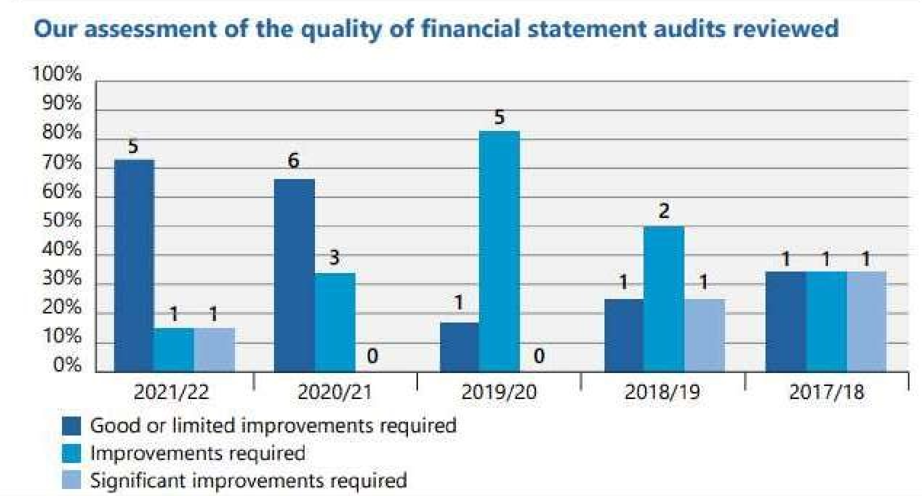
Financial Reporting Council Report On The Quality Of Local Audit

In late October 2022 the Financial Reporting Council (FRC) published its inspection findings into the quality of major local body audits in England, which includes large health and local government bodies.

The Quality Assurance Department (QAD) of the Institute of Chartered Accountants in England and Wales (ICAEW) inspects a sample of local audits that do not meet the definition of a 'major' local audit and the FRC's report also includes a summary of their findings.

The FRC reported that 71% of Grant Thornton audits inspected (7 in total) were assessed as either good or limited improvements required.

This is a pleasing result and reflects on our significant investment in audit quality over recent years. The positive direction of travel over the past five years is illustrated below:



The FRC also inspected our work on VfM arrangements at four bodies.

It is pleasing to note that all of these inspections were assessed as requiring no more than limited improvements (which is the same as the previous year).

As far as the ICAEW are concerned, overall, the audit work reviewed was found to be of a good standard.

Seven of the eight files reviewed (88%) were either 'good' or 'generally acceptable', but one file 'required improvement'.

The ICAEW identified one of our files as requiring 'Improvement' – but it should be noted that this was a 2019-20 file and therefore the learnings from prior years' review could not have been taken into account, an issue recognised by the ICAEW in their report to us.

The ICAEW found that our VfM work was good on each of the files reviewed, and they did not identify any issues with this aspect of the audit teams' work.

Whilst are pleased with our continuing improvement journey, we continue to invest in audit quality to ensure that the required standards are met.

The full report can be found here.

Financial Reporting Council

Audit Market Developments (continued)

Local Government External Audit Procurement

Public Sector Audit Appointments Ltd (PSAA) has recently announced the outcome of its national procurement of audit services across the Local Government sector.

This exercise covers the audits from 2023/24 to 2027/28 and covers the 470 local government, police and fire bodies (99% of eligible local bodies) that opted into the national scheme.

We are delighted to have been reappointed as the largest supplier of local government audit. The public sector has played a significant role within the firm for over 30 years and we remain committed to the success of the sector.

Our UK Public Sector Assurance (PSA) team employs 440 people, including 29 Key Audit Partners and specialists in financial reporting, audit quality, and value for money.

The team is dedicated to public audit work in local government and the NHS, with contracts with PSAA, Audit Scotland and over 100 health bodies. The Public Sector Assurance team is a regular commentator on issues facing the sector and oversees the firm's thought leadership, such as its series of publications on grants and public interest reports.

Mark Stocks, lead Partner for PSA at Grant Thornton, said 'This is a very welcome outcome and reflects our previous delivery as well as our ongoing commitment to invest in the public sector.'

Further information can be found here

Public Sector
Audit Appointments

Audit Committees: Practical Guidance For Local Authorities And Police – CIPFA

In October CIPFA published this guide, stating "This fully revised and updated edition takes into account recent legislative changes and professional developments and supports the 2022 CIPFA Position Statement. It includes additional guidance and resources to support audit committee members, and those working with and supporting the committee's development."

CIPFA go on to state "Audit committees are a key component of governance. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. They play an important role in supporting leadership teams, elected representatives, police and crime commissioners and chief constables.

This edition updates CIPFA's 2018 publication to complement the 2022 edition of the CIPFA Position Statement on audit committees.

The suite of publications has separate guidance resources for audit committee members in authorities, members of police audit committees, and a supplement for those responsible for guiding the committee.

New aspects include legislation changes in Wales and new expectations in England following the Redmond Review. All authorities and police bodies are encouraged to use the publication to review and develop their arrangements in accordance with the Position Statement.

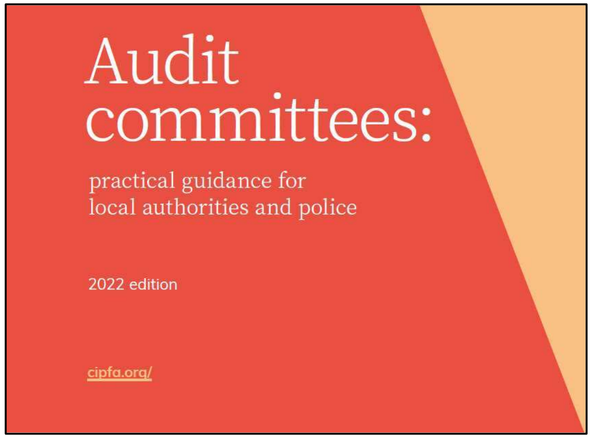
The appendices include suggested terms of reference, a knowledge and skills framework and effectiveness improvement tools."

The guide covers a number of key areas for Audit Committees, including:

- Purpose
- Core functions:
  - Governance, Risk and Control
  - Accountability and Public Reporting
  - Assurance and Audit arrangements
  - Ensuring focus
- Independence and accountability
- Membership and effectiveness

The guide can be purchased via the CIPFA website:

[Audit Committee Guidance: 2022 update | CIPFA]



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Informing the audit risk assessment for West Midlands Pension Fund 2022/23

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Table of Contents

Purpose

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

Background

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

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

Communication

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

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

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

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2022/23?	With the timing of the triennial cycle contribution levels are expected to be in-line with the previous year as a consequence of several larger employers paying their contributions in advance in April 2020. A new valuation cycle will begin in April 2023 which will lead to a change in contributions from 2023/24. As in previous years, market values drive performance based investment management costs.
2. Have you considered the appropriateness of the accounting policies adopted by the Fund? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	The policies are currently under review in readiness for presentation to Pensions Committee for approval in March 2023.
3. Is there any use of financial instruments, including derivatives? If so, please explain	The Fund makes use of derivatives within the admitted body sub-fund (the ITA fund). Derivatives held in the main fund closed out in September 2022.
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	Management are not aware of any significant transactions outside of the normal course of business.

General Enquiries of Management

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

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General Enquiries of Management

Question	Management response
9. Have any of the Fund's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	None have been reported. The Fund requests AAF reporting from its Fund Managers, there have been no instances reported.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	The Fund's appointed advisers are listed in its Annual Report along with a description of the nature of their relationship to the Fund.
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Review of debtor balances underway to identify any potential losses. Having reviewed the standard no other areas are expected to be affected.

Fraud

Matters in relation to fraud

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

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

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

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

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

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

Fraud risk assessment

Question	Management response
1. Has the Fund assessed the risk of material misstatement in the financial statements due to fraud? How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process? How do the Fund's risk management processes link to financial reporting?	The process for accounts close and budget monitoring takes into account the potential risk of fraud. The Fund has adopted a Fraud Risk policy (taking into account the new Cyber Strategy adopted by the Pensions Committee in the year), which requires individual ownership for the reporting of potential fraud. Quarterly finance reports are presented to the Fund's Senior Management Team, and Pensions Committee, the papers of which are available to the Internal Audit team. The Fund has effected its risk management framework through the introduction of operational risk maps owned individually by each service area and reviewed by the Governance and Risk team. The finance team undertake monthly review of their risk map reporting quarterly to Governance. Risks are collated into the organisational risk presented to Committee and Board on a quarterly basis.
2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	The Fund has determined that potential fraud by or against pension fund members to be the areas most at risk both in terms of identity and pension scams encouraging members to transfer out to scam schemes. The Fund is a signatory of the Pensions Regulatory Scam pledge. There is the potential for fraudulent claims for monies paid from or due to the Fund in relation to suppliers and investment transactions. However, this is considered low risk in consideration of the operational controls in place.
3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within West Midlands Pension Fund as a whole, or within specific departments since 1 April 2022? If so, please provide details	No.

Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	The Fund reports on a quarterly basis its risk management to the Pensions Committee and Local Pensions Board noting movements in risks together with horizon scanning potential future events which could impact service delivery. Training was provided in October 2021 to the Fund's Governing Bodies on the Fund's approach to reporting and monitoring risks presented in the strategic risk register (the training was provided for the members of the Pensions Committee and Local Pensions Board). The Fund has an induction plan in place for any new Committee members following elections and this will include audit progress and plans.
5. Have you identified any specific fraud risks? If so, please provide details Do you have any concerns there are areas that are at risk of fraud? Are there particular locations within the Fund where fraud is more likely to occur?	On a quarterly basis the Fund reports to Committee and Board its compliance monitoring and includes by exception any instances of fraud. No instance of fraud have been reported this year. The Fund continues to enhance its processes for monitoring fraud risk on transfer out and grant payments. The Fund has signed up to the Pension Regulator's pledge on scams to support this work together with launching it's Cyber Risk Strategy in 2021. In line with these adopted strategies, the Fund is undertaking a review of duties and processes to enhance payment authorisation processes including those for investment transactions. The Fund is aware of potential scam transfer out schemes seeking to scam members of their pension, additional controls have been put in place in response to the requirements of the pensions act 2020.
6. What processes does the Fund have in place to identify and respond to risks of fraud?	The Fund's Governance Team monitor instances of potential fraud through it's monitoring of safeguarding, data protection and transfer out requests (where individuals are seeking recourse due to lost pension). All employees have been provided with training on data protection, safeguarding, and cyber security and are alert to potential instances of fraud. The Fund has implemented a reporting line to Governance who undertake formal investigation of instances and report them as appropriate to relevant bodies. In addition to the above outlined actions on transfer outs, and in relation to pensioner payroll, the Fund undertakes monthly mortality screening with a third party provider and also participates in the biennial National Fraud Initiative scheme. Any queries identified are investigated and resolved. Together with increase controls on transfer out noted above.

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Fraud risk assessment

Question	Management response
7. How do you assess the overall control environment for the Fund including: • the existence of internal controls, including segregation of duties; and • the process for reviewing the effectiveness the system of internal control? If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken? What other controls are in place to help prevent, deter or detect fraud? Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details	The Fund has an outline internal controls framework noting the 3 lines of defence model and how it applies to the Fund. The above references to enhancements in the protection of fraud risk, outline the enhancements made to line 1 processes, the Fund works with internal audit (as line 3) to review changes to processes or service developments seeking additional assurance on the changes and improvements made. The Fund has reviewed it's internal delegations to senior officers with limits and controls on level of authority and sign off to provide separation of responsibilities from decision makers to consultees. . The Fund has adopted a conflicts of interest policy for its Governing Body members and is awaiting response from the Scheme Advisory Board (SAB) for the LGPS, to the requirements of the policy arising from the SAB's good governance review, has implemented an officer conflicts of interest and inside information policy. The Fund's risk management process identifies actions and controls in the mitigation of risk. No areas are identified as having inappropriate influence over financial reporting processes or override of controls.
8. Are there any areas where there is potential for misreporting? If so, please provide details	As outlined above, the Fund has a controlled process for the reporting and preparation of financial statements.

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Fraud risk assessment

Question	Management response
9. How does the Fund communicate and encourage ethical behaviours and business processes of it's staff and contractors? How do you encourage staff to report their concerns about fraud? What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details	The Pension Fund follows the Council's Whistle Blowing policy and guidelines. The Whistle Blowing policy is available to the public and all contractors. The terms and conditions within Pension Fund contracts also include ethical considerations for contractors and suppliers. The vision and values for the Pension Fund identify the need for staff to act with integrity in all undertakings and presented to all employees as part of their induction into the Fund. The Fund is in the process of implementing a local framework which seeks to enhance the CWC policies in response to the Scheme Advisory Board recommendation to have a conflicts of interest policy for officers of the Fund. Employees are encouraged to report their concerns about fraud as set out in the speaking up about wrongdoing (Whistle Blowing) policy and the Council's Counter Fraud, Bribery and Anti-Corruption Strategy. The Fund has also provided bespoke training to front line officers regarding financial vulnerability and financial abuse to support awareness of potential fraud against members. As part of annual compliance training and new employee inductions, all employees are provided with information regarding their duties as an employee, including their responsibilities on data protection and safeguarding and to highlight any concerns. None have been reported this year.

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Fraud risk assessment

Question	Management response
10. From a fraud and corruption perspective, what are considered to be high-risk posts? How are the risks relating to these posts identified, assessed and managed?	High risk posts are identified as those with access to financial systems and with responsibility for authorising payments. A staff structure chart can be provided on request. The holders of high risk posts (responsible for authorising payments) are Chris Manning (Head of Finance), Ramesh Bailey (Finance Manager) and Julie Gibson (Finance Manager). In addition the Council identifies roles which have the potential to influence or shape decisions, those posts are designated politically restricted, in addition, all roles above heads of service are required to complete an annual declaration of interest.
11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details How do you mitigate the risks associated with fraud related to related party relationships and transactions?	The Fund adheres to procurement rules and procedures in relation to the award of contracts and payments. The process requires suppliers to identify relationships with Council employees or Councillors. In addition, employee contracts require individuals to notify of any conflicts of interest which may arise in procurement. The Council's monitoring officer keeps a record of personal interests of employees. All suppliers are named in the Fund's annual accounts

Fraud risk assessment

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

Law and regulations

Matters in relation to laws and regulations

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

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

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

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

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Impact of laws and regulations

Question	Management response
1. How does management gain assurance that all relevant laws and regulations have been complied with? What arrangements does the Fund have in place to prevent and detect non-compliance with laws and regulations? Are you aware of any changes to the Fund's regulatory environment that may have a significant impact on the Fund's financial statements?	The Fund's Governance team support service areas through relevant internal committees in the monitoring and assessment of change management and regulatory implementation. Regular training is delivered to the Fund's governing bodies (training hours are recorded in the annual report) hosted by external experts on relevant topics. The Internal Audit support in assessing at the 3rd line the Fund's compliance both with statutory requirements and best practice, compliance report by exception to senior management and committee on any breaches (including non compliance with statutory deadlines such as FOI). None.
2. How is the Pensions Committee provided with assurance that all relevant laws and regulations have been complied with?	The Pensions Committee receives reports of compliance from officers who are suitably qualified. Any non compliance would be reported to management and the Pensions Committee via Internal Audit reports.
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2022 with an on-going impact on the 2022/23 financial statements? If so, please provide details	There has been no known instance of non-compliance or suspected non-compliance with laws and regulations.

Impact of laws and regulations

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

Related Parties

Matters in relation to Related Parties

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

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

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

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

Related Parties

Question	Management response
1. Have there been any changes in the related parties including those disclosed in the Fund's 2022/23 financial statements? If so please summarise: • the nature of the relationship between these related parties and West Midlands |Pension Fund whether West Midlands Pension Fund has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions	The Fund requires all pension committee members (including trade union observers) together with local pension board members to undertake an annual declaration of interest including the requirement to inform where an interest arises during the year. For governing body members, membership of the pension fund is not considered to be a disclosable interest.
2. What controls does the Fund have in place to identify, account for and disclose related party transactions and relationships?	The Fund adheres to procurement rules and procedures in relation to the award of contracts and payments. The process requires suppliers to identify relationships with Council employees or Councillors. In addition, employee contracts require individuals to notify of any conflicts of interest which may arise in procurement. As outlined above, the Council's monitoring officer keeps a record of personal interests of relevant employees in line with the Fund's adopted conflicts of interest policy.

Related Parties

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

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by the Fund will no longer continue?	Ongoing engagement by Senior Management with scheme bodies e.g. DLUHC would identify any changes to the provision of LGPS. Similarly engagement with sector partners e.g. LGPS Central and scheme actuaries will support the Fund in identifying any potential changes to the scheme.
2. Are management aware of any factors which may mean for the Fund that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	Management are not aware of any factors affecting service continuity.
3. With regard to the statutory services currently provided by West Midlands Pension Fund does the Fund expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for the Fund to cease to exist?	Yes. There is no uncertainty over the continuation of the LGPS (Local Government Pension Scheme) at a national level, with the majority of bodies within the Scheme having a statutory responsibility to be enrolled within the scheme.
4. Are management satisfied that the financial reporting framework permits the Fund to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes.

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Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body'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 body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body'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?

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

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	Private Equity and Infrastructure investment holdings are valued at fair value in accordance with relevant accounting standards and industry guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. Direct property is valued at fair value by external independent property valuation experts. The insurance buy in and disclosures of net liability within the notes to the accounts also represent significant estimates and are based on information supplied to management by the Fund's actuary.
2. How does the Fund's risk management process identify and address risks relating to accounting estimates?	The Fund's risk management process includes the creation and management of risk maps by individual heads of service, the Head of Finance is responsible for the financial risk map. The Pension Fund's Accounting Policies are disclosed in the annual report and accounts and covers areas of accounting estimates. The accounting policies are formally adopted by the Pensions Committee each year.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	The Fund regularly reviews appropriate guidance (CIPFA) and best practice in the assessment of methods and processes used together with any enhancements which support its accounting responsibilities. Accounting reports are presented on an annual basis to Senior Management with subject experts called where required.
4. How do management review the outcomes of previous accounting estimates?	Accounting estimates are made in line with IASs/IFRSs and Generally Acceptable Accounting Practices. When the actual year end external assessments are received management compares them to the respective historical valuation estimates. Variances are analysed with a view to improving the estimation process.
5. Were any changes made to the estimation processes in 2022/23 and, if so, what was the reason for these?	No changes made.

Accounting Estimates - General Enquiries of Management

Question	Management response
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	The Fund's Head of Finance is also the Deputy S151 officer which requires relevant knowledge and experience to identify any needs. The Fund appoints specialist advisors where required.
7. How does the Fund determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	The Fund documents its methodology for accounting estimates with the accounting policies presented to Pensions Committee for approval each year in March. There is a routine review of specialist advisors who support in the accounting estimates (asset valuations in particular).
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	In addition to the reporting to Pensions Committee, the Fund's statement of accounts are presented to the Council's Audit and Risk Committee before being signed off by the S151 officer.
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements.	As outlined above, the Fund reports to senior managers, Pensions Committee and the Council's Audit and Risk committee. The internal audit team include a relevant area of finance accounting on their internal audit plan each year.

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	Management is not aware of any such transactions, events or conditions.
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	Estimates are consistent year on year and reflect standard industry practice. No known changes to accounting standards that would impact on the estimates approach adopted.
12. How is the Pensions Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Pensions Committee are assured via the annual external audit of the Pension Fund Statement of Accounts which is prepared using the arrangement for accounting estimates where appropriate.

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Appendix A Accounting Estimates

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

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Accruals	Finance team collate accruals of expenditure and income. Activity is accounted for in the financial year that it takes place, not when money is paid or received.	Review financial systems to identified where goods have been received or benefits accrued but not paid for. Requests of service managers to identify any other goods or services received or provided but not paid for.	No	Accruals for income and expenditure often based on known values. Where accruals are estimated the latest available information is used.	No
Contributions	If March values will not be readily available at the time of compiling the accounts then there maybe a degree of estimation involved in calculating month 12 contributions. Finance team would then estimate the month 12 contributions based on actual figures to the end of March 2023.	Management reconcile this estimate of contributions to the actuals received for month 12.	No	Monthly contributions are usually based on known values. Where month 12 figures are estimated the latest available information is used.	No

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Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property Valuations	Property is valued at fair value by property valuations experts. If March values will not be readily available at the time of compiling the accounts then there maybe a degree of estimation involved in the valuation.	December valuation is received and cash flow adjustments are used to roll forward the valuation to 31 March as appropriate. Valuation is then compared to the year end valuation to determine any significant fluctuations.	Property valuer	Not applicable	No
Provisions for liabilities	Accruals would be made in the year end financial statements. No provisions are expected for 2022/23.	Not applicable.	No	Not applicable	No

Appendix A Accounting Estimates

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

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Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Level 2 investments	Fair valuation of assets in line with accounting standards, GAAP and industry practice.	Reliance on the work of experts including independent auditor.	Investment Manager	Not applicable	No
Level 3 investments	Fair valuation of assets in line with accounting standards, GAAP and industry practice.	Reliance on the work of experts.	Investment Manager	Not applicable	No
Fair value estimates	Assets and liabilities are recorded at fair values in line with relevant IFRSs	As above	Yes, where applicable	Not applicable	No

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Agenda Item No: 9

CITY OF WOLVERHAMPTON COUNCIL	**Pensions Board** 25 April 2023

Report title	Internal Audit Plan	
Originating service	Pensions Services	
Accountable employee	Amanda MacDonald Email	Client Lead Auditor Amanda.macdonald@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Email	Executive Director of Pensions Rachel.brothwood@wolverhampton.gov.uk

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Recommendation for action:

The Pensions Board is recommended to note:

1. The Internal Audit Plan for 2023 – 2024 which was approved by the Pensions Committee at their meeting in March 2023.

1.0 Purpose

1.1 To provide the Board with the outline work programme for internal audit during 2023 – 2024.

2.0 Background

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

3.0 Work Plan 2023 - 2024

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

3.2 A copy of the agreed work plan for 2023 – 2024 is attached at Appendix A.

4.0 Financial Implications

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

5.0 Legal Implications

5.1 This report contains no direct legal implications.

6.0 Equalities Implications

6.1 This report contains no direct equalities implications.

7.0 Other Implications

7.1 There are no other implications associated with this report.

8.0 Schedule of Background Papers

8.1 There are no background papers with this report.

9.0 Schedule of Appendices

9.1 Appendix A - West Midlands Pension Fund Internal Audit Plan 2023 – 2024.

Appendix A

West Midlands Pension Fund

Internal Audit Plan

2023 - 2024

CITY OF WOLVERHAMPTON COUNCIL

1 Introduction

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

1.2 The purpose of this document is to provide the Fund with an internal audit plan for the 2023-24 financial year. This plan has been approved by Senior Management, individual audit timings and terms of reference will be agreed with the appropriate managers during the year.

2 Assessing the effectiveness of risk management and governance

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

3 Assessing the effectiveness of the system of control

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

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

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

4 The framework of assurance

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

Assessing the risk of auditable areas within the assurance framework

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

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

- Materiality
- Business impact
- Audit experience
- Risk
- Potential for fraud

5 Developing an internal audit plan

5.1 The internal audit plan is based, wherever possible, on management’s risk priorities, as set out in the Fund’s own risk analysis/assessment. The plan has been designed to, wherever possible, cover the key risks identified by such risk analysis. In particular, management have specifically requested that audits are linked to key risks, challenges and performance issues.

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

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

Auditor’s judgement will be applied in assessing the resources required for each audit identified in the plan.

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

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

6 Considerations required of the Pensions Committee, Board and senior management

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

7 How the internal audit service will be delivered

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

Communication of results
The outcome of internal audit reviews is communicated by way of written reports and where appropriate direct feedback or action plans. However, should a serious matter come to light, this will be reported to the appropriate level of management without delay.

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

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

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

8. 2023-2024 Internal audit plan

Specific Internal Audit Reviews		
Audit Area	Audit / Timing	Details / Audit Needs Assessment
Governance	Pension Fund Member Safeguarding Q1	A review of arrangements in place to ensure there are appropriate safeguarding measures for Fund members, including the provision of support regarding vulnerabilities and cost of living issues. (Medium).
Governance	Conflicts Management Q1	To provide assurance that the conflicts management policy adopted by Pensions Committee has been implemented and embedded into Fund activities (Medium).
Finance	Fund Accounting Q3	A review of controls following the transition to new procedures as a result of the Finance Transformation Project. (High).
Finance	Debt Monitoring Q4	To provide assurance that the debt management policy adopted by Pensions Committee has been implemented and embedded into Fund activities. (Medium).
Finance	Bank account management (Non Natwest bank accounts) Q4	A review of bank accounts to provide assurance regarding access/transactions, monitoring and reconciliations. (Medium).
Pension Services	Employer Onboarding Q2	A review of procedures and controls adopted prior to accepting new employers into the Fund (High).
Pension Services	Complaints Management Q2	A review of arrangements for the assessment and processing of complaints regarding service standards from members. (Medium).
Investments	Investment Management and Monitoring Q3	To review the controls, monitoring and reporting arrangements around the ongoing investments retained by the Fund. (High).

Other audit work	
Follow up Reviews - Q3	To review the implementation of agreed key actions from the previous financial year
Counter Fraud	The provision of the Cabinet Office's National Fraud Initiative data matching exercise and any other work relating to counter fraud as requested by management, including the financial appraisal checks for new organisations requesting admission to the Fund.
LGPSC Review	In accordance with the established framework, we participate in the internal audit working group with partner fund auditors. On a rotational basis, partner fund auditors undertake annual reviews. For 2023-24 financial year, we are due to audit Governance arrangements.
Contingency and Consultancy	Special projects, advice, and assistance as and when required.
Pensions Committee and Board	The preparation of committee reports and attendance at committee and the Board.
Management	The management of the internal audit function.

Agenda Item No: 10

CITY OF WOLVERHAMPTON COUNCIL

Pensions Board

25 April 2023

Report title	Compliance and Assurance	
Originating service	Pension Services	
Accountable employee	Rachel Howe Email	Head of Governance, Risk and Assurance Rachel.Howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Email	Executive Director of Pensions Rachel.Brothwood@wolverhampton.gov.uk

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Recommendation for decision:

The Pension Board are asked to approve:

1. The Pension Board appointments for the 2023-24 municipal year.

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 Fund's Key Performance Indicators (KPI) and action taken to support service delivery.
3. The compliance monitoring activity undertaken during the quarter.

1.0 Purpose

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

2.0 Local Pension Board Appointments 2023-24

2.1 At their meeting on 24 January the Board agreed, in accordance with their terms of reference, to form an appointments panel to consider applicants for the employer representative due for nomination. Applications were submitted to the panel who have unanimously agreed to recommend the re-appointment of Paul Johnson as the Local Authority Employer Representative.

2.2 In accordance with the appointments process, the Fund are engaging with Unison regarding the member representative seat due for nomination. An update on the selection process will be provided to the next meeting of the Local Pensions Board.

2.3 It is noted that nominations for the Chair and Vice Chair for the 2023-24 municipal year will take place at the first Pensions Board meeting of the new municipal year scheduled for July 2023.

3.0 Risk Register

3.1 Attached at Appendix A is the Strategic Risk Register for this quarter, which is showing movement in the focus of risks for the organisation.

3.2 The Risk Register captures the potential for impact in the Fund’s service delivery as a forward-looking review, together with horizon scanning for changes which may impact or require change to the Fund’s processes and delivery model. As such the register is refreshed each quarter. This quarter, there are changes to the areas of focus and the directional arrows therefore reflect the trend on the risk assessment (as opposed to quarter-by-quarter comparison).

3.3 This quarter the Fund is reporting a new risk on Operational Resilience, highlighting the need to grow and develop our people along with a number of business change initiatives and system developments. In conjunction with that, the Fund is alive to the need to test and challenge our suppliers on their resilience to ensure they are able to keep up with the pace of change across our organisation and wider Local Government Pension Scheme (LGPS) as a whole.

3.4 We continue to work with our employers to understand the current economic constraints on their operational budgets at this time and have removed the risk reported last quarter regarding member behaviours, noting the action and support offered by the Fund is now adopted and formalised within our standard package of support.

3.5 Due to the timing of this quarter's reporting, we have added the cyclical risk of potential change in our Governing Body Memberships, noting the annual cycle of elections and nominations due to take place.

4.0 Key Performance Indicators (KPIs)

4.1 Attached at Appendix B are the Fund's KPIs as at Q3 2022/23.

4.2 Further details with regards to the Fund's Operational KPIs is covered in the Pension Administration Report. The team continues to flex resource to meet demands.

4.3 Engagement with the Fund from our customer base continues to be high, this is demonstrated by the high volume of communications (calls and emails) received into the Fund's contact centre, which alongside capacity constraints, continue to impact the Fund's ability to meet KPIs in responding to those customer contacts. This is an area where recruitment and training continues and is also an area we expect to see increased capacity following development and roll out of the pension administration system.

5.0 Compliance Monitoring

5.1 Data Protection

5.1.1 This quarter the Fund are reporting three data breaches, a decrease of four from the previous quarter. The Governance Team continue to monitor breaches and identify actions to improve controls. The Fund hasn't identified any systemic issues in the management of its data and continues to work with service areas to implement ongoing enhancements in systems and individual knowledge. In addition, the team also continue to monitor completion of the City of Wolverhampton Council's (CWC) mandatory data protection training, issuing reminders to staff to ensure refresher training is completed in accordance with deadlines set.

5.2 Freedom of Information (FOI) Requests

5.2.1 The Fund received four FOI requests during the quarter, three were dealt with in accordance with the deadlines set by CWC, with one being granted an extension to allow information 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 the statutory deadline.

5.2.2 It is noted that the complexity of FOI requests received continues to increase. Whilst most requests relate to investment holdings, information on Fund membership data and staffing and equality training has also been requested this quarter.

5.3 Subject Access Requests (SARs)

5.3.1 The number of SAR requests received continued to increase steadily during the quarter, with eight requests received in total. The majority of these requests continue to be from third parties seeking information in connection with a member's decision to transfer their pension out of the LGPS. Authority from the member is always sought prior to providing information to third parties. It is noted that current national campaigns regarding pension scams is creating heightened awareness and is potentially driving the increase in information requests. All requests were responded to in accordance with the set deadlines.

5.3.2 The Fund has previously reported on the work we are doing in line with the Pension Regulator's Pension Scam Awareness campaign and ensures all members are kept informed of any personal information requests regarding their data.

6.0 Governing Body Training

6.1 Governing Body training events undertaken during the reporting period included the following topics, with analysis undertaken to ensure the program complies with knowledge areas identified in the Chartered Institute of Public Finance and Accountancy's (CIPFA) Governing Body Knowledge and Skills Framework;

- An update on emerging risks and the 2022 Actuarial Valuation, including an update on the Fund's Funding Strategy Statement (FSS) review
- An update on the review of the Fund's Investment Strategy Statement (ISS)
- An update on Responsible Investment, including information regarding the LGPS Climate Change and Risk Consultation
- An investment Markets Update
- Information on the management of the Fund's property portfolio
- Pension Awareness - An update from the Fund's Member Services team
- Updates and media roundups issued by the Governance team

6.2 Training has been delivered both internally and by a number of 3rd parties including the Fund's Actuary, Investment Consultants, Investment Managers and the Fund's Legal Advisors.

6.3 Training hours continue to be recorded by the Governance team and reported in the Fund's KPIs, and the online learning library for Governing Body members continues to be updated regularly and provides a variety of training material (including from recent events).

7.0 Financial Implications

7.1 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.

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

8.0 Legal Implications

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

9.0 Equalities Implications

9.1 There are no direct equalities implications.

10.0 Other Potential Implications

10.1 There are no other potential implications.

11.0 Schedule of Background Papers

11.1 Pledge to combat pension scams | The Pensions Regulator

12.0 Schedule of Appendices

12.1 Appendix A: Risk Register

12.2 Appendix B: Key Performance Indicators

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APPENDIX A: West Midlands Pension Fund – Strategic Risk Register

March 2023

Risk Ref	Risk Theme	Risk Title	Current Drivers	Corporate Priority	Pre-control Risk Assessment	Post Control Risk Assessment	Risk Outcome post control	Reason for concern and actions underway to mitigate risk	Officer responsible for Action
1	Economic Environment	Market Volatility	Global markets reacting to geopolitical issues and short-term volatility impacting longer term outlook	Investment implementation Operational Resilience Stewardship				The Fund is a long-term investor taking a strategic approach to asset allocation and building resilience across the investment portfolio in order to help manage the impact of short-term market volatility. The Fund actively monitors its asset positioning and broader markets and has undertaken a fundamental review of its investment strategy in conjunction with the triennial actuarial valuation with updates being reflected in the Investment Strategy Statement.	ADI
		Employer funding and budget stretch	Pressure on employer covenant being driven by rising inflation and costs against a backdrop of budget constraints and reduced income sources.	People and Customers Corporate Responsibility				The Fund is sensitive to the issues facing employers and has undertaken a broad engagement program as part of the 2022 actuarial valuation. The key risk being potential employer default on liabilities through non-payment of contributions and/or heightened cessations. The Fund continues to review employer covenant, maintaining and monitoring a 'watchlist' of the employers representing the greatest risk, with associated engagement with employers.	ADP
		Rising costs and inflation on goods and services received	Annual inflation uplift on contracted goods and services may see an additional increase in Fund costs and budget into next year	Operational Resilience People and Customers				The Fund undertakes early engagement with suppliers to identify potential increases in costs as part of its budget planning process. The Fund has a contract management process supported by CWC procurement which	HOF

Risk Ref	Risk Theme	Risk Title	Current Drivers	Corporate Priority	Pre-control Risk Assessment	Post Control Risk Assessment	Risk Outcome post control	Reason for concern and actions underway to mitigate risk	Officer responsible for Action
								provides consistency in contract terms and management.	
2	Keeping pace with change	Resourcing	The scale of undertaking multiple business change initiatives (driven by regulatory and service development needs), results in conflicting priorities for internal resource and increased reliance on the delivery by third parties to meet the Fund's statutory deadlines.	People and Customers Compliance and Risk Operational Resilience			↔	The Fund continues to challenge itself on the need for business change, together with ensuring effective contract management of suppliers and the delivery of change in line with requirements set.	All Senior Managers
		Specialist/Technical knowledge capabilities	Increasing complexity and change in business process is increasing need to ensure the Fund adequately trains its people, ensuring development in knowledge and skill requirements.	People and Customers Compliance and Risk Operational Resilience				The Fund continues to develop its knowledge and development framework supporting upskilling of colleagues where change occurs.	HoPCS
		Employer resources	The ability of employers to keep pace with the business change initiatives implemented by the Fund and the need to adequately resource their delivery and ongoing processes. Together with employer's own knowledge and capacity needs in support of the changing environment	People and Customers Corporate Responsibility Operational Resilience Corporate Communications				The Fund is conscious to the impact its business change initiatives will have on employers and is providing access to support and training as part of the roll out of the new admin system transition together with the new processes. .	ADP
	Assurance and Internal Controls	Process inefficiencies and manual intervention	Linked to the business change, a number of processes across all service areas are undergoing a program of transformation and development which increases the potential for	Operational Resilience				The Fund continues to review its processes and controls to identify efficient methods of working. A number of initiatives are reliant on third party systems for which the Fund is engaging with suppliers.	All Senior Managers

Risk Ref	Risk Theme	Risk Title	Current Drivers	Corporate Priority	Pre-control Risk Assessment	Post Control Risk Assessment	Risk Outcome post control	Reason for concern and actions underway to mitigate risk	Officer responsible for Action
			manual processing while those systems are onboarded.						
4	Data Information and Reporting	Increased demands for data and data review and the ability of the Fund to meet statutory and reporting requirements	Number of key projects reliant on data management and rectification (including system transition)	Operational Resilience Compliance and Risk People and Customers			↓	The Fund continues to enhance its reporting on data quality with ongoing focussed resource to achieve key data targets, and support with data focussed projects such as McCloud.	HGRA ADP HOPs
		Evolving standards for governance and reporting requirements	The Fund continues to wait for delayed regulatory guidance on areas such as Governance and Investment however there is a general shift to increased reporting with a focus on Management Information to support trend monitoring and performance.	Compliance and Risk Operational Resilience				The Fund continues to develop its program of data information and reporting	HGRA
5	Operational Resilience	The resilience in our human capital and our ability to adequately, resource, train, and retain.	With a number of changes on the horizon, from business change to regulatory change, the ability of the Fund to ensure its people resource is able to adapt and keep pace will be key to ensuring successful transitions.	Operational resilience People and customers			↓	The Fund is actively working across all departments on employee lifecycle from Recruitment and OD. Training is both bespoke per department, role profile and individually for employee growth and future development at the Fund. These are complimented with our employee development plans and appraisal process, which is monitored throughout the year as per the goals set.	EDOP
		The resilience of our third-party suppliers	Ensuring our partners are able to meet our ongoing business change needs.	Operational resilience People and customers				Through effectively managing our contracts and supplier performance, we are able to challenge their ability to cope with change and respond to our growing business and customer needs.	All Senior Managers

Risk Ref	Risk Theme	Risk Title	Current Drivers	Corporate Priority	Pre-control Risk Assessment	Post Control Risk Assessment	Risk Outcome post control	Reason for concern and actions underway to mitigate risk	Officer responsible for Action
		Cyber and Disaster Recovery	Ensuring our systems and those of our suppliers can withstand disaster and recover to provide continuity in our service delivery.	Operational resilience People and customers				The Fund undertakes an annual assurance and testing program of all of its IT systems and suppliers, ensuring all are capable of identifying and responding to potential external threats.	HOPs HGRA
6	Annual Election Cycle	The potential for change in our Governing Body memberships	Annual cycle of elections to be held in May have the potential to change governing body memberships and impact established knowledge and understanding across the membership as a whole.	Operational Resilience People and Customers				The Fund has a robust induction and training program for governing body members which seeks to develop knowledge with term of membership.	HGRA

Officers Responsible for Action

EDOP	Executive Director of Pensions
ADI	Assistant Director Investments
ADP	Assistant Director Pensions
HOPs	Head of Operations
HGRA	Head of Governance, Risk and Assurance
HOF	Head of Finance
HoPCS	Head of People and Corporate Services

West Midlands Pension Fund - Key Performance Indicators (KPIs)

West Midlands Pension Fund

Benefit Operations Processes

KPI Summary	KPI Description	Reporting Frequency	Target Summary	22/23 Q1	22/23 Q2	22/23 Q3	22/23 Total
Refund Notification	Notify member of Refund within 10 days of receiving required information	Monthly	R < 80% A < 90% G >= 90%	94%	95%	92%	94%
Refund Payment	Refund payments processed within 5 days of receiving required information	Monthly	R < 80% A < 90% G >= 90%	98%	96%	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	R < 80% A < 90% G >= 90%	100%	93%	97%	96%
Transfer In Quote	Transfer in quotations processed within 10 days of receiving all the required information	Monthly	R < 80% A < 90% G >= 90%	99%	100%	97%	99%
Transfer Out Payment	Transfer out payments processed within 20 days of receiving required information	Monthly	R < 80% A < 90% G >= 90%	100%	100%	98%	99%
Transfer Out Quote	Transfer out quotations processed within 20 days of receiving required information	Monthly	R < 80% A < 90% G >= 90%	100%	100%	99%	100%
Retirement Notification	Notification of the actual benefits within 5 days of receiving member option form (Retirement Notification)	Monthly	R < 80% A < 90% G >= 90%	89%	89%	94%	91%
Retirement Payment	Payment of lump sum and creation of payroll record within 5 days of receiving election form (Retirement)	Monthly	R < 80% A < 90% G >= 90%	97%	96%	95%	96%
Retirement Quote	Notification of Estimated Benefits within 15 days of retirement date	Monthly	R < 80% A < 90% G >= 90%	98%	99%	99%	99%
Deferred Retirement Notification	Notification of the actual benefits within 5 days of receiving member option form (Deferred Retirement Notification)	Monthly	R < 80% A < 90% G >= 90%	98%	94%	94%	95%
Deferred Retirement Payment	Payment of lump sum and creation of payroll record within 5 days of receiving election form (Deferred Retirement)	Monthly	R < 80% A < 90% G >= 90%	94%	89%	89%	90%
Deferred Retirement Quote	Issue quote letter within 30 days of the members eligible payment date or receipt of request from member	Monthly	R < 80% A < 90% G >= 90%	92%	88%	96%	92%
Deaths Acknowledgement	Acknowledgement of a death within 5 days of receiving the notification	Monthly	R < 80% A < 90% G >= 90%	97%	98%	99%	98%
Deaths Notification of Benefits Payable	Notification of benefits payable to dependents will be issued within 5 days of receiving the required information	Monthly	R < 80% A < 90% G >= 90%	99%	96%	94%	97%
Deaths Payment	Payment of death lump sum will be made within 10 days of receipt of all the required information	Monthly	R < 80% A < 90% G >= 90%	94%	99%	98%	96%

Customer Engagement and Communication

KPI Summary	KPI Description	Reporting Frequency	Target Summary	22/23 Q1	22/23 Q2	22/23 Q3	22/23 Total
Customer Services Calls	In accordance with PAS >85% of calls to received to the Customer helpline to be answered	Monthly	R < 85% G >= 85%	75%	85%	86%	81%
Employer Services Calls	In accordance with PAS>85% of calls to received to the Customer helpline to be answered	Monthly	R < 85% G >= 85%	97%	97%	95%	96%

KPI Summary	KPI Description	Reporting Frequency	Target Summary	22/23 Q1	22/23 Q2	22/23 Q3	22/23 Total
Customer Satisfaction	Customer satisfaction - feedback from events and interaction with members	Quarterly	R < 80% A < 90% G >= 90%	99%	89%	90%	93%

KPI Summary	KPI Description	Reporting Frequency	Target Summary	22/23 Q1	22/23 Q2	22/23 Q3	22/23 Total
Member Complaints	In accordance with the PAS all member complaints to be responded to within 20 working days of receipt	Monthly	R < 80% A < 90% G >= 90%	91%	78%	94%	89%
Employer Complaints	In accordance with the PAS all employer complaints to be responded to within 20 working days of receipt	Monthly	R < 80% A < 90% G >= 90%	N/A	100%	N/A	100%

KPI Summary	KPI Description	Reporting Frequency	Target Summary	22/23 Q1	22/23 Q2	22/23 Q3	22/23 Total
Employer Portal Availability	Employer Portal to be available 95% of the time (based on working hours as monitored)	Monthly	R < 95% G >= 95%	100%	100%	100%	100%
Web Portal Availability	Pensions Portal to be available 95% of the time (based on working hours as monitored)	Monthly	R < 85% G >= 85%	100%	100%	97%	99%

Governance and Risk

KPI Summary	KPI Description	Reporting Frequency	Target Summary	22/23 Q1	22/23 Q2	22/23 Q3	22/23 Total
Statutory Timeliness - Data Breaches	All Fund reports to be submitted in line with service standard set to CWC	Monthly	R < 80% A < 90% G >= 90%	100%	80%	100%	92%
Statutory Timeliness - FOI's	All Fund responses to be submitted in line with service standard set to CWC	Monthly	R < 80% A < 90% G >= 90%	100%	100%	67%	83%
Statutory Timeliness - SAR's	All Fund responses to be submitted in line with service standard set to CWC	Monthly	R < 80% A < 90% G >= 90%	100%	100%	100%	100%

Data Management and Reporting

KPI Summary	KPI Description	Reporting Frequency	Target Summary	22/23 Q1	22/23 Q2	22/23 Q3	22/23 Total
Common Data	Common Data	Monthly	R < 80% A < 90% G >= 90%	98%	98%	98%	98%

KPI Summary	KPI Description	Reporting Frequency	Target Summary	22/23	
ABS	ABS produced for 100% of eligible active member records	Annually	R < 80% A < 90% G >= 90%	91%	
DBS	DBS produced for 100% of eligible deferred member records	Annually	R < 80% A < 90% G >= 90%	100%	

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This report is PUBLIC

CITY OF WOLVERHAMPTON COUNCIL	**Pensions Board** 25 April 2023	Agenda Item No: 11

Report Title	Pensions Administration	
Originating service	Pension Services	
Accountable employee	Amy Regler Email	Head of Operations Amy.Regler@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Email	Executive Director of Pensions Rachel.Brothwood@wolverhampton.gov.uk

Recommendations for action:

The Board is asked to note:

1. The 8 applications approved for employer admission into the Fund as detailed in Appendix E.

2. Performance and workloads of the key pension administration functions.

3. Development of the Fund's membership and participating employers.

1.0 Purpose

1.1 To inform the Pensions Board of the routine operational work undertaken by the Pensions Administration Service areas during the period 1 October – 31 December 2022.

2.0 Background

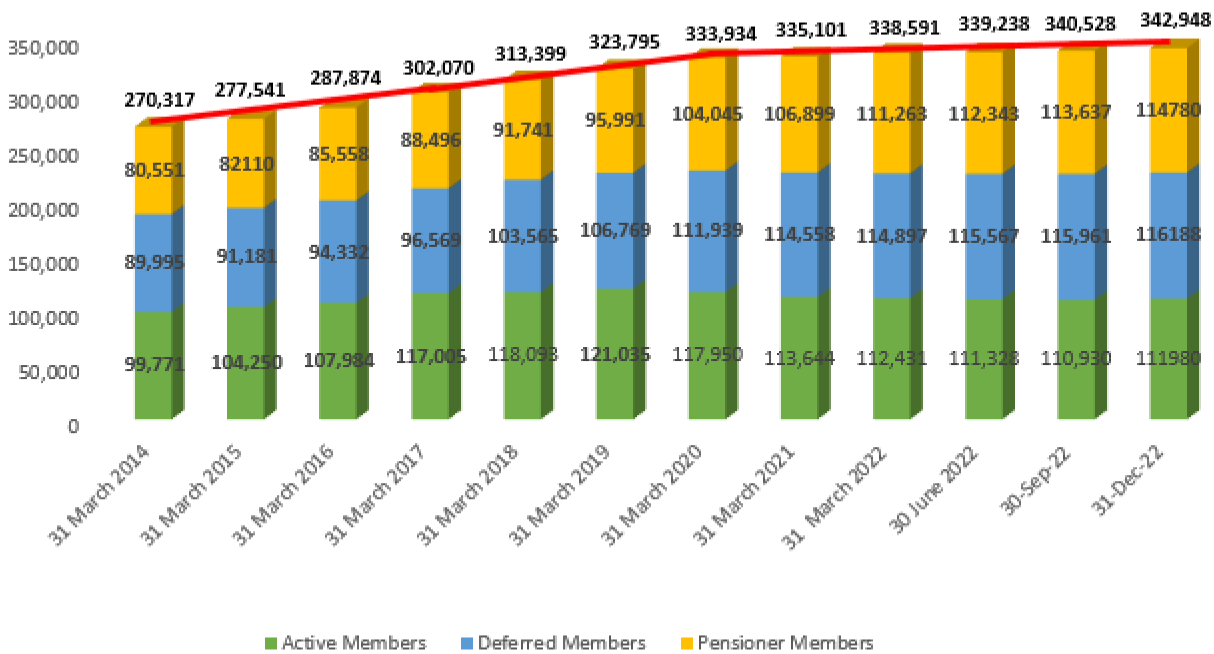
2.1 The Fund provides a pension administration service covering employer, customer and member services, data processing, benefit operations, payroll and systems/technical support. A report is provided to Pensions Board on a quarterly basis to assist monitoring of the activity and performance of these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

3.0 Scheme Activity

3.1 Membership Movement – Main Fund

3.1.1 The total number of scheme member records in the Fund at 31 December 2022 stands at 342,948 with an overall increase since September 2022. The long-term trend over a 12 year period in membership continues to illustrate a move towards a more mature profile whereby, in general, pensioners and deferred memberships continue to rise.

	Membership as at 30 September 2022	Net Movements during the period	Membership as at 31 December 2022
Active Members	110,930	1,050	111,980
Deferred Members	115,961	227	116,188
Pensioner Members	113,637	1,143	114,780
Total Members	**340,528**	**2,420**	**342,948**



3.2 Workflow Statistics

3.2.1 The process analysis statistics in Appendix A show details of overall workflow within the Pensions Administration Service during the period 1 October to 31 December 2022. During the period covered by this report, 40,304 administrative processes were commenced, a slight decrease compared to the previous reporting period and 40,977 processes were completed.

3.2.2 As we continue to see an increase in member movements, the workload volumes will also naturally remain high. On 31 December 2022 there were 41,558 items of work outstanding. This represents a decrease of 379 items outstanding compared to 30 September 2022 (41,937). This decrease is mainly due to the focused work being undertaken to continue to target the clearance of work in preparation for the change in pension administration software system.

3.2.3 Of the 41,558 items of work outstanding, 4,369 items were pending as a result of information awaited from a third party e.g. scheme members, employers or transferring authorities and 37,189 processes are now either proceeding to the next stage of the process or through to final completion.

3.2.4 Appendix B provides a summary of the key processes completed by volume across benefit operational functions e.g. calculating benefits for retirements, pensioner member data changes as well as the maintenance of updating membership details. This shows the trend of lower joiners and higher leavers and retirements year to date is consistent with the tail off in growth of membership and increase in deferred and pensioner membership. In addition, the Fund continues to monitor the level of members opting out of the scheme which remain at a low level, and is currently c57% lower than for the previous year to date. Overall the last six months have seen an increase in processing across a number of key areas, indicating another year on year increase.

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, one KPI did not achieve target on two occurrences, as follows:

- Deferred Retirements – payment of lump sum and creation of payroll record (October and December)
    - The KPI fell short of the target, achieving 87% in October 2022 and 81% in December 2022, due to shorter timescales for payroll closedown. However, on average casework was completed within 4 days against the target of 5 over the period and the KPI is achieving the target of 90%, cumulatively, year to date.

4.3 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 is included within the charts as a comparative measure.

5.2 The most popular queries to our contact centre remain as follows:

- Customers following up on an existing Fund process
- Requests for Pensions Portal support
- Enquires about accessing pension benefits
- Request for support with a Fund letter/form
- Members updating their personal details

5.3 Contact volumes have been higher than usual over the October-November period when increased member communications were issued, however a slight decrease in calls was noted in December. We have continued to work closely with Member Services to stagger mailings sent to members, with annual benefit statements being sent within this period. Staggering mailings smooths the impact on the contact centre and reduces call queues/written response times, allowing us to better serve our customers and reduce the number of chaser requests received.

6.0 Complaints

6.1 The Fund has a complaint monitoring framework, which enables regular monitoring and review of trends impacting performance. Where a complaint highlights an improvement area, this is investigated and monitored to help shape future services and improve overall customer satisfaction going forward. This mirrors the process undertaken for general customer feedback as outlined within the Customer Engagement Update.

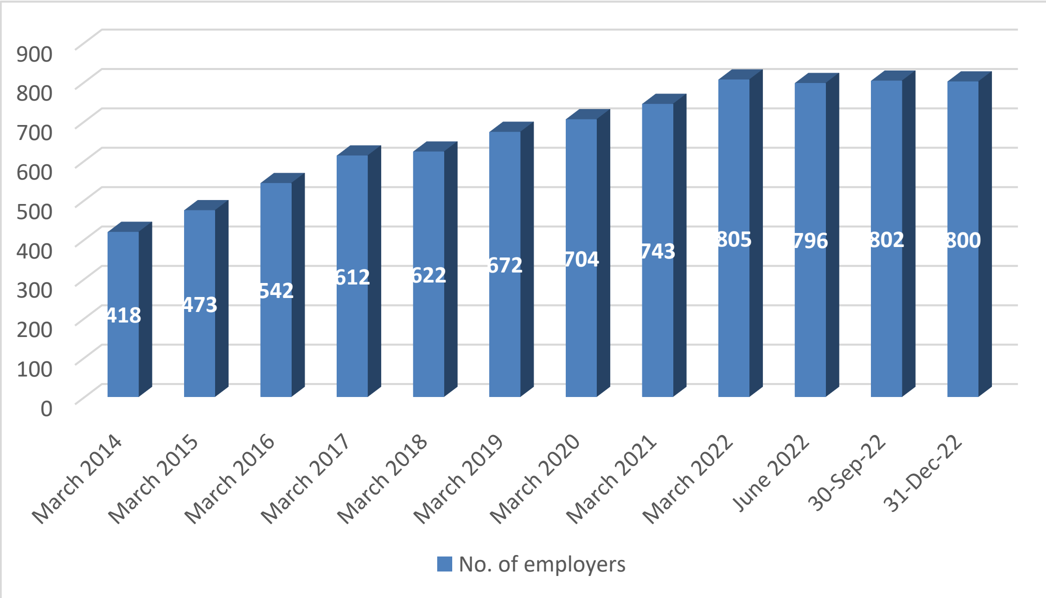
6.2 Complaint numbers were lower than average during the last quarter. Overall the number of complaints received by the Fund is proportionally low compared to the number of scheme members, with 34 complaints received for the last quarter. Of those complaints, 35% were upheld (compared to 49% in the prior quarter) and lessons learned incorporated in training and process development. The percentage of upheld complaints have largely remained stable over the last two years, allowing for variation relating to specific events outside of the control of the Fund.

7.0 Internal Dispute Resolution Procedure (IDRP) Casework

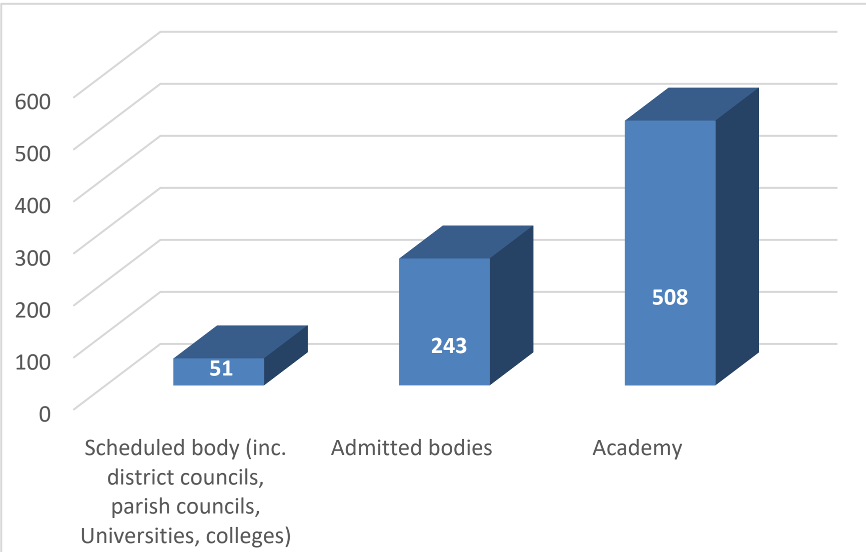
7.1 Year to date for 2022/2023, four cases have been referred to Stage One (two partially upheld, one not upheld and one under investigation). Nine cases have been referred to Stage Two of the procedure on appeal against the Fund, seven of which have not been upheld and two currently under investigation.

8.0 Employer Membership

8.1 During the period, the Fund has seen a slight decrease in employer numbers, with the overall number of employers registered with the Fund standing at 800 at 31 December 2022. However overall, there has been a 91% increase since March 2014 as shown in the graph below, however, the 2022/23 year to date increase has been lower than previous years, and it is anticipated that a more moderate increase will be observed over the remainder of this year.



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:

- 52 admission agreements
- 20 academies
- 88 employer terminations

9.0 Application for Admission Body Status

9.1 Organisations must satisfy one or more of the admission criteria before they can be admitted to the Fund following approval of applications.

9.2 There were 8 approvals for admission to the West Midlands Pension Fund granted by the Pensions Committee at their meeting in March 2023, these are detailed in Appendix E.

10.0 Pensions in Payment

10.1 The gross annual value of pensions in payment to December 2022 was £582.4m vs £559.58m in 31 March 2022, £16.7m of which (£9.7m for pensions increase and £7.0m for added year's compensation) was recovered from employing authorities and other bodies as the expenditure was incurred.

10.2 Monthly payroll details were:

Month	Number	Value (£)
October 2022	92,551	42,895,661
November 2022	93,034	43,171,452
December 2022	104,343	43,826,958

The December figure includes pensioners paid on a quarterly basis.

10.3 Pensions are increased each April, in line with the Consumer Price Index (CPI), with uplift calculation based on September CPI in the previous year. An increase of 10.1% will be applied from April 2023, which was confirmed with the treasury order released in February 2023.

11.0 Transfer Out – All Casework

11.1 A total of 166 individual transfer payments were made during the period 1 October 2022 to 31 December 2022, resulting in a total amount transferred of **£7,369,975**. This is broken down into the following categories:

Type of transfer	Number of transfer payments	Value of Transfer Payments (£000s)
Non Local Government Pension Scheme (LGPS)	33	£750,907
Interfund (LGPS Fund)	132	£6,618,269
Additional Voluntary Contributions	1	£799

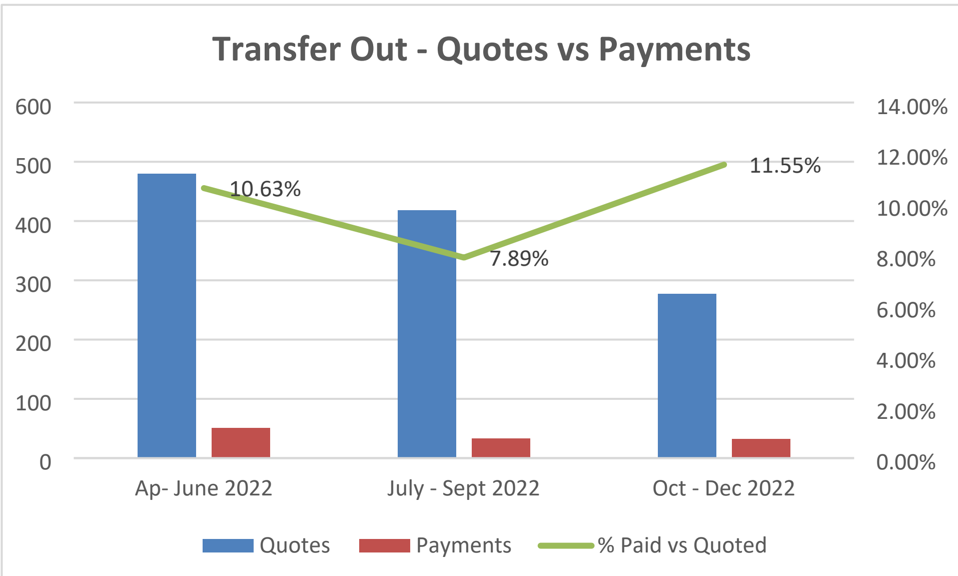
11.2 Non LGPS Transfers

11.2.1 During the period 1 October 2022 to 31 December 2022, **277** transfer value quotations were issued to members considering transferring their benefits out of the Scheme (in the prior year 1 October 2021 to 31 December 2021, 357 transfer value quotations 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.

11.2.2 In total **33** transfer payments were made during the period 1 October 2022 to 31 December 2022 (18 of these were to non public sector schemes) resulting in a total amount transferred of £750,907 (in the prior year 1 October 2021 to 31 December 2021 a total of 38 transfer payments were made totalling £1.6 million). The payments by value and value break down are as follows:

Value of Transfer Payments	Number of Transfer Payments	
	Other Public Sector Scheme	Non Public sector scheme
0 to £30,000	12	14
£30,001 to £100,000	3	2
£100,001 to £200,000	0	2
£200,001 to £300,000	0	0
£300,001 to £400,000	0	0
£400,001 to £500,000	0	0
Above £500,001	0	0
Total	15	18

11.2.3 The Fund has seen a gradual increase in the number of requests from members for transfer out quotes, however the number of members electing to progress with the transfer of their benefits out of the Fund remains fairly low and stable (c12% of the quotations requested year to date). This is shown in the graph below:



11.2.4 Analysis has been undertaken of the transfer out payments to non public sector or occupational schemes over the period of October to December 2022 to review the volume and trends. During the period, of the **33** completed, a total of 18 non public sector or occupational scheme transfer out payments have been processed, to a total of nine different receiving schemes. There were 14 transfers 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 49 years with the main reasons for members transferring out was either to consolidate their benefits into one provider or release cash/flexible draw down (members over 55).

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.

13.0 Legal Implications

13.1 The Fund, on behalf of the City of Wolverhampton 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 There are no direct equalities implications.

15.0 All Other Implications

15.1 There are no other potential implications.

16.0 Schedule of Background Papers

16.1 None.

17.0 Schedule of Appendices

17.1 Appendix A: Workflow Summary

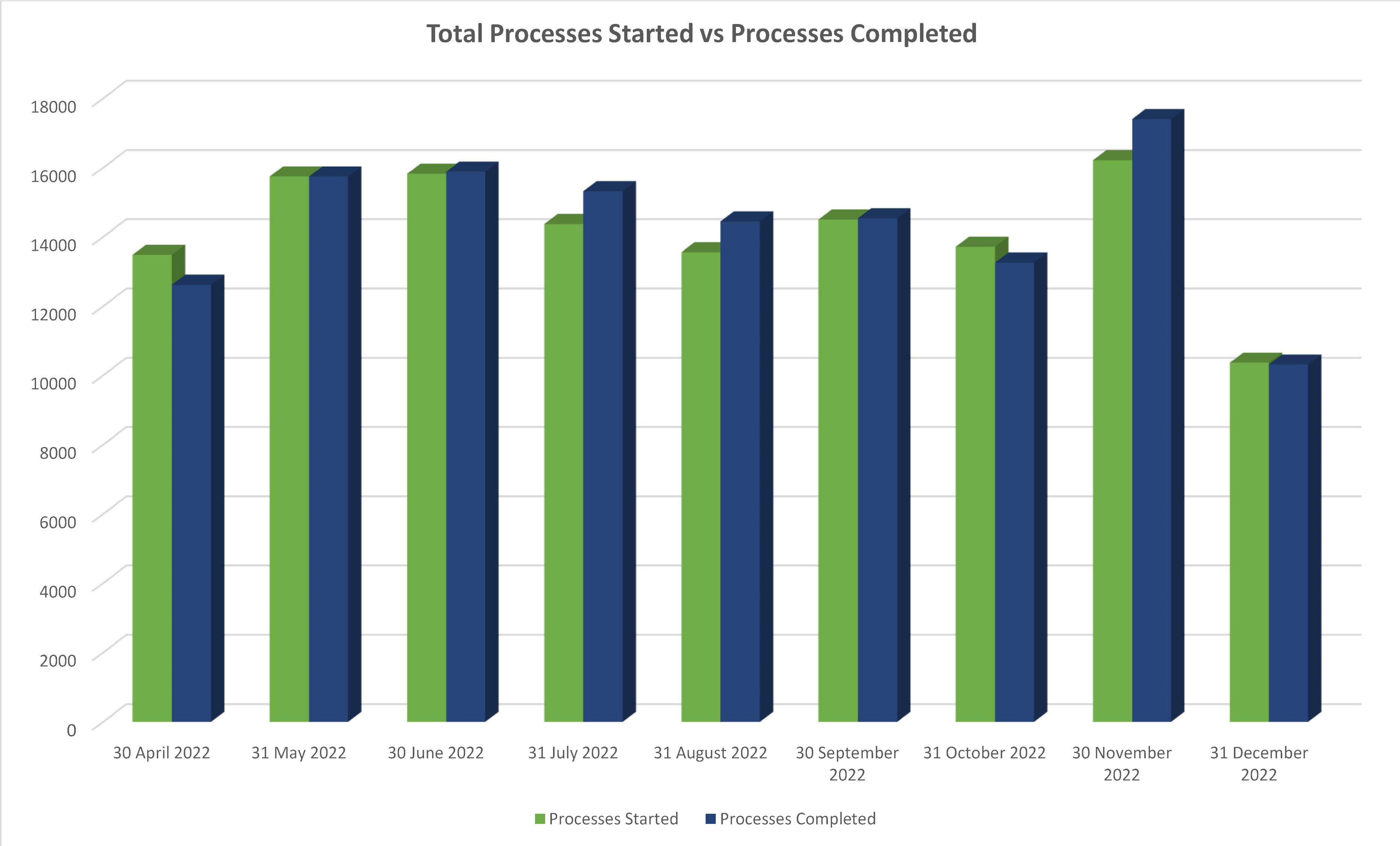
17.2 Appendix B: Detailed Process Analysis

17.3 Appendix C: Key Performance Indicators (KPIs)

17.4 Appendix D: Customer Service Statistics

17.5 Appendix E: Admitted Body Applications

Appendix A


Total Processes Started vs Processes Completed
18000
16000
14000
12000
10000
8000
6000
4000
2000
0
30 April 2022
31 May 2022
30 June 2022
31 July 2022
31 August 2022
30 September 2022
31 October 2022
30 November 2022
31 December 2022
Processes Started
Processes Completed

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Appendix B

Pension Committee Statistical Report
Detailed Process Analysis

Active & Deferred members

Process type	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	20/21	21/22	April	May	June	July	August	September	October	November	December	YTD
Joiners and Rejoiners (Bulk)	8,763	6,403	11,138	13,558	9,816	16,688	20,227	17755	25509	19939	17479	16533	1773	1211	1168	1713	1258	1885	1874	3257	907	15046
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	4542	299	366	420	466	427	447	271	333	273	3302
Deferments	5,939	7,818	5,741	6,728	5,664	8,340	8,178	8629	15934	11994	9444	10950	946	1048	1155	1104	932	967	1011	1514	737	9414
Active Retirements (Employer retirements)	3,317	3,950	2,475	2,279	2,351	2,775	2,593	2676	2280	2112	1908	2198	201	237	173	247	252	226	181	207	158	1882
Deferred Retirements	3,332	2,970	2,971	2,726	2,301	3,421	3,552	4429	4814	5071	4844	5507	493	486	421	449	479	474	680	821	470	4773
Deaths of members	295	262	287	285	230	379	399	470	429	441	570	452	30	52	31	38	42	34	21	37	22	307
Refund										6877	4499	5036	449	412	582	617	513	539	581	630	264	4587
Opt Outs										3585	1228	1228	57	87	55	78	67	32	79	38	35	528
Amalgamations										11628	8841	8098	637	905	1189	1960	914	960	1170	1792	841	10368

Pensioner members

Process type	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	20/21	21/22	April	May	June	July	August	September	October	November	December	YTD
Changes in circumstances:-																						
Data eg Passwords, NI Numbers	1,310	1,804	1,865	2,017	2,604	4,548	2,427	3105	2694	1953	1761	2457	175	188	175	139	183	172	127	221	684	2064
Changes of Address	2,420	2,681	2,131	1,732	1,733	2,237	2,589	3004	2628	2423	2448	2886	287	442	227	250	209	211	189	182	124	2121
Changes of Bank	2,927	2,531	2,783	3,420	3,281	1,573	2,272	2214	1957	1874	1539	2057	153	196	130	163	165	180	161	233	161	1542
Deaths of pensioners	2,085	2,145	2,101	2,546	2,454	1,702	2,813	2919	2793	2650	3886	3226	272	315	303	319	239	241	313	315	186	2503

Payroll	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	20/21	21/22	April	May	June	July	August	September	October	November	December	YTD
Actual number paid	792,724	837,189	870,804	895,018	913,864	888,954	915,275	945,196	979,819	1,019,295	1,093,949	1,105,423	90,952	91,223	102,207	91,764	92,045	103,249	92,551	93,034	104,343	861,368

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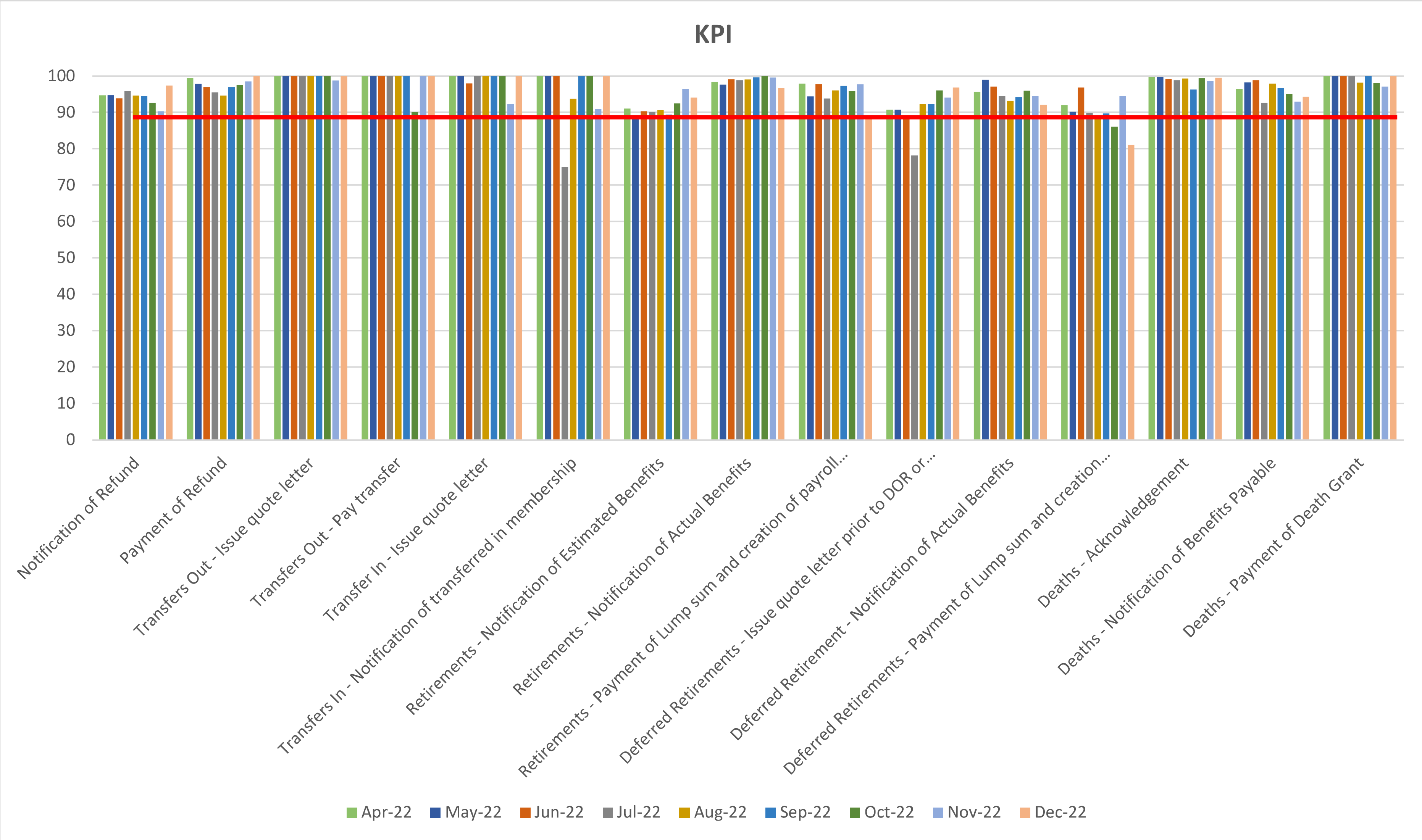
Appendix C



KPI
100
90
80
70
60
50
40
30
20
10
0
Notification of Refund
Payment of Refund
Transfers Out - Issue quote letter
Transfers Out - Pay transfer
Transfer In - Issue quote letter
Transfers In - Notification of transferred in membership
Retirements - Notification of Estimated Benefits
Retirements - Notification of Actual Benefits
Retirements - Payment of Lump sum and creation of payroll...
Deferred Retirements - Issue quote letter prior to DOR or...
Deferred Retirement - Notification of Actual Benefits
Deferred Retirements - Payment of Lump sum and creation...
Deaths - Acknowledgement
Deaths - Notification of Benefits Payable
Deaths - Payment of Death Grant
Apr-22
May-22
Jun-22
Jul-22
Aug-22
Sep-22
Oct-22
Nov-22
Dec-22

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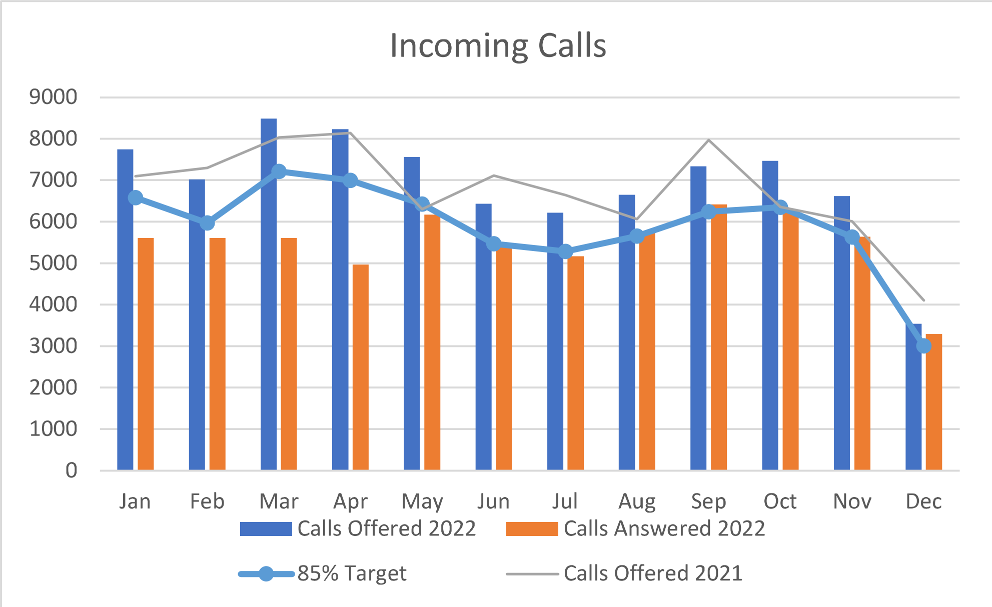
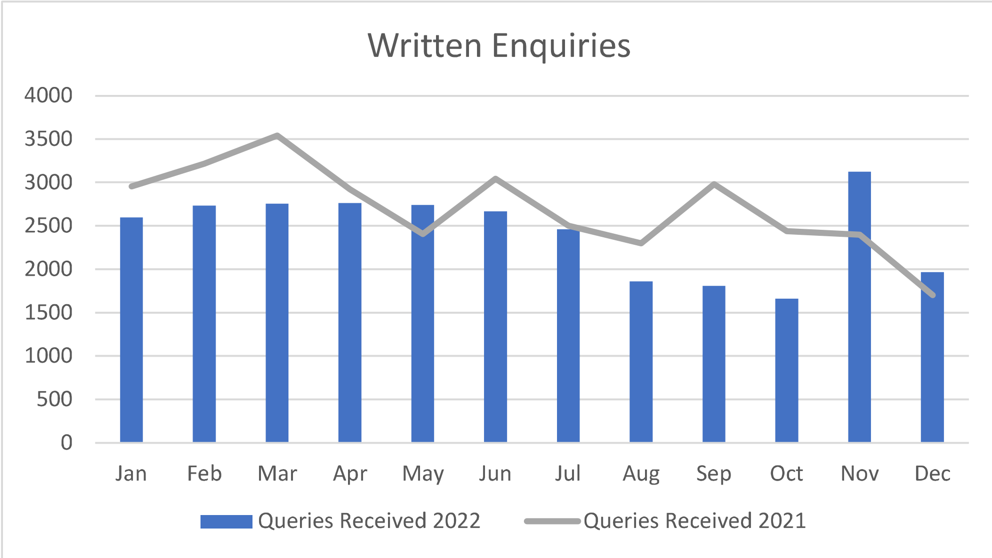
Appendix D: Customer Services Statistics

October- December 2022



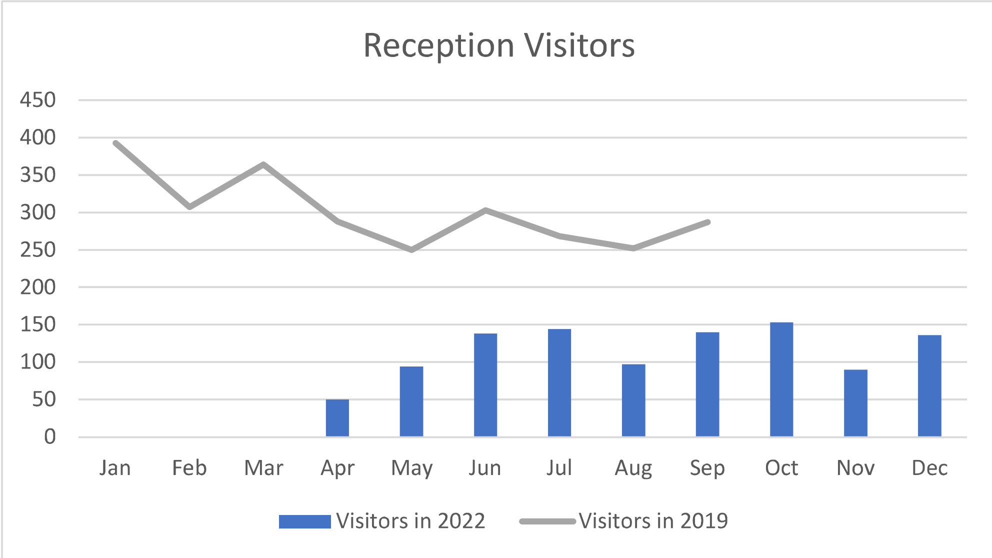
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Calls Offered 2022	7741	7021	8483	8231	7560	6432	6217	6647	7338	7465	6619	3540
Calls Answered 2022	5609	5609	5609	4968	6171	5419	5166	5743	6414	6236	5635	3294
Calls Offered 2021	7094	7293	8027	8142	6299	7114	6643	6063	7968	6355	6009	4102
Answer Rate (Target 85%)	72.46%	79.89%	66.12%	60.36%	81.63%	84.25%	83.09%	86.40%	87.41%	83.54%	85.13%	93.05%
Percentage increase	9.12%	-3.73%	5.68%	1.09%	20.02%	-9.59%	-6.41%	9.63%	-7.91%	17.47%	10.15%	-13.70%

Appendix D: Customer Services Statistics



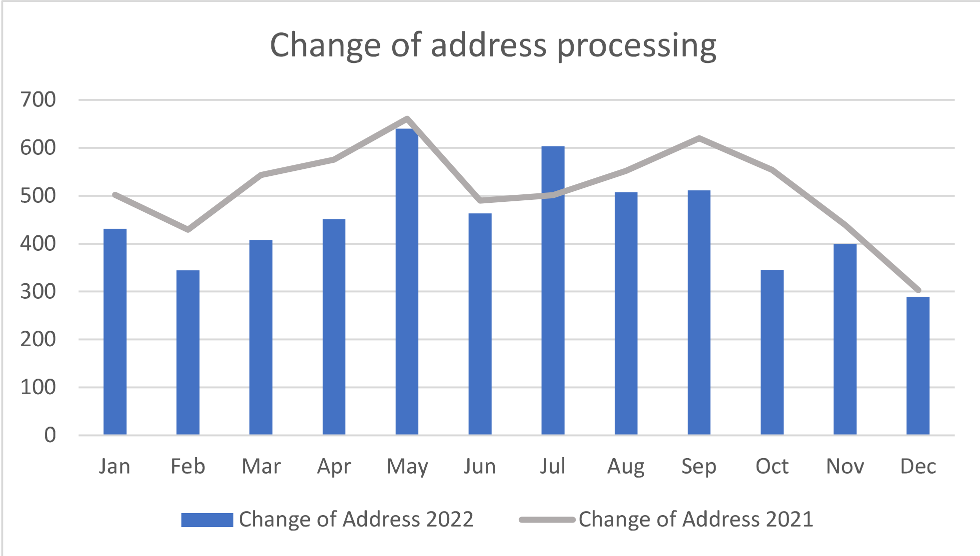
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Queries Received 2022	2597	2731	2754	2761	2741	2665	2460	1860	1807	1662	3122	1967
Queries Received 2021	2953	3217	3541	2921	2406	3043	2502	2299	2980	2437	2398	1701
Percentage increase	-12.06%	-15.11%	-22.23%	-5.48%	13.92%	-12.42%	-1.68%	-19.10%	-39.36%	-31.80%	30.19%	15.64%

Appendix D: Customer Services Statistics



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Visitors in 2022	0	0	0	50	94	138	144	97	140	153	90	136
Visitors in 2019	393	307	364	288	250	303	268	252	287	294	315	243

Appendix D: Customer Services Statistics



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Change of Address 2022	431	344	408	451	640	463	603	507	511	345	400	289
Change of Address 2021	502	429	543	575	661	490	501	552	620	554	439	303

Appendix E

Employer name	Guarantee Status (Agreement)	No. of employees (Scheme members) Agreement type	Status (Approved/pending approval)
Pendergate Ltd (Small Heath Leadership Academy)	STAR Academies	9 (8) Closed	Approved
Alliance in Partnership Ltd (Emmaus Catholic MAC)	Emmaus Catholic MAC	5 (5) Closed	Approved
Atalian Servest Food Co Ltd (Fairfax MAT)	Fairfax MAT	15 (14) Closed	Approved
RB Active Care Ltd (Maidensbridge Primary School)	Dudley MBC	1 (1) Open	Approved
Taylor Shaw (The Meadows Primary School)	Birmingham CC	3 (3) Closed	Approved
Innovate Services Limited (The King's C of E School)	Wolverhampton CC	6 (5) Closed	Approved
Livewell Leisure Ltd (Sandwell MBC)	Sandwell MBC	238 (238) Open	Approved
Pendergate Ltd (Fairfax Mulit-academy trust)	Fairfax MAT	10 (10) Closed	Approved

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This report is PUBLIC

Agenda Item No: 12

CITY OF WOLVERHAMPTON COUNCIL	**Pensions Board** 25 April 2023

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

Recommendation for action:

The Pensions Board is asked to note:

1. The engagement activity and informed service development.

1.0 Purpose

1.1 To provide the Board with an update of the Fund's customer engagement activity from 1 October 2022 to 31 December 2022 and to cover future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy.

2.0 Background

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

3.0 Member Engagement & Communication

3.1 The Member Services team continues to deliver member support via hybrid channels including member webinars, face to face presentation and followed up with individual consultations as required. During this reporting period **1,222** members attended our presentations, webinars and workshops. These were followed by **462** individual member consultations. Our events are delivered at various times throughout the day to accommodate attendance around member and work commitments. This delivery and the associated feedback is summarised in Appendix A**.**

3.2 During this reporting period the Member Services team targeted Children's and Adult services along with Parish Councils and Libraries and Local Education Authority (LEA) schools, and provided **25** satellite support events to **284** 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 **3,323** (this is 702 members more than the previous reporting period) bringing the total pension portal registrations to **127,620** at the end of December 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 **7,662** people have interacted with our variety of articles from sharing award success, recruitment and highlighting success. This level of interaction is broadly the same as the last reporting period.

3.5 The West Midland Pension Fund roadshow bus delivered its first events back at District locations across the region since the pandemic. These events were planned to coincide with members receiving their annual statement. The bus was stationed at **7** locations and saw **654** people during the weeks it was on tour. Feedback from these events was **91%** rated excellent and **9%** rated very good.

3.6 “Planning your retirement” workshops are still proving to be popular with members who are over the age of 55. In this quarter the Member Service team delivered **13** workshops to active members which helped **260** attendees with their retirement planning.

3.7 The Fund continues to target active and deferred members who do not hold a valid nomination form through our bespoke campaign, over this period we emailed **1,027** deferred members and **3,265** active members to encourage them to complete a nomination form.

3.8 Penson Saving Statements were sent to members on the 5 October 2022 who had exceeded the annual allowance limit. The Member Services team followed these statements up with offering high earners the chance to book on **7** Pension Tax Webinars which received a record high of **131** higher earners registered.

3.9 The Fund’s first face to face Pensioner Engagement Forum since the pandemic took place on the 7 October. This forum was designed for pensioner members to provide their feedback and ideas to enhance a member’s retirement journey for the future. A guest speaker was present from the Alzheimer’s Society to talk about the support and information available. The group reviewed the feedback from the “Tea & Teach” sessions delivered over the course of the summer 2022, reviewed the newsletter and pensioner member communications and also provided input to inform development of the Fund’s new website and new pensions portal, both of which are ongoing and to be delivered middle of 2023. The feedback and actions from this event will be published in the “You Said, We Did” part of the 2023 pensioner newsletter. The feedback from the event was overwhelmingly positive.

3.10 Each Autumn the Fund provides Deferred and Active members with a newsletter which covers a variety of updates across the Fund, important member information and covers topical issues in the Local Government Pension Scheme (LGPS). In October **59,499** Deferred Pension Smart newsletters were sent out via email followed by **71,716** Active Pension Smart newsletters which were emailed out in November.

3.11 The Fund offers bespoke member support to all participating employers; we were approached by one large district council to request support with helping members understand the impact that mandatory leave could have on benefits and also to show members how they buy back any lost periods. The Fund created a bespoke support package which included the delivery of **6** webinars, **6** face to face support events and an electronic leaflet.

3.12 Website content continues to be updated and there have been **378,000** web page views in this quarter.

3.13 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. Following a review of our ‘Post Event’ surveys to scheme members and the creation of a customer feedback dashboard, post-event surveys are now being issued to members regularly. The overall customer feedback Key Performance Indicator (KPI) for this quarter is **92%**.

4.0 Employer Engagement

4.1 Employer Peer Group

4.1.1 The third session of the Fund's Employer Peer Group cycle for 2022/23 took place in December with 16 out of the 18 registered employer representatives present. The content for the meeting included:

- Transition of pensions administration software – general update on the current status of the project and planned training
- Final Statement 2022/23 – discussion and feedback about this year's request for a Final Statement of payments from all employers
- New Fund website – discussion and development of content and design

4.1.2 Once again this session was held virtually to accommodate employer attendance alongside their own existing priorities.

4.2 Employer Webinars

4.2.1 The Employer Services team has continued to deliver a programme of employer education over the quarter with 11 sessions delivered to 103 attendees from 31 organisations (a mix of both employers and payroll providers). Combined, these individuals represent over 220 employers within the Fund. This quarter's programme included 2 face to face coaching sessions at i9 with more to follow in 2023. 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 following year. An increased suite of webinars is now available each month and employers are able to easily sign up via the Fund's website:

- An introduction to the LGPS
- Understanding Pay and Service in the LGPS
- Assumed Pensionable Pay
- West Midlands Pension Fund (WMPF) Retirements and Notification
- WMPF Death in Service and Notification
- All About Ill-health Retirement
- Submission of your Monthly Data File
- The Pensions Administration Strategy: Your Role and Responsibilities
- Calculating Assumed Pensionable Pay

4.2.3 A full suite of webinars specific to the roll out of the new pensions administration software and Employer Self Service functionality will become available in the coming months.

4.3 Employer Engagement and Performance

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

4.3.2 During the period the Fund held 19 feedback and performance meetings with 12 organisations and 2 third-party payroll providers (note some employers were met with on multiple occasions during the period). Collectively these employers and payroll service providers are responsible for submitting for 234 organisations, representing c53% of the active membership.

4.3.3 The Employer Services team is currently also undertaking a considerable amount of engagement to target a reduction in the number of member records flagged as being a possible leaver (but an employer/payroll provider has not submitted the relevant notification to the Fund). The team is also working closely with the Benefit Operations team to increase the employer response rate and timeliness with respect to data queries sent to employers via the work tray functionality. The engagement has commenced with bulk communications and will be further supported by individual targeted engagement and support. The continued employer engagement in collaboration with colleagues from the Fund's finance, data and operation teams helps to ensure member data records are continuously reviewed and cleansed for accuracy.

4.4 McCloud: Employer Support

4.4.1 The Employer Services team continues to offer targeted 1:1 meetings to help employers meet the McCloud data collation and submission requirements. During the period, 36 meetings were held, reaching across 83 employers who had to date not submitted the required data. Over the same period an additional 191 files were fully completed (each employer is required to submit 2 files, one to confirm hour changes and one to confirm service breaks). This represents a collection rate of c36% when based upon both files and across all employers in scope, and c74% based upon active employers only.

4.4.2 In addition, email and telephone support continued to be offered to employers ahead of the November 2022 deadline for submission of the initial files. Whilst this deadline has since passed, the team are continuing to work with employers where resultant queries arise.

5.0 Planned Engagement Outside of the Reporting Period

5.1 Across March and April the Fund will issue P60s and newsletters to our pensioners. This year the pensioner newsletter contains useful information such as pension pay day dates, pensions increase, explaining members' P60s and sign posting to support to help our pensioners with the cost-of-living crisis. Please see Appendix B.

5.2 The Member Services team is now preparing to deliver **10** roadshows at Depot locations across the West Midlands region. Details of all events delivered will be included in the July customer engagement update.

5.3 During this reporting period the Fund's member video suite, providing on-demand support and guidance to members, has been expanded to include new videos such as helping our pensioner members understand Pensions Increase for 2023 and also re-vamping our Pensions Portal registration video.

5.4 The Fund's "Tea & Teach" sessions are currently being planned for the months of May to June delivering **8** events with the objective to bring pensioners together face to face and join us for refreshments, giving them the chance to sit down with a Fund officer to talk about any pension concerns they may have. We are hoping to partner up with local organisations to provide as much support and literature as possible for our pensioners. Feedback will be provided in the next customer engagement update.

5.5 Noting the importance of cleansing data, in February 2023 the Fund started to write out to **2,806** active members, **4,223** deferred members and **2,461** pensioners whom we believe may have changed their email address. We will be asking them to update it on the Pensions Portal.

5.6 Following dialogue with employers at our Annual General Meeting (AGM) to support the initiative, the Fund is currently working across our employer network to seek insight and feedback from a younger generation of members on the best methods to engage them on their pension benefits. We are also canvassing opinion amongst younger Fund staff with a similar objective.

5.7 Aligned to the recent Budget announcements and specifically the increase in the Annual Allowance and abolition of the Lifetime Allowance, we will be reviewing our engagement in relation to pensions tax, including pensions savings statements, to be proactive ahead of this year's exercise.

6.0 Fund and Sector-Wide Events

6.1 The Fund's 2022 AGM was held on the 6th of December 2022 with good attendance, positive feedback and covering a range of topics across financial management, industry change and developing services to members. The event stimulated healthy engagement with our employers and the opportunity for sharing ideas. A summary of feedback is outlined in Appendix C.

6.2 In February the Member and Employer Services teams were invited to attend Sandwell Inspired Partnership (SIPS) Bursar event to provide valuable updates from both an employer and member perspective. Feedback from the day was positive and we received several requests from individual schools to provide member presentations and individual pension consultations.

6.3 On the 23 March 2023, the Fund attended the Birmingham Association of School Business Management group (BASBM), delivering a presentation covering member engagement and supporting employers.

6.4 HR 360, which is the Coventry Bursars group has asked for a member presentation at their schools and academies business meeting on the 30 June 2023.

7.0 Financial Implications

7.1 There are no financial implications associated with this report.

8.0 Legal Implications

8.1 There are no legal implications associated with this report.

9.0 Equalities Implications

9.1 The report contains no direct equalities implications.

10.0 Environmental Implications

10.1 The report contains no direct environmental implications.

11.0 Human Resources Implications

11.1 This report contains no direct human resources implications.

12.0 Corporate Landlord Implications

12.1 The report contains no direct corporate landlord implications.

13.0 Schedule of Background Papers

13.1 There are no background papers within this report.

14.0 Schedule of Appendices

14.1 Appendix A - Review of feedback from member presentations and individual pension consultations.

14.2 Appendix B - Pensioner newsletter: Pensioner Newsletter (3dissue.net)

14.3 Appendix C – AGM feedback.

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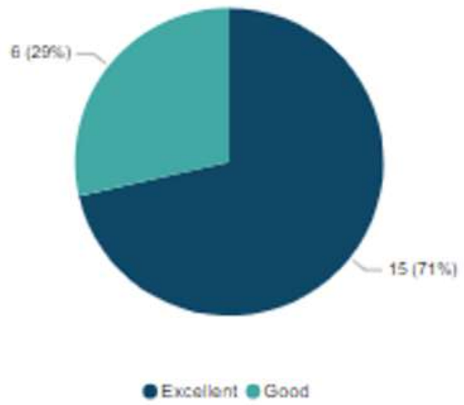
West Midlands Pension Fund

Appendix A

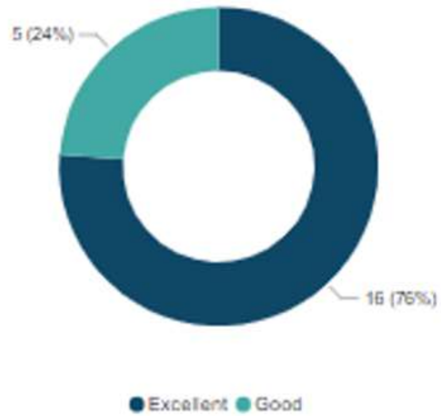
Member Service Team Presentation Feedback – 1st October 2022- 31st December 2022

Pension Consultations

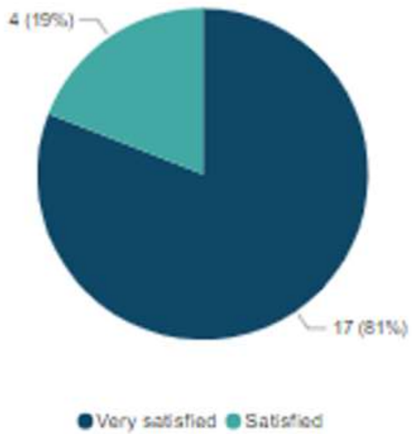
Event Rating



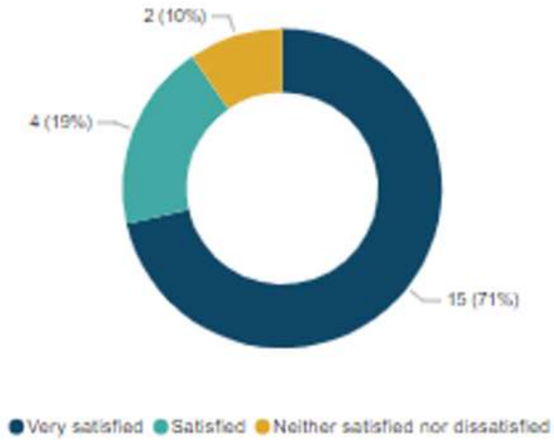
Presenter Rating



Interaction Rating



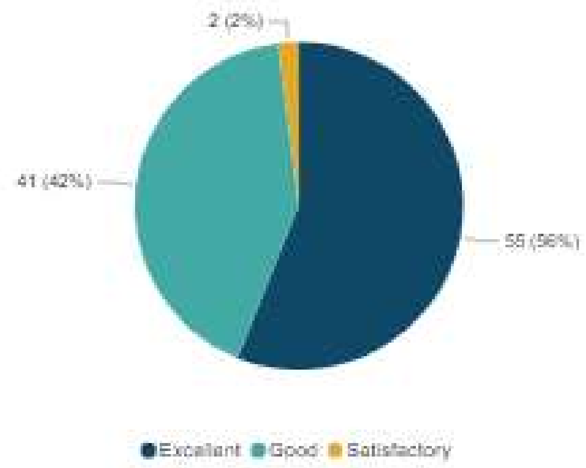
Service Rating



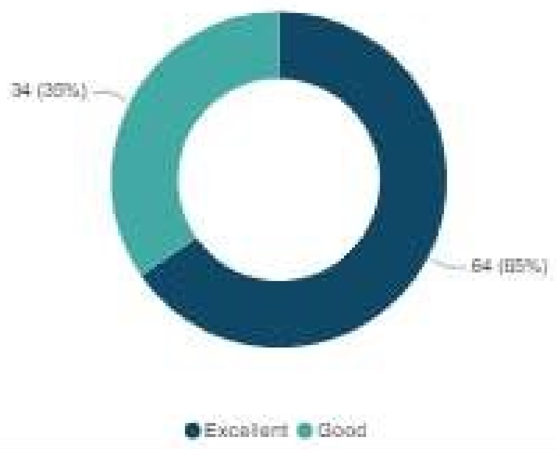
Appendix A

Member Service Team Presentation Feedback – 1st October 2022- 31st December 2022

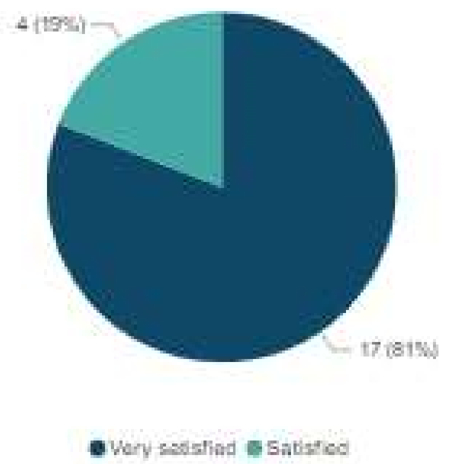
Event Rating



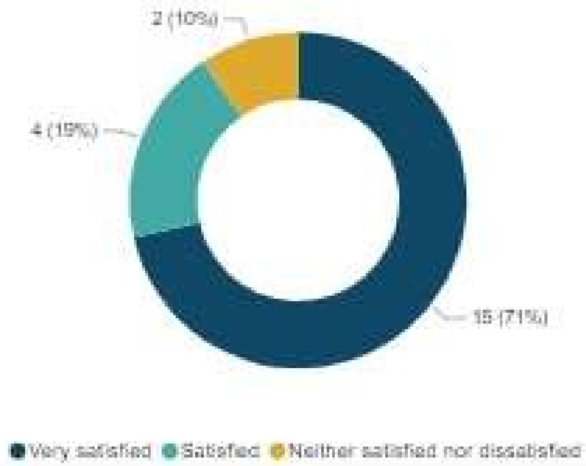
Presenter Rating



Interaction Rating



Service Rating



PENSIONER MEMBER pensionsmart

West Midlands Pension Fund

For more information, please visit www.wmpfonline.com

Welcome to your 2023 Pensioner Member PensionSmart Newsletter

2023/2024 Pension Payment Dates

- 25 April 2023
- 25 May 2023
- 23 June 2023
- 25 July 2023
- 25 Aug 2023
- 25 Sept 2023
- 25 Oct 2023
- 24 Nov 2023
- 15 Dec 2023
- 25 Jan 2024
- 23 Feb 2024
- 25 Mar 2024

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

As the cost of living increases, so does your pension

Your pension is increasing – 10.1%

April is the time of year when your local government pension is adjusted to ensure it maintains its value against increases in the cost of living, and we are pleased to announce that from the 10 April 2023 pensions will increase by 10.1% in line with the consumer prices index (CPI).

For more information on how the increase will be applied or if you have been receiving your pension for less than a year, please visit www.wmpfonline.com/increase

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

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

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

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

Please remember that the 10.1% increase is payable from the 10 April 2023, therefore your April payslip will have the first 9 days of April (1 April 2023 – 9 April 2023) payable at your current rate, and then the remainder of the month (10 April 2023 – 30 April 2023) will receive the 10.1% increase. You will receive the full increase of 10.1% for the whole month in May 2023. However, please note that your pension can be made up of different elements which have different method of increases, also if you have retired in the last year, the increase will be pro-rated.

Assistance with the rising cost of living

I think it is fair to say that we all have noticed the impact of rising costs, whether it be at the supermarket while doing the weekly shop, or increasing energy bills.

It can be challenging to make your money stretch further while trying to maintain a certain standard of living. This can lead to people feeling vulnerable, anxious and in a situation which can quickly become overwhelming.

The cost-of-living crisis is a national concern, and the Government has put certain support in place to try and help you with:

- support with your housing costs;
- support with your bills;
- Support coping with disabilities;
- or just generally finding things difficult and need someone to talk to.

For more information about this support, please visit www.gov.uk/cost-of-living.

On a local level, you can visit www.gov.uk/cost-living-help-local-council where you may be able to get help with essential costs from your local council. This is sometimes known as 'the Household Support Fund'. This could help if you're struggling to afford things like:

- energy and water bills;
- food; and
- essential items

Other national organisations are also providing a host of support to sharing tips from cutting back costs and making income go further to highlighting scams.

Money Helper
Tel: 0800 011 3797

age UK
Tel: 0800 055 6112

Independent Age
Tel: 0800 319 6789

Are your nominated beneficiaries up to date?

If you were to pass away after drawing your LGPS pension and before reaching age 75, a death grant may be payable.

Generally speaking, the death grant is equal to ten times (or five times if you left the LGPS before 1 April 2008) the pension less the amount already paid.

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

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

P60 End of Year Certificate

Pensioner's National Insurance Number | HMR Reference 068/WV105 | Tax Year to 5 April 2022

Employer's Name and Address: West Midlands Pension Fund, PO Box 3948, Wolverhampton, WV1 1XP

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

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

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

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

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

DO NOT DESTROY

P60 (2021-22) Substitute (WMPF)

Important document – P60

The P60 is your summary of pension and tax paid for the year up to 5 April 2023. Please keep your P60 safe. Unfortunately the Fund is unable to provide duplicates. However, these are available on the Pensions Portal.

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

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

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

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

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

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

Not sure if you're paying the correct amount of tax?

If you think your tax code may be incorrect or you need more information regarding how HMRC have calculated your tax.

Please contact the tax office:
Tel: **0300 200 3300**

Write to them:
PAYE & Self-Assessment
HM Revenue & Customs
BX9 1AS

Power of attorney

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

A power of attorney can help you with temporary situations – for example, you're in hospital or abroad and need help with everyday tasks such as paying bills. Or longer-term situations, for example, you want to plan for the unexpected or have been diagnosed with dementia and might lose the mental capacity to make your own decisions in future. For more information about power of attorney or if you require assistant with setting one up, please contact **Money Helper** on **0800 011 3797**.

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

Changing your bank details?

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

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

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

Returned payments

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

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

Overseas accounts

If you require your pension to be paid overseas, please ensure that you complete the mandate with all the details required, as our overseas provider will reject payments if they are not set up correctly.

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

Alternatively, you can contact us for a form.

National Fraud Initiative

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

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

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

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

Tea & Teach

Tea & Teach is an opportunity for pensioner members to come along and have a cup of tea or coffee and chat with Fund officers about their pension.

In summer last year the Fund rolled out tea & teach sessions across the whole of the West Midlands and we are pleased to report that these events were a success! Lots of you came and joined us for a tea/coffee and biscuits and had a chat with us about your pension-related questions.

We were also joined by a representative from Dementia Friends who was on-hand to provide support and sign posting for assistance and support if you or anyone you know is living with dementia or Alzheimer's.

These are some of the comments we received last year.

These events are very worthwile. They help people attain a better understanding of pension-related issues.

Excellent explanation – easy to understand – very pleased with all the information I have received. Thanks again for all your help.

Well worth the visit, would recommend to anyone.

Helpful staff – nice greeting on entry. Put my mind at ease. Helpful information

Extremely helpful – very friendly and welcoming. All queries answered.

Most useful and accessible. Thank you.

We will be back on the road again this summer and will be in contact with you with the dates and venues. We hope to see you there!

McCloud update

In previous updates we provided information around the McCloud ruling and provided links to further information.

The Government continues to consider exactly what changes need to be made to remove the discrimination. We are waiting on the final regulations so at this stage no further information is available.

The Fund continue to liaise with employers to ensure we have the key information to enable impacted members to be identified and once the regulations have been received we will be working towards the implementation timescales.

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

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

Pensioner Engagement Forum

The Fund has a Pensioner Engagement Forum which meets annually to evaluate the services we offer to pension members, and to enhance the experience a member has when transitioning from work to retirement.

In previous years, we have reviewed the different methods of communication we have with pensioners and discussed new initiatives and improvements which have been made. The group has shaped the way in which we communicate with members and also plays a key role in initiatives such as the Tea & Teach events which is one of our new engagement channels to meet face-to-face with pensioner members.

The forum met in October last year and discussed:

- Providing signposting support for people living with dementia
- Review of the new Tea & Teach events which the Fund launched
- Gaining feedback on the Pensions Portal and the Fund's website.
- Reviewed the contents of this newsletter
- Where members go for advice

The next forum to take place on **Wednesday 25 October 2023** at our new offices in i9 in Wolverhampton.

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

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

Responsible investment

The Fund continues to focus on implementing and developing its approach to investing responsibly across its investment strategy.

Climate change is one of the Fund's four listed engagement themes and continues to be an area of significant importance, highlighted by the devastating impacts of recent extreme weather events. The Fund has committed its ambition to align to net zero and decarbonise its investment portfolio as part of its *Climate Change Framework and Strategy* and was pleased to announce in the Fund's annual *Climate-related Financial Disclosure* report a 27% reduction in carbon emissions between 31 December 2019 and 31 December 2021 – equivalent to 46,515 cars being removed from the road for one year!

We are delighted to share that the Fund has been recognised for the second year running as a signatory to the 2020 UK Stewardship Code, highlighting the Fund's commitment to responsible investing and effective stewardship of its assets. The full *Annual Stewardship Report* can be found on our website.

The Fund is currently developing a responsible investment member survey to understand your views on what is an ever-increasingly important topic. We will provide more details in due course, so please keep an eye out for further communications and information on how to participate in the survey.

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

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

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

April
Rain
Crocus
Grass
Umbrella
Spring
Rabbit
Butterfly
Blossom
Season
Green
Rainbow
Robin
Sun
Bud
Melt

To enter into the prize draw to win a £25 high street gift voucher, please provide your name and contact number along with your completed crossword and send it to **West Midlands Pension Fund, PO Box 3948, Wolverhampton, WV1 1XP**, or email it to **wmpfactivemailings@wolverhampton.gov.uk**

Deadline for all entries is the 30 May 2023.

Full name: ____________________

Contact number: ____________________

Email address: ____________________

West Midlands Pension Fund

Have you moved address?

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

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

Annual life certification - overseas members

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

2020 was the first year of us undertaking this arrangement with Target, which has enabled us to engage with an increased number of members and also enhance the opportunities for you to engage with us on this process electronically. As part of this process, you will receive a letter or email from Target, asking you to verify your details which can be done either by traditional postal method or via the app **mypensionID**

To ensure we can monitor responses and make any amendments to our records, you will be given a timeframe in which to respond. Where a member doesn't respond to the annual certification request, and they have not contacted Target to advise them of an issue regarding meeting the timescales for response then the pension will be suspended until we can verify the scheme member.

This is to ensure all pension payments are accurate, please be assured we will not suspend your pension without reasonable justification.

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

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

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

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

https://portal2.wmpfonline.com/

www.wmpfonline.com/contactus

www.wmpfonline.com

0300 111 1665

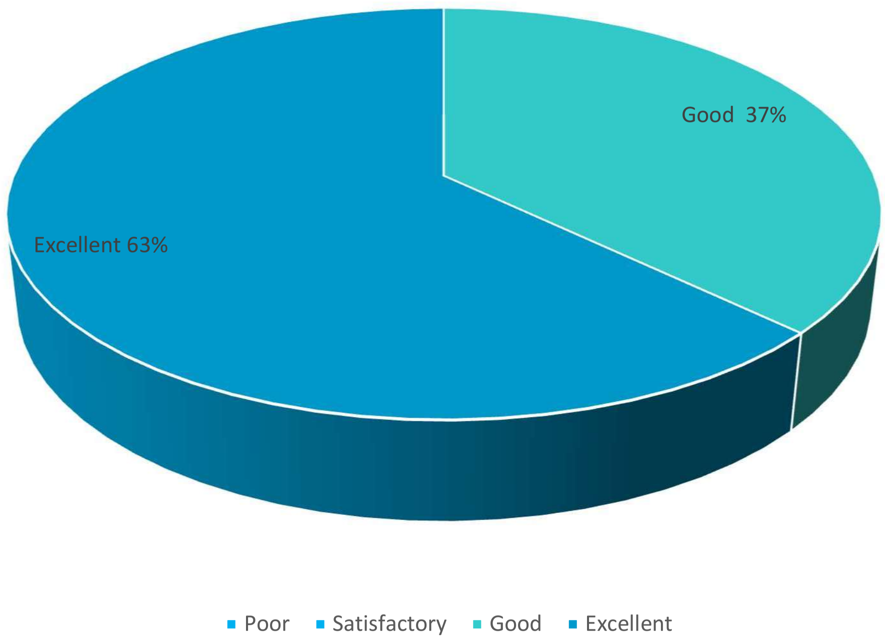
Be Pension Smart!

and take control of your pension today


AGM
ANNUAL GENERAL MEETING
2022
EVENT FEEDBACK

Appendix C

How would you rate the employers' AGM?



Appendix C

Please rate the following aspects of the event:

Appendix C

Please rate the following aspects of the event:

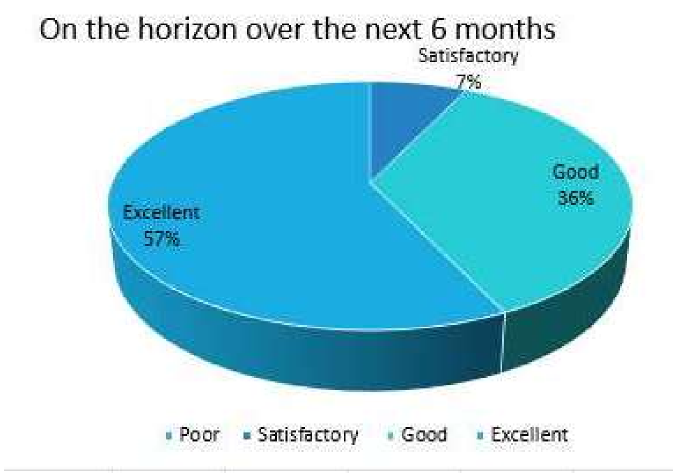
How would you rate the topics below in regard to clarity, style and delivery?

Appendix C


2022 acturial valuation progress update
Good
43%
Excellent
57%
Poor
Satisfactory
Good
Excellent

Appendix C

How would you rate the topics below in regard to clarity, style and delivery?



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This report is PUBLIC

Agenda Item No: 13

CITY OF WOLVERHAMPTON COUNCIL	**Pensions Board** 25 April 2023

Report title	Investment Governance	
Originating service	Pension Services	
Accountable employee	Shiventa Sivanesan	Assistant Director, Investment Management & Stewardship
	Email	Shiventa.Sivanesan@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Email	Executive Director of Pensions Rachel.brothwood@wolverhampton.gov.uk

Recommendations for action:

The Pensions Board is asked to note:

1. The update on investment governance matters including those in relation to responsible investment and investment pooling.

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 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 the 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 Responsible Investment

2.1 The Fund continues 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).

2.2 The Fund's engagement activity is monitored and reported to the Pensions Committee on a quarterly basis. Engagement activity includes a number of direct company engagements, on a range of themes, voting activity and working in partnership with other institutional investors to consider shareholder resolutions. Activity and progress are included in published reports from LGPS Central Limited, LAPFF and EOS at Federated Hermes.

2.3 At their meeting in March 2023, the Pensions Committee received a copy of the Fund's draft voting principles which have been reviewed and updated ahead of the 2023 voting season. The voting principles have been revised noting the important role voting places in the overall engagement strategy and in consultation with LGPS Central Ltd. Key updates to the document include, strengthening of expectation on board composition to further enhance diversity and increased expectations around disclosure including climate-related disclosure, gender pay, deforestation-related risks, human rights and modern slavery-related risks, and tax transparency. A draft version of the Fund's updated Voting Principles is available within the background papers to this report. The final version will be presented to the Pensions Committee for approval in June 2023.

3.0 LGPS Central Investment Pool Governance

3.1 The Fund continues to work closely with its investment pool company LGPS Central Ltd 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.

3.2 The Shareholder Forum (Shareholder representatives of each of the Partner Funds) meets ahead of Company meetings (General and AGM) held twice per year. The Shareholder Forum last met on 28 February (ahead of the Company's General Meeting) and approved a refresh of its terms of reference, were introduced to the Company's two new incoming Non-executive Directors and received a briefing form the Practitioners Advisory Forum (PAF) on the items due to be presented for approval at the Company's General meeting held on the same day.

3.3 At the General Meeting, Shareholders received the following items:

- Chair's Report on Company progress and Board evaluation
- Prior year activities and performance review
- Business Plan for 2023/24 and associated Company budget

3.4 Shareholder resolutions were presented at the meeting on the following matters:

- Approval of the Strategic Plan (which includes a proposed budget) and Regulatory Capital Statement for the period 1 April 2023 to 31 March 2024 (requiring unanimous approval)
- Approval of the individual remuneration packages for the Chair and Non-Executive Directors (requiring majority approval)
- Approval of the individual remuneration packages for the Executive Directors (requiring majority approval)

3.5 The next meeting of the Joint Committee is due to take place in July 2023. Board members will continue to receive invites to pool-wide events including stakeholder days and the Responsible Investment summit, as these are arranged during the year.

4.0 Financial Implications

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

5.0 Legal Implications

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

6.0 Equalities Implications

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

7.0 All Other Implications

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

8.0 Schedule of Background Papers

8.1 WMPF Draft Voting Principles: 15. App A Final.pdf (moderngov.co.uk)

9.0 Schedule of Appendices

9.1 None.

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Agenda Item No: 16

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