

Time 10.00 am **Public Meeting?** YES **Type of meeting** Pensions

Venue Council Chamber - Civic Centre, St Peter's Square, Wolverhampton WV1 1SH

Membership

Chair Cllr Milkinderpal Jaspal (Lab)

Vice-chair Cllr Olivia Birch (Lab)

Labour

Cllr Craig Collingswood
Cllr Carol Hyatt
Cllr Phil Page
Cllr Tersaim Singh
Cllr Paul Sweet

Conservative

Cllr Paul Appleby
Cllr Andrew Randle
Cllr Paul Singh

District Members

Cllr Bally Singh (Coventry City Council)
Cllr Peter Allen (Sandwell Metropolitan Borough Council)
Cllr Phil Davis (Birmingham City Council)
Cllr Angus Lees (Dudley Metropolitan Borough Council)
Cllr Angela Underhill (Walsall Metropolitan Borough Council)
Cllr Michael Gough (Solihull Metropolitan Borough Council)

Trade union observers

Malcolm Cantello (Unison)
Martin Clift (Unite)
Ian Smith (Unite)
Janice Wadrup (GMB)

Quorum for this meeting is eight Councillors.

Information for the Public

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

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

Copies of other agendas and reports are available from:

Website <http://wolverhamptonintranet.moderngov.co.uk>
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Tel 01902 550320

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Agenda

Part 1 – items open to the press and public

- | <i>Item No.</i> | <i>Title</i> |
|-----------------|---|
| 1 | Apologies for absence (if any) |
| 2 | Declarations of interests (if any) |
| 3 | Minutes of the previous meeting (Pages 5 - 14)
[For approval] |
| 4 | Matters arising
[To consider any matters arising from the minutes of the previous meetings] |
| 5 | Annual Governance Arrangements (Pages 15 - 26)
[To approve annual governance matters.] |
| 6 | Compliance and Assurance (Pages 27 - 56)
[To receive an update on the work of the Fund to deliver a well governed scheme.] |
| 7 | Statement of Accounts 2021-2022
[To approve the draft statement of accounts for the year ending 31 March 2022.]
(To follow) |
| 8 | Budget Monitoring / Quarterly Accounts 31 March 2022
[To receive an update on the forecast out-turn against operating budget and present the quarterly accounts to 31 March 2022.] (To follow) |
| 9 | Pensions Administration Report to 31 March 2022 (Pages 57 - 78)
[To receive an update on the routine operational work undertaken by the pensions administration service areas during the period 1 January 2022 to 31 March 2022.] |
| 10 | Customer Engagement Update (Pages 79 - 94)
[To receive an update of the Fund's customer engagement activity from 1 January 2022 to 31 March 2022.] |
| 11 | Local Pensions Board Annual Governance Report (Pages 95 - 102)
[To note the report from the Local Pensions Board.] |
| 12 | Internal Audit Annual Report 2021 - 2022 (Pages 103 - 114)
[To receive an outline of the work programme for internal audit during 2021 – 2022.] |
| 13 | Quarterly Investment Report to 31 March 2022 (Pages 115 - 136)
[To receive an update on developments in investment markets, asset allocation and investment performance over the latest quarter in relation to the West Midlands Pension Fund (Main Fund and Admitted Body Sub Funds.)] |

14 **Responsible Investment** (Pages 137 - 148)
[To receive an update on the work undertaken in relation to responsible investment activities.]

15 **Exclusion of press and public**
[To pass the following resolution:

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.]

PART 2 - EXEMPT ITEMS, CLOSED TO PRESS AND PUBLIC

16 **Investment Strategy and Activity Update** (Pages 149 - 154)
[To receive an update on the investment strategy and activity in the WMPF and Admitted Body Sub Funds over the quarter.]

17 **Annual Report on the Investment Advisory Panel** (Pages 155 - 162)
[To note the work of the Investment Advisory Panel for 2021 – 2022.]

18 **CEM Benchmarking** (Pages 163 - 168)
[To receive a report on the Fund's Pension Administration and Investment Management Benchmarking exercise.]

19 **Fund Structure Update** (Pages 169 - 180)
[To provide an update on staffing developments and requirements to support the Fund service delivery.]

20 **2022 Actuarial Valuation** (Pages 181 - 192)
[To receive an update on the 2022 Actuarial Valuation.]

21 **Cyber Annual Update** (Pages 193 - 214)
[To receive an update on Cyber Security.]

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Attendance

Members of the Pensions Committee

Cllr Milkinder Jaspal (Chair)
Cllr Craig Collingswood (Vice-chair)
Cllr Keith Inston
Cllr Phil Page
Cllr Clare Simm
Cllr Andrew Randle
Cllr Paul Singh - V
Cllr Stephen Simkins
Cllr Bally Singh
Cllr Alan Taylor
Cllr Angela Sandison
Cllr Phil Davies

Trade Union Observers

Malcom Cantello (Unison)
Martin Clift (Unite)
Ian Smith (Unite)

Employees

Rachel Brothwood	Director of Pensions
Rachel Howe	Head of Governance and Corporate Services
Amanda MacDonald	Audit Business Partner
Claire Nye	Director of Finance - V
Amy Regler	Head of Operations
Rachael Lem	Responsible Investment Officer
Fabrica Hastings	Democratic Services Officer
Femi Olatunde	Interim Head of Finance
Shiventa Sivanesan	Assistant Director – Investment Management
Simon Taylor	Assistant Director – Pensions
Tom Davies	Assistant Director – Investment Strategy
Hayley Reid	Regulatory Governance Manager
Holy Slater	Governance Officer - V

Part 1 – items open to the press and public

Item No. *Title*

- 1 **Apologies for absence (if any)**
Apologies were received from Cllr Paul Sweet and Cllr Peter Allen.

It was noted that the meeting was inquorate: it was agreed that the meeting would continue on an informal basis and acknowledged that any decisions made would be ratified by the Chair and Vice Chair using the urgent decisions process.

2 **Declarations of interests (if any)**

There were no declarations of interest.

3 **Minutes of the previous meeting**

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

4 **Matters arising**

Malcom Cantello, Trade Union Representative, raised a question regarding the distribution of an electric flyer. Simon Taylor, Assistant Director- Pensions, advised that the flyer would be re-circulated to Trade Union Representatives and all Committee members on request.

5 **Corporate Plan 2022-2027**

Rachel Howe, Head of Governance and Corporate Services, presented the report on the proposed Fund Corporate Plan for 2022 – 2027, confirming the areas of focus and drivers for change over the next five years, together with the goals and ambitions for continuing to develop the Fund and deliver a high-quality service to its customers.

The Head of Governance and Corporate Services advised the Committee that the areas of focus and drivers included in the plan were in response to the key issues presented to the Committee throughout the year as detailed in the Fund's risk register, including a focus on operational resilience, our people and systems and continuing initiatives supporting the Fund's responsible employer and investment ethos.

The Committee were advised that the Plan was currently marked as draft and that the figures would be updated prior to publication and include figures for March 2022.

In response to a question from Cllr Simkins with regards to the social value of the Fund's investments and projects, the Head of Governance and Corporate Services confirmed this had been covered within the plan under corporate responsibility and was an area of key focus for the Fund.

Resolved:

1. That the Pensions Committee approves and adopts the Corporate Plan 2022 – 2027.

6 **Budget 2022/23 and Financial Plan 2026/27**

Rachel Brothwood, Director of Pensions, presented the report on the proposed Fund Operating Budget for 2022/2023 and the medium-term financial plan for the five years up to and including 2026/2027, noting areas of development since 2021/2022.

The Committee were advised that the budget had been developed following a detailed review of the Fund's requirements, noting activities that needed to be delivered and areas where services required further support. The proposals also included provisions for temporary support for specific projects such as the implementation of the McCloud remedy.

It was noted that the forecast included an increase of £4 billion in assets under management over the next five years and that this was reflected in investment management costs which were projected to rise as changing asset allocation took effect and then stabilise as a percentage of assets under management.

In response to a question raised by Malcom Cantello, Trade Union Representative, regarding investment management costs, the Director of Pensions provided an explanation of the variation in figures relating to investment costs.

Resolved:

1. That the Pensions Committee approves the Operating Budget for 2022/23.
2. That the Pensions Committee approves the Medium-Term financial plan for the period to 2026/27.

7 **Budget Monitoring 2021/22 and Quarterly Accounts 31 December 2021**

Rachel Brothwood, Director of Pensions, presented the report on the forecast out-turn against operating budget for 2021/2022 and presented the quarterly accounts to 31 December 2021.

The Committee were advised that the Fund's out-turn budget had been impacted by two key themes, delays in recruitment relating to vacancies held within the Fund's employee base and delays in planned service development activity.

It was noted that there was a 10% increase in the Fund's value as at the end of December 2021.

In response to a question raised by Malcom Cantello, Trade Union Representative, regarding the increase in the Fund's value. The Director of Pensions provided further explanation with regards to the figures included within the report.

Resolved:

1. That the Pensions Committee notes the quarterly accounts for the period ending 31 December 2021 which estimate the value of West Midlands Pension Fund (WMPF) at this date to be £20.8 billion, an increase of £1.9 billion (10%) since 31 March 2021.
2. That the Pensions committee notes the WMPF forecast out-turn for the year against operating budgets as at the end of December 2021 is an underspend of £3.0 million.

8 **Accounting Policies 2021/22**

Femi Olatunde, Interim Head of Finance, presented the report on the accounting policies to be used in preparing the Fund's' accounts for the 2021/22 financial year.

The Interim Head of Finance, advised the Committee that the Fund's accounting policies were based on Chartered Institute of Public Finance and Accountancy (CIPFA) guidance which had been reviewed and that there had been no material changes to the guidance for this financial year.

Resolved:

1. That the Pensions Committee approves the WMPF accounting policies for the 2021/22 financial year.

9 **Treasury Management Policy**

Rachel Howe, Head of Governance and Corporate Services, presented the report on the Funds Treasury Management policy for 2022 for approval by the Pensions Committee.

The Committee were advised that the Fund's Treasury Management Policy had been updated in accordance with guidance from CIPFA issued in 2021.

In response to a question raised by Malcom Cantello, Trade Union Representative, regarding a reference within the policy to the Fund's Financial Management Committee, the Director of Pensions advised that the Financial Management Committee was an internal committee, established in accordance with approved delegations, which comprised of members of the Fund's Finance, Employer Services and Governance Team's and included representation from the Senior Management Team.

Resolved:

1. That the Pensions Committee approved the West Midlands Pension Fund Treasury Management Policy 2022.

10 **External Audit Plan 2022**

Grant Pattison, Grant Thornton, presented the report on the plan for the external audit of the Fund's Annual Report and Accounts for 2021/22.

The Committee were advised that the areas of focus for the audit were in accordance with significant risks and included management overriding controls and the valuation of the Fund's assets.

It was noted that Grant Thornton were working closely with the Fund to finalise the Audit by the end of September 2022 and would provide the Committee with a further more detailed update in June 2022.

The Director of Pensions confirmed that training on the Fund's accounting estimates would be provided to Committee members prior to the approval of the Fund's accounts.

Resolved:

1. The Pensions Committee approves the management responses to questions from the external auditors, Grant Thornton LLP, as part of their audit planning.
2. The Pensions Committee approves delegation of authority to the Chair and Vice Chair of Pensions Committee to approve the final publication of the 2021/2022 Statement of Accounts following audit in September and approval of the draft by Committee in June 2022.
3. The Pensions Committee notes the external audit plan for the 2021/2022 Annual Report and Accounts as prepared by Grant Thornton [Appendix A].

11 **Internal Audit Plan 2022/2023**

Amanda MacDonald, Audit Business Partner, presented the report on the outline of work programme for internal audit during 2022 – 2023. The update outlined the plan of work for the new financial year based on identified risks, forming part of the Fund's assurance framework.

The Audit Business Partner advised that the scope for all audit work would be agreed with Senior Managers and that a summary of the work completed by Internal Audit and overall opinion on the Fund's control environment would be provided to the Committee at the year end.

Resolved:

1. The Pensions Committee notes the Internal Audit Plan for 2022 – 2023.

12

Quarterly Investment Report and Investment Strategy Review 2022

Tom Davies, Assistant Director, Investment Strategy, presented the report on the developments in investment markets, asset allocation and investment performance over the latest quarter in relation to the WMPF (Main Fund and Admitted Body Sub Funds).

The Committee were advised that the Fund's investment market performance, was broadly in line and met the Fund's expectations and benchmark, for the period ending 31 December 2021.

The Assistant Director advised the Committee that the Fund's Investment Strategy Statement (ISS) had been subject to an interim review prior to an in-depth review which would be undertaken in conjunction with the Fund's Actuarial Valuation and would be brought to the Committee in March 2023. The proposed changes to the ISS were relatively minor with exception of the proposal to place a hold on further allocations to emerging market equities, pending a full review of the Fund's existing holdings and risks associated with this area. The Assistant Director further highlighted that the 2023 review of the ISS would include the Fund a review of and the Fund's response to any change in LGPS guidance forthcoming in relation to the Government's Levelling Up Agenda.

In response to a question raised by Cllr Page regarding the Fund's direct and indirect exposure to investments in Russia, the Assistant Director, Investment Strategy, advised that the Fund had both direct and indirect exposure through external management arrangements and that the exposure was minimal in percentage terms. Cllr Simkins noted that it was important for the Committee to be aware of the Fund's investments across the globe and the Assistant Director confirmed that a review of the Fund's exposure to emerging markets was being undertaken.

In response to a question raised by Malcom Cantello, Trade Union Representative with regards to a timescale for reaching ISS targets, the Assistant Director, Investment Strategy, confirmed that the Fund had made a number of commitments to private markets which would take time to draw down and that it would take 12-18 months for a more meaningful allocation of invested assets to develop.

Resolved:

1. That the Pensions Committee approves the WMPF's Investment Strategy Statement (ISS) for 2022.
2. That the Pensions Committee approves a hold on further allocations to emerging market equities, retaining the Fund's underweight allocation relative to the target set out in the ISS, pending reassessment of the long-term Strategic Investment Allocation Benchmark as part of the 2022/23 triennial review.
3. That the Pensions Committee notes the global market and investment update paper prepared by the Fund's Investment Consultant, Redington.
4. That the Pensions Committee notes the asset Allocation and Performance Reporting for the West Midlands Pension Fund (WMPF), Main Fund and Admitted Body Sub Funds.

13 **Responsible Investment Activities**

Rachael Lem, Responsible Investment Officer, presented the report on the work undertaken in relation to responsible investment activities since the last Pensions Committee meeting.

The Responsible Investment Officer advised that Local Authority Pension Fund Forum (LAPFF) continued to engage on behalf of the Fund regarding companies operating in occupied Palestine territories and that the Committee would continue to be updated on LAPFF's progress.

The Committee were advised that the Fund had reviewed and updated its voting principles. A draft version of the document was attached as Appendix A - with a final version to be presented to the Committee in June 2022.

Key updates from the document included;

- The Strengthening of the expectation of board composition to enhance diversity.
- Support for enhanced auditor independence and remuneration practices.
- Support for sustainable business practices that set out enhanced expectations of company climate related disclosures and transition plans.

In response to a question raised by Cllr Simm, regarding output from discussions with companies operating in Occupied Palestine Territories, Rachel Brothwood, Director of Pensions highlighted known developments; including the cessation of some business operations in the region and evidence of increased awareness of Human Rights impacts and calls for impact assessment. The Director confirmed that dialogue was still ongoing through LAPFF and that the Committee would continue to be kept informed of progress.

In response to a question from Cllr Simkins with regards to fossil fuel investments, Rachael Lem, Responsible Investment Officer, confirmed the Fund's Climate Strategy includes targets for increasing investment in climate solutions and renewable energy.

In response to further discussion and questions from Committee members with regards to actions and outcomes relating to Responsible Investment, the Director of Pensions noted that the Fund were a signatory to the Stewardship Code and in the final stages of compiling their submission for 2022 which included tangible examples of positive outcomes from collaborative engagement.

Resolved:

1. The Pensions Committee notes the Fund's draft Voting Principles 2022 [Appendix A].
2. The Pensions Committee approves the Fund's engagement and voting activity for the three months ending 31 December 2021 [Appendices B and C].
3. The Pensions Committee approves the issues discussed by LAPFF are set out in the Quarterly Engagement Report, which is available on the LAPFF website: https://lapfforum.org/wp-content/uploads/2022/01/LAPFF_QER04_2022_Final.pdf.

4. The Pensions Committee approves the research and engagement activity undertaken by EOS at Federated Hermes as set out in the 2021 Annual Engagement Report, which is available on the EOS website: [EOS 2021 Annual Review | UK Institutional \(hermes-investment.com\)](https://www.hermes-investment.com/2021-annual-review).

14 **Pensions Administration**

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

The Head of Operations highlighted a decrease in outstanding casework during the quarter due to the continued focus on clearing outstanding work. It was noted that there were two Key Performance Indicator's; notification of transfer in of membership and the notification of death benefits that had fallen short of meeting their targets during the period due to delays from third parties and some long-standing casework which required more detailed review by more experienced pension administrators. The Committee were assured that the Fund's average processing timescales were within target.

The Committee were advised that the Fund had completed it's second overseas existing checking exercise and seen an improvement in response rates from the previous year with a 91% verification success rate from members. It was also noted that 28% of members had responded to the exercise utilising the digital app.

Resolved:

1. That the Pensions Committee approves the 8 applications for admission from employers into the Fund as detailed in section 9 and Appendix E of this report.
2. That the Pensions Committee approves the write-offs detailed in section 11 of this report.
3. That the Pensions Committee notes the performance and workloads of the key pension administration functions.
4. That the Pensions Committee notes the development of the Fund's membership and participating employers.

15 **Customer Engagement**

Simon Taylor, Assistant Director – Pensions, presented the report on the Fund's customer engagement activity from 1 October 2021 to 31 December 2021 and to cover future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy. To also cover more specific elements of engagement including that with Prudential on Additional Voluntary Contribution (AVC) provision.

The Assistant Director advised the Committee that during the period customer satisfaction levels had fallen below target to 85%. This reflected a greater volume of queries received and the delivery of statutory exercises such as the guaranteed minimum pension (GMP) reconciliation.

The Committee were advised that the Fund's employer webinar sessions remained popular and that face to face member events had resumed, following the pandemic. Three events had taken place in March 2022 and received an encouraging footfall of attendees.

Resolved:

1. That the Pensions Committee notes the engagement activity and informed service development.
2. That the Pensions Committee notes the specific engagement with Prudential regarding AVC provision.

16

Governance and Assurance

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

The Head of Governance and Corporate Services advised the Committee that the KPI's during this quarter, demonstrated marginal movement with increasing calls to Customer Services and work volumes across the Fund's operations.

The Fund's risk register continued to highlight key themes, including data, resourcing, impact on service delivery and the reliance on third parties, including interim support. The Head of Governance and Corporate Services advised that the Fund had increased risk ratings in a number of areas this quarter with external factors such as pending regulatory changes being the primary driver for increased risk assessment.

Resolved:

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

17

Regulatory Update

Rachel Howe, Head of Governance and Corporate Services, and Amy Regler, Head of Operations, presented the report on the regulatory environment in which the Fund is operating and the work being done to stay informed and prepared for change covering the following areas;

- 1, McCloud
- 2, Pensions Dashboards
- 3, Pensions Regulator Code of Practise
- 4, Public Service Pensions and Judicial Officers Bill (PSPJO Bill)
- 5, Levelling Up White Paper

In response to questions raised from the Committee it was noted that the Fund participates and engages industry wide across several forums with regards to forthcoming regulatory changes and responds to consultations where there are potential implications for the Fund and the wider LGPS.

The Director of Pensions advised the committee that the Fund was keen to gain further clarification on the implications of the Government's Levelling Up Agenda and

any material points of future consultation would be circulated and discussed with Committee and the Local Pensions Board.

Resolved:

1. That the Pensions Committee notes the forthcoming regulatory changes across the Local Government Pension Scheme environment and the Fund's response to them.

18 **Exclusion of press and public**

Resolved:

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 the paragraph 3 of Schedule 12A of the Act.

19 **LGPS Central Pooling and Shareholder Update**

Rachel Brothwood, Director of Pensions presented the report on the matters considered and presented to Shareholders at the LGPS Central Limited General Meeting on 22 February 2022 and updates the Committee on the Company and pool progress.

Resolved:

1. That the Pensions Committee notes the Director's update on Shareholder business relating to LGPS Central Limited.
2. That the Pensions Committee notes the shareholder approval of the Company's 2022/23 business plan and budget.

20 **Investment Strategy and Activity Update**

Tom Davies, Assistant Director Investment Strategy, presented the report on the Committee with an update on investment strategy and activity in the WMPF and Admitted Body Sub Funds over the quarter.

Resolved:

1. That the Pensions Committee notes the update on the development and implementation of investment strategies for the main Pension Fund and Admitted Body Sub Fund.
2. That the Pensions Committee notes the product developments and planned transitions to the LGPS Central pool.
3. That the Pensions Committee notes the statement from Fund's Investment Consultants in relation to investment strategy implementation and interim review of the ISS (appendix A).

21 **2022 Actuarial Valuation Update**

Simon Taylor, Assistant Director – Pensions, presented the report on the matters relevant to the triennial review of the Funding Strategy Statement over 2002/2023 and delivery of the 2022 actuarial valuation.

Resolved:

1. That the Pensions Committee notes the progress on the transition of Fund actuary service provider
2. That the Pensions Committee approves the report and the associated update on progress with the 2022 Actuarial Valuation for the Fund

3. That the Pensions Committee notes the update on the Associated Employer Covenant Review in the context of the Fund's Integrated Risk Management Framework, to include exposure aligned to climate risk
4. That the Pensions Committee notes the Fund's response to the second Department for Levelling Up, Housing and Communities (DLUHC) consultation on academy consolidation.

CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 29 June 2022
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Report title	Annual Governance Arrangements	
Originating service	Pension Services	
Accountable employee	Rachel Howe Tel: Email:	Head of Governance & Corporate Services 01902 55 2091 Rachel.Howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel: Email:	Director of Pensions 01902 55 1715 Rachel.Brothwood@wolverhampton.gov.uk

Recommendations for decision:

The Pensions Committee is recommended to:

1. Confirm the re-appointment of the Unite and Unison Trade Union representatives for the municipal year 2022/23:
 - Martin Clift and Ian Smith – Unite
 - Malcolm Cantello – Unison
 - Janice Wadrup – GMB
2. Approve the revised Training Policy developed for members of the Fund's governing bodies.

Recommendations for action:

The Pensions Committee is asked to note:

1. The Committee's Terms of Reference
2. The following dates and time of the meetings of the Pensions Committee:

Pensions Committee – 10am
21 September 2022
14 December 2022
22 March 2023

1.0 Purpose

- 1.1 To seek approval for the Annual Governance matters of Pensions Committee, ensuring effective due diligence in decision making through regular review of delegated powers, terms of reference and the continued engagement of the Fund's stakeholders on its governing bodies.

2.0 Pensions Committee Terms of Reference

- 2.1 In accordance with best practice, the Fund, in conjunction with the Chair of Committee, has reviewed the Terms of Reference for Pensions Committee to ensure they remain effective, and compliant with the changing regulatory environment in which the Fund operates. The Terms of Reference have been drafted to support effective and efficient decision making with transparent accountability to the Fund's stakeholders.
- 2.2 In consideration of forthcoming regulatory guidance, the Terms of Reference have been reviewed to ensure they remain fit for purpose but have not been amended this year, but will undergo a full review where required in response to change and on publication of relevant guidance.

3.0 Appointment of Trade Union Observer Representatives

- 3.1 Trade Union member representatives are invited to sit on the Committee to represent the Pension Fund members. Trade Union Representatives are invited observers, they may participate in debate, but hold no voting rights on the matters presented. Further details with regards to the role of Trade Union representatives are included in the Fund's Representation Policy (Appendix A).
- 3.2 Following receipt of nominations from the Trade Unions, the Committee is asked to;
- confirm the reappointment of the following Trade Union observer representatives to the Pensions Committee for the 2022/2023 Municipal Year:
 - Martin Clift and Ian Smith – Unite
 - Malcolm Cantello – Unison
 - Janice Wadrup – GMB

4.0 Representation Policy

- 4.1 In accordance with best practice and based on recommendation by the Scheme Advisory Board's (SAB) Good Governance review, the Fund has established a policy for representation of scheme members and non-administering authorities on its governing bodies.
- 4.2 The policy was formally adopted at the meeting on 23 June 2021, since that time there has been no change to the governing body membership categories or size. The policy has been updated to note changes in working practices (including the change to the Committee's quorum agreed in December 2021).

4.3 The Representation Policy of the Fund aims to ensure a broad representation of the Fund's employers and members, having representation from across employer groups on the Pension Board together with Trade Union members representing all categories of members including pensioner members, of whom there are 2 in the Trade Union observers on Committee.

5.0 Governing Bodies Training Policy

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

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

5.3 Recognising the importance of training in the developing landscape of the Scheme, the Fund has included details on the training requirements of the governing bodies within its Governance Compliance Statement. The Fund reviews its training policy on an annual basis to ensure it remains compliant with best practice and delivers a comprehensive suite of opportunities for governing body members to develop knowledge and understanding.

5.4 Committee are asked to consider and approve the training policy, included at Appendix B.

6.0 Dates and Times of Meetings for 2022/23

6.1 The Committee are asked to note the following dates and times of meetings of the Committee for the remainder of the current Municipal Year:

Pensions Committee – 10am

21 September 2022

14 December 2022

22 March 2023

6.2 The Local Pensions Board also meet four times a year, meetings continue to be held two to four weeks after Pensions Committee, when outcomes from the Committee, together with any matters the Committee would like the Board to consider, are raised. Any points raised by the Board for consideration by the Committee will be reported to the Committee for consideration no later than the next scheduled Committee meeting.

7.0 Financial Implications

7.1 The Fund have established a budget for governing body training, which is reported on and monitored in accordance with Fund procedures.

8.0 Legal Implications

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

9.0 Equalities Implications

9.1 There are no equalities implications.

10.0 All Other Implications

10.1 There are no other direct implications.

11.0 Schedule of Background Papers

11.1 Pensions Committee Terms of Reference - [Microsoft Word - TOR Committee 2022.docx \(wmpfonline.com\)](#)

11.2 [The Pensions Regulator Singular Code of Practice Consultation – Interim Response](#)

11.3 [Scheme Advisory Board – Good Governance Review – Phase 3 Report](#)

12.0 Schedule of Appendices

12.1 Appendix A: Representation Policy

12.2 Appendix B: Governing Bodies Training Policy

Appendix A: Representation Policy

Background

In accordance with best practice the Fund has established a policy on representation of scheme members and non-administering authority employers on its Governing Bodies (Pensions Committee and the Local Pensions Board) detailing its approach to representation and voting rights for each party.

Pensions Committee

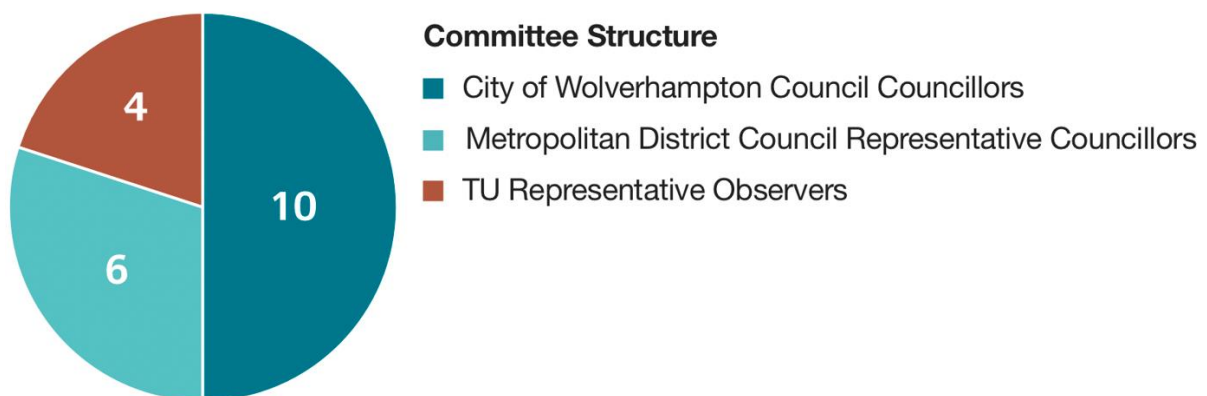
The City of Wolverhampton Council's Pensions Committee have delegated responsibility to undertake the role of the Scheme Manager in accordance with Section 4 of the Public Service Pensions Act 2013.

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

Members of the Pensions Committee are accountable for all the Fund's activities and are responsible for ensuring that the Fund is managed in the best interest of all its employers, members and beneficiaries (employees of the public sector employers within the West Midlands region).

The membership of the Pensions Committee consists of;

- Ten City of Wolverhampton Council elected members who are nominated by the Full Council at the Annual Council Meeting. The Chair and Vice Chair of the Committee are appointed annually from these members by Full Council.
- Six District Council elected members, one representative from each of the six Metropolitan districts within the Fund (Birmingham City Council, Dudley MBC, Coventry City Council, Sandwell MBC, Solihull MBC and Walsall MBC).
- Four Trade Union 'member representatives' invited from the three main trade unions of the Administering Authority and nominated by their respective Union.



Elected members sit as full members of the Committee with debating and voting rights on all matters presented. Trade Union representatives are invited to sit on the Pensions Committee as observers on behalf of pension scheme members. Therefore, they may participate in debate and have the same access to papers, meetings and training opportunities but hold no voting rights. Trade Union representatives are invited to participate in training events in order to assist in informing debate.

The quorum for the Pensions Committee is five, to include at least one elected member from Wolverhampton City Council and one Metropolitan District Representative. Trade Union representatives do not count towards quorum however, every effort is made to ensure at least one individual is in attendance for each meeting.

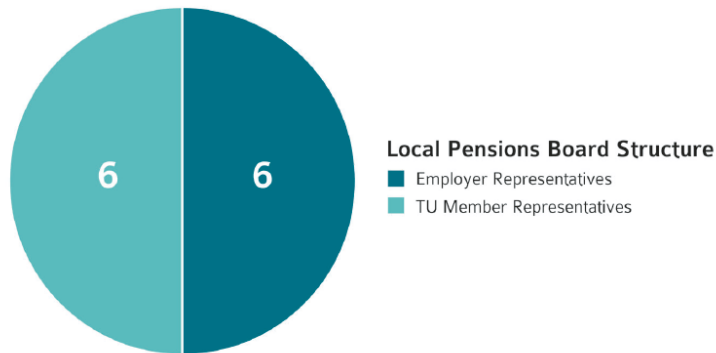
Pensions Board

In accordance with Section 5 of the Public Service Pensions Act 2013 and under regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended), the Fund have established the West Midlands Local Pension Board (The Board). The role of the Board is to assist in the good governance of the Scheme through the monitoring of Fund performance.

The Pensions Board has 12 members, six employer representatives and six members representatives and is structured as follows;

- Five Employer Representatives consisting of five officer seats from each of the category of employers within the Fund.
- Five member representatives invited from three main trade unions of the Administering Authority, the number of seats for each trade union are based on the membership from the Administering Authority. Trade Union members are nominated by their respective union.
- Two elected member seats, one employer representative and one member representative selected by the Administering Authority at the Full Council meeting at the beginning of each municipal year. In line with statutory provisions, an elected Councillor who sits on Pensions Board, cannot also sit on the Pensions Committee and must be a member or employer representative.

Each member of the Board has a right to vote on matters brought before it. The nominations to Chair and Vice Chair are appointed to annually, with a rotation of employer and member representatives each year.



The Fund has established a Local Pensions Board Appointments Process, [available here](#) which details its approach to appointing members of the Board, brief details are outlined below:

- The Fund seeks nominations to two of its seats, one employer and one member on a biennial basis, this is to ensure fairness of representation and allow for natural movement within the Board whilst retaining the knowledge and experience of the group.
- The process for selecting which seats are up for nomination is determined at the Board meeting in January and should be instigated as follows;
 - Members who have been unable to adhere to their responsibilities with regards to attendance and training.
 - Vacant seats (including vacancies which may arise before the end of the year)
 - Rotation based on length of service, one from each group.
- As detailed above, member representative nominations are invited from the three main trade unions at the Administering Authority.
- Employer nominations are invited through communication with the Fund’s employer base, following formal advert and recruitment to the Fund’s employer contacts. The Fund endeavours to ensure it has representation across the different employer types including education authorities, local authorities, scheduled bodies and admitted bodies.
- In accordance with the Appointments Policy an appointments panel is convened to agree nominations.

Wider Representation

Customer Engagement Strategy and Customer Engagement Plan

The Fund publishes an annual Customer Engagement Plan aligned to the Customer Engagement Strategy, setting out how the Fund will engage, consult and involve customers (members, employers) and its Governing Bodies, in the priorities and service development of the Fund. The Customer Engagement Strategy encourages engagement and feedback from customers which serves to inform our delivery,

enhancing overall outcomes. A copy of the Customer Engagement strategy is [available here](#).

An annual Customer Engagement Plan detailing planned engagement activities with Fund stakeholders (Employers, Members (active, deferred and pensioner) and Governing Body members) is also prepared and published on the Fund's website, [available here](#).

Employer Peer Group

The Fund have established an Employer Peer Group, consisting of a group of representatives from the Fund's employer base. The Employer Peer Group has an open invitation to all employers, the primary focus of the group is listed in their terms of reference which is [available here](#) and includes enabling collaborative working with employers, sharing best practice and discussion on current issues within the LGPS and their impact. Items discussed by the employer peer group are relayed to the wider employer base through the Employer Brief (newsletter) at the Fund's Mid-Year Review, Annual General Meetings and the Fund's website.

The Wider LGPS

As one of the largest funds across the LGPS, our role on national bodies ensures the voices of our customers are heard by the those with responsibility for change, placing our members and employers at the centre of decisions which impact their futures.

Appendix B: Governing Bodies Training Policy

Scope

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

The Fund recognises that effective management, governance, and decision making can only be achieved where those involved have the requisite knowledge and skills to discharge the duties allocated to them. Therefore, this policy applies to individuals appointed to both the Pensions Committee and the West Midlands Pension Fund's Local Pensions Board and as outlined in their terms of reference.

This policy forms a key part of the good governance and management of the Fund, setting out the Fund's approach to the effective acquisition and retention of LGPS knowledge and skills for those responsible for the management, delivery, governance, and decision making of the Fund and is guided by reference to a comprehensive framework of knowledge and skills requirements as set out the CIPFA LGPS Knowledge and Skills Framework.

Background

Individuals appointed to the Local Pensions Board or Pensions Committee must be conversant with:

- Pensions legislation and guidance
- Pensions governance
- Funding strategy and actuarial methods
- Pensions administration and communications
- Pensions financial strategy, management accounting, reporting and audit standards
- Investment strategy, asset allocation, pooling performance and risk management
- Financial markets and products
- Pension services procurement, contract management and relationship management

In addition, individuals must have knowledge and understanding of:

- the law relating to pensions, and
- any other matters which are prescribed in regulations and statutory guidance.

The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of the role that they have been appointed to. Individuals are required to invest sufficient time in their learning and development in order to meet required standards relating to knowledge and understanding. These standards are applicable from appointment and apply to both individuals and the Pensions Committee and the Local Pensions Board as a whole. However, the Fund acknowledges that individuals are not expected to become technical experts, and levels of knowledge will vary depending on experience. Governing Body members should have the ability to interpret and challenge the information provided by Fund Officers and contribute effectively to discussions and decisions made. The level of understanding required is dependent on the subject and is based on the collective knowledge of the group and not the individual.

The aim of this policy is to:

- Outline the duties and responsibilities of persons appointed to the Pensions Committee or Local Pensions Board in relation to knowledge and understanding
- Outline how the Fund complies with meeting statutory expectations on knowledge and understanding through a tailored and structured programme of knowledge development
- Assist individuals in meeting these requirements through an effectively managed programme of development.

In conjunction with this policy, the Fund has established an annual training plan built on both CIPFA's Knowledge and Skills Framework and the items considered as key, as outlined by the Pensions Regulator's Code of Practice.

Implementation

Upon appointment, members of the Pensions Committee and Local Pensions Board will be provided with a Governing Body handbook, outlining the statutory elements of their role and highlighting information they are required to be conversant with. They will be invited to attend an in-house induction training session facilitated by Fund Officers which will provide an overview of their role and responsibilities (including those related to training) together with details of key policies and current issues.

An annual training plan will be produced by Fund Officers, linked to both CIPFA's Knowledge and Skills Framework and the items outlined in the Pensions Regulator's Code of Practice, to ensure that training is delivered effectively and focusses on key

knowledge areas. Regular opportunities will be provided for members to feedback on the training programme and highlight individual training needs to identify gaps in knowledge, areas for further development and to take into account any changes to regulation, together with individual's own self-assessment of their knowledge and understanding of the issues they are being asked to consider at their regular meetings.

Members of the Pensions Committee and Local Pensions Board are requested to commit to undertaking minimum training requirements annually, in order to fulfil knowledge and understanding requirements.

Training will include a mixture of face to face, independent learning, briefing notes with regular opportunities to engage and to network with colleagues and counterparts from other LGPS Funds, as well as through independent reading. Further support will be available through the facilitation of regular training sessions, and the production of briefing notes providing updates, key issues and Fund developments.

Where training is being delivered on specialist topics the Fund may invite external stakeholders and experts to deliver sessions where appropriate.

Reporting

The Fund will maintain appropriate records of all learning and development activities undertaken by individual members and the Pensions Committee and the Local Pensions Board as a whole. In accordance with statutory guidance and best practice this information (individual training hours), alongside information regarding how this policy has been put into practise throughout the year will be reported in both the Fund's Governance and Compliance statement, and Annual Report and Accounts with regular updates reported to the Chair of Pensions Committee and the Chair of the Local Pensions Board.

Roles and Responsibilities

The Fund will ensure that it has adequate resource in place to effectively implement and monitor this policy to support Governing Body members acquire and retain the necessary LGPS knowledge and skills. Responsibility for the implementation of this policy and the requirements of the CIPFA Code of Practice has been delegated to the Head of Governance and Corporate Services.

To support members of the Pensions Committee and Local Pensions Board undertake their role, the Fund has an established Governance team who have responsibility for day-to-day engagement with members, offering support and information to help them achieve their training requirements. However, it is the responsibility of individual

Governing Body members to undertake training and ensure that the records held by the Fund are accurate and up to date. Training records will be reviewed periodically by the Chair of the Pensions Committee and the Local Pensions Board to ensure that training is being undertaken both individually and by the group collectively throughout the year.

CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 29 June 2022
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Report title	Compliance and Assurance	
Originating service	Pension Services	
Accountable employee	Rachel Howe	Head of Governance and Corporate Services
	Tel	01902 55 2091
	Email	Rachel.Howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 55 1715
	Email	Rachel.Brothwood@wolverhampton.gov.uk

Recommendations for decision:

The Pensions Committee is recommended to approve:

1. The 2022 Governance and Compliance Statement.

Recommendations for action:

The Pensions Committee is asked to note:

1. The Urgent Decisions taken by the Chair and the Vice Chair of the Pensions Committee following the meeting on 30 March 2022.
2. The latest strategic risk-register and areas being closely monitored in the current environment.
3. The compliance monitoring activity undertaken during the quarter.
4. The Fund's Key Performance Indicators and action taken to support service delivery.
5. The release of the Pensions Regulator's Corporate Plan 2022 - 2024

1.0 Purpose

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

2.0 Urgent Decisions

2.1 As discussed at the inquorate meeting held on the 30 March 2022 the following papers were agreed by the Chair and the Vice Chair through the Committee's urgent decisions process.

- Budget 2022/23 and Financial Plan to 2026/27
- Corporate Plan 2022-2027
- Treasury Management Policy
- External Audit Plan for 2022
- Quarterly Investment Report to 31 December 2022
- Pensions Administration Report from 1 October to 31 December 2021

2.2 Links to these papers and the corresponding urgent decision notices have been provided under the schedule of background papers in this report.

3.0 Governance and Compliance Statement

3.1 In accordance with Local Government Pension Scheme (LGPS) Regulations the Fund is required to produce a Governance and Compliance statement confirming its approach to delegation for decision making.

3.2 At the time of writing, the Fund is awaiting publication of statutory guidance and regulation including the Pension Regulator's Code of Practice and the Department of Levelling Up Housing and Communities (DLUHC)'s response to the Scheme Advisory Board's recommendations following the Good Governance Review which are expected to outline additional content and requirements for the Governance Compliance Statement. The review undertaken at this time notes any amendments to working practices adopted throughout the year, with a full review expected to be completed following publication of the statutory guidance.

3.3 The 2022 Governance and Compliance Statement is included as Appendix A and has been updated with grammatical amendments and the change from the Ministry of Housing, Communities and Local Government (MHCLG) to DLUHC.

4.0 Key Performance Indicators

4.1 Attached at Appendix B are the Fund's Key Performance Indicators (KPIs).

- 4.2 These note the year-on-year performance of the Fund from April 21 to March 22, with comparative performance against key indicators in the prior year.
- 4.3 Where performance has reduced, this has been attributable to a combination of rising work volumes, staffing shortages and changes during the year. As has been reported to the committee throughout the year, these have been largely driven by external factors, the Fund has seen an increase in member activity including leavers, retirements, an increase in complaints and contact incoming to customer services linked to the statutory GMP reconciliation exercise and scheme change, with the team taking more time to support members with their benefits and retirement planning, alongside training new hires. Where performance has dropped, efforts have been made to reallocate resource and in-year improvement has been observed.
- 4.4 Throughout the year, the Fund's member services team have continued to support members with their pension queries adapting services to a hybrid model during periods of lockdown. This, together with the launch of the Fund's deferred retire online, has seen an increase of web portal registrations over the year by over 10,000 members.
- 4.5 As reported to Committee, the Fund's IDR process has been delayed slightly this year due to the need to wait for supporting medical information (with the delay attributable to the pandemic), the majority of cases relating to ill health retirement disputes for which the employer holds the discretion to agree and must obtain and take a view based on Independent Medical Practitioner opinion.
- 4.6 Our Governing bodies continue to meet their requirements for knowledge and skills, the final reported training hours to be published in the Fund's Report and Accounts.
- 4.7 As noted in section 4 of this report the complexity of requests from third parties continues to increase, this is reflected in the compliance with statutory timeliness KPI.

5.0 Risk Management - Strategic Risk Register

- 5.1 The Fund's Strategic Risk Register is attached at appendix C.
- 5.2 The Fund continues to operate within an ever-changing environment which places increased pull on the Fund's resource and service delivery. While noted as individual areas of concern, the risks included in the attached risk register are interconnected in their impacts across the Fund.
- 5.3 The last two years have seen the delayed issuance of regulation and statutory guidance which would dictate operational practices of the Fund (including governance and oversight). There is potential for this to be forthcoming over the Autumn/Winter which would put increased pull on the Fund's resources with the ongoing need to flex resource to support service delivery and the potential for ongoing reliance on interim support.
- 5.4 The Fund continues to see competition in the market for all roles across the organisation with key challenges in the more senior/technical roles. Work continues to develop our

people to support the succession of knowledge and skills as part of the wider priority on operational resilience.

- 5.5 Noting the delayed release of key statutory and best practice guidance over the last two years, the Fund is anticipating publication of a number of consultations and changes to LGPS regulations and guidance over the course of the next 3 – 6 months. This will add additional pull on resources as the Fund seeks to engage and respond to the change.
- 5.6 Changing financial and investment market conditions have the potential to affect Fund members and employers (with rising costs) and influence the outcomes of the triennial funding valuation and investment strategy reviews. We anticipate increasing customer contact and engagement, together with increasing budget pressures as all parties seek to manage increase pressures on their finances.

6.0 Compliance Monitoring

6.1 Data Protection

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

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

6.2 Freedom of Information (FOI) Requests

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

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

Committee have received reports throughout the year on the Fund's work in these areas of interest.

6.3 Subject Access Requests (SARs)

This quarter the Fund has received five Subject Access Requests, a reduction from the eight received during the previous quarter. As reported previously, the majority of requests continue to be from third parties seeking information in connection with a member's decision to transfer out their pension to another provider. All requests were responded to within the deadlines set by CWC.

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

7.0 Governing Body Training

7.1 Governing Body training events undertaken during the previous quarter included the following;

- An update on the LGPS environment.
- An update on the Fund's Climate Strategy.
- A round up on regulatory change impacting the LGPS.
- Introduction to the actuarial valuation 2022.
- Case studies from the Fund's direct property and sustainable infrastructure portfolios.
- Updates and media round-ups issued by the Governance Team.

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

7.2 The Fund's annual induction training event for new and existing Governing Body members took place on 7 and 8 June and included sessions on Governing Body Roles and Responsibilities, hot topics in the LGPS, investment strategy and stewardship and an introduction to LGPS Central Limited.

7.3 The online learning library for Governing Body members continues to be updated and provides a variety of training materials (including those from recent events) and relevant information for Governing Body members.

8.0 The Pension Regulators Corporate Plan 2022 – 2024

8.1 The Pensions Regulator (tPR) published its corporate plan in June 2022, outlining its five strategic priorities for its regulation of the pension industry over the next two years reflecting on the long-term trends in the pension landscape. The Pension Regulator took over responsibility for public sector schemes in 2014 and has since been working to develop understanding of public sector and LGPS regulatory landscape. The single code

of practice for good governance and administration is expected to be released in the autumn which will set out the standards of governance for all pension schemes (occupational defined benefit and defined contributions schemes, master trusts and the public service pension schemes).

8.2 The five key areas identified by tPR are reflective of the Fund's own priorities set out in its Corporate Plan 2022 – 2027 adopted by Committee at its March meeting and include

- Security for pension savers, with the Fund signing up to tPR's pension scam pledge in 2020 introducing a range of measures to ensure the validity of transfer out schemes.
- Value for money – the Fund has made value add services a key delivery noting the work undertaken by the member services team in developing and enhancing member engagement activity.
- Scrutiny of decision making – ensuring fair and transparent process in the Fund's decision making, instilling confidence through assurance supported by compliance and risk management.
- Embracing innovation – the Fund has been at the forefront of enhancing self-service for member's launching its retire online provision and continuing to enhance the use of technology and automation of processes as it develops a new approach with the pension admin system transition.
- Bold and Effective Regulation – the Fund has participated in consultations which have shaped forthcoming regulatory guidance, including the new tPR code of Practice and is well positioned to be responsive in ensuring the ongoing good governance of the Fund.

8.3 We will continue to monitor the development of the plan and any guidance forthcoming to ensure the ongoing compliance with regulator expectations as we continue to build out our service development.

9.0 Financial implications

9.1 Effective monitoring of the management arrangements, facilitated by timely disclosure of information, is required to ensure the Fund is well placed to ensure the delivery of its administration, funding and investment strategy. Poor management of the Fund's data, financial information and assets can result in additional costs and detract from investment returns.

9.2 Failure by the Fund to meet statutory requirements of effective governance and administration could result in fines imposed by tPR.

10.0 Legal implications

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

11.0 Equalities implications

11.1 There are no direct equalities implications.

12.0 Other potential implications

12.1 There are no other potential implications.

13.0 Schedule of background papers

13.1 Pensions Committee – Urgent Decision notices:

- [Agenda for Pensions Committee on Thursday, 31st March, 2022, 10.00 am :: Wolverhampton City Council \(moderngov.co.uk\)](#): and
- [Agenda for Pensions Committee on Friday, 8th April, 2022, 10.00 am :: Wolverhampton City Council \(moderngov.co.uk\)](#)

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

14.0 Schedule of appendices

14.1 Appendix A: Governance and Compliance Statement

14.2 Appendix B: KPI's Year on Year Comparison

14.3 Appendix C: Strategic Risk Register

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GOVERNANCE COMPLIANCE STATEMENT JUNE 2022



West Midlands Pension Fund

INTRODUCTION

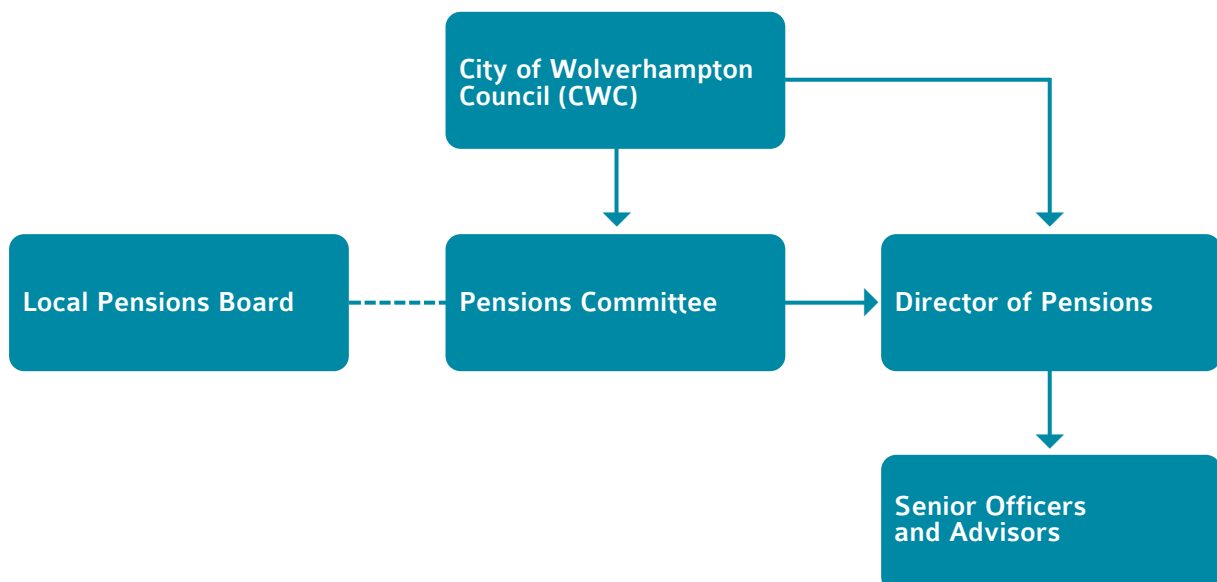
Regulation 55 of the Local Government Pension Scheme regulations 2013 requires all administering authorities for local government pension schemes to publish a Governance Compliance Statement setting out the Fund's governance arrangements. It should outline the extent of the Fund's compliance with guidance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

RELATIONSHIP WITH THE ADMINISTERING AUTHORITY – THE CITY OF WOLVERHAMPTON COUNCIL

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

GOVERNANCE STRUCTURE

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



THE PENSIONS COMMITTEE

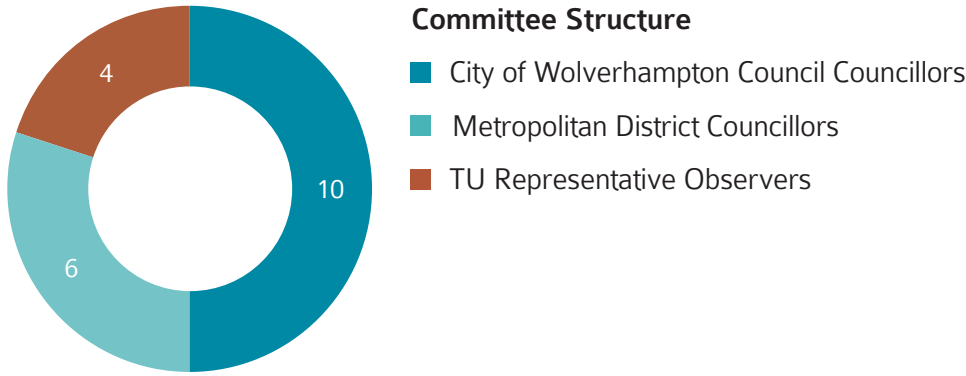
The Pensions Committee is responsible for exercising all of the functions that are required as an Administering Authority for a Local Government Pension Scheme under the Public Service Pensions Act 2013. Adhering to the principles required by Statutory Guidance, The Pensions Regulator's (TPR) Code of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

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

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

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

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



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

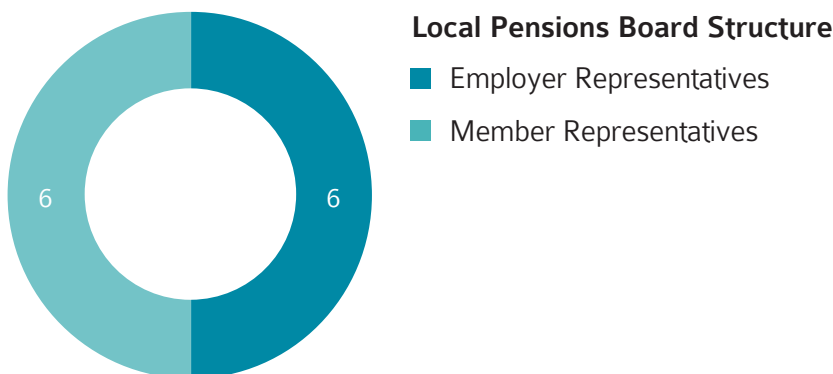
LOCAL PENSIONS BOARD

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

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

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

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



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

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

INVESTMENT POOLING

Role of Individual Administering Authority

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

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

- **Role as Shareholder**
To oversee, challenge and ensure the company's goals, ambitions and overall performance achieve the objectives set out in its annual business plan (including the budget), ensuring such business plan is fit for purpose in the context of its customers, their needs and ambitions, including the creation and delivery of products which meet those needs.
- **Role as Client/Customer**
To receive services (under agreement) and to manage the performance of that agreement in line with contract management processes. The Chair of Pensions Committee meets with their counterparts from partner fund committees (to form LGPS Central Joint Committee) on a six-monthly basis to undertake a review of the services received from LGPS Central Limited.

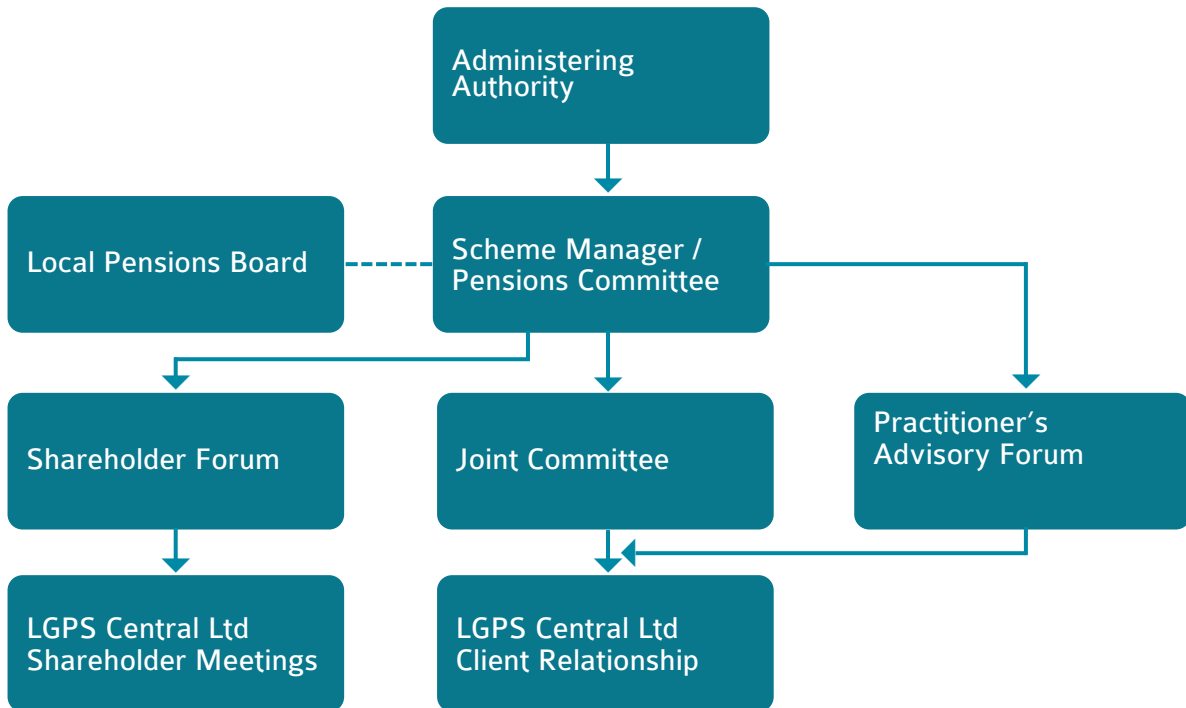
DIRECTOR OF PENSIONS

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

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

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

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



ACCOUNTABILITY AND PUBLICATION OF INFORMATION

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

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

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

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

GOVERNING BODY KNOWLEDGE AND SKILLS

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




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









GOVERNING BODY CONFLICTS OF INTEREST







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

COMPLIANCE STATEMENT

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

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

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

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

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

West Midlands Pension Fund
PO Box 3948
Wolverhampton
WV1 1XP

Appendix B: Key Performance Indicators

West Midlands Pension Fund - Key Performance Indicators (KPIs)



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

Appendix B: Key Performance Indicators

West Midlands Pension Fund - Key Performance Indicators (KPIs)



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

Appendix B: Key Performance Indicators

West Midlands Pension Fund - Key Performance Indicators (KPIs)



Customer Engagement and Communication Page 47	Operations - IDRPs Monitoring				20/21	21/22
	KPI Summary	KPI Description	Frequency	KPI Target		
	IDRP Combined	All IDRPs cases completed within 2 months	Monthly	100%	36%	55%
	Pension Services - Complaints Monitoring				20/21	21/22
	KPI Summary	KPI Description	Frequency	KPI Target		
	Member Complaints	All member complaints to be responded to within 20 working days of receipt	Monthly	100%	96%	92%
	Employer Complaints	All employer complaints to be responded to within 20 working days of receipt	Monthly	100%	100%	100%
	Pension Services - Complaints Monitoring				20/21	21/22
	KPI Summary	KPI Description	Frequency	KPI Target		
	Member Complaints less than 1%	No of member complaints to be less than 1% of total membership	Monthly	<1%	✓	✓
	Employer Complaints less than 1%	No of employer complaints to be less than 1% of total employer membership	Monthly	<1%	✓	✓

Appendix B: Key Performance Indicators


West Midlands Pension Fund - Key Performance Indicators (KPIs)



Page 48 Governance and Risk	Governance - Effective Decision Making					
	KPI Summary	KPI Description	Frequency	KPI Target	20/21	21/22
	Total PC/PB Training	Total training hours of Pensions Committee and Board	Biannually	22 hours pp	100%	100%
	Governance - Effective Decision Making					
	KPI Summary	KPI Description	Frequency	KPI Target	20/21	21/22
	Total PC/PB Attendance	Total attendance rate of Pensions Committee and Board	Biannually	4 per year	78%	79%
	Governance - Statutory Response Timeliness					
	KPI Summary	KPI Description	Frequency	KPI Target	20/21	21/22
	Combined Statutory Timeliness	All Fund responses to be submitted in line with service standard set to CWC	Monthly	100%	99%	93%
	Governance - Data Breaches Recorded					
	KPI Summary	KPI Description	Frequency	KPI Target	20/21	21/22
	Data Breaches Recorded	Decrease in data breaches recorded	Monthly	Red high Green low	25	18

Appendix B: Key Performance Indicators

West Midlands Pension Fund - Key Performance Indicators (KPIs)


West Midlands Pension Fund

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

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West Midlands Pension Fund – Strategic Risk Register

June 2022

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

¹ Key to responsible officers on final page

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

Risk Ref	Risk Theme	Risk title	Current Drivers	Corporate Priority	Previous Risk Score	Current Risk Score	Direction of Travel	Reason for concern and actions underway to mitigate risk	Officer responsible for Action ¹
3	Data, Information and reporting	Increased demands on the quality of data and the ability of the Fund to meet statutory and reporting requirements	Number of key data activities ongoing concurrently including McCloud, Valuation and Pension Admin System Transition (development of automated reporting)	Operational Resilience Compliance and Risk People and Customers				Ongoing focussed resource to support data management with active recruitment to support resource demands. Employer engagement to support Valuation underway to support relationships and understanding throughout the process. Ongoing monitoring and engagement on forthcoming consultations, incorporating new LGPS regulation and guidance due to be published.	HOPs ADP
			Increased oversight on investment governance (and Pools) and the performance of LGPS Assets.					Ongoing collaboration with partner funds and LGPS Central Ltd in the production of statutory reporting and response to information requests. The Fund is developing a Business Information (BI) strategy to ensure consistent, accurate and efficient business reporting.	DOP HoG
			Data being a key element in the triennial valuation to ensure accuracy of liabilities, with timely and accuracy of information exchange being critical to the Fund and employer working partnership in line with the Pension Administration Strategy.					The Fund has developed a Valuation project team which seeks to ensure consistent management and focus across the organisation on the valuation and outcomes, including a focus on employer engagement	HOPs HoG ADP
4	Internal Controls	The Fund is not able to effectively monitor and report on its compliance with regulatory requirements with a need to conduct a full review of those in place due to ongoing regulatory change	Growing complexity in scheme regulations (together with the potential delayed statutory guidance) and the increasing reporting requirements, placing increased demands on the Fund's monitoring processes.	Compliance and Risk Operational Resilience				The Fund is developing its Business Information (BI) strategy to support the development of data reporting through an effective data culture across the organisation. The Fund continues to monitor potential regulator activity taking the opportunity to engage and contribute to consultations on proposed drafting, thereby having a proactive insight to the potential work required.	HoG

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

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

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

1- Officers Responsible for Action

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

CITY OF WOLVERHAMPTON COUNCIL	Agenda Item No: 9
Pensions Committee 29 June 2022	

Report Title	Pensions Administration Report from 1 January to 31 March 2022	
Originating service	Pension Services	
Accountable employee	Amy Regler Tel Email	Head of Operations 01902 55 5976 Amy.Regler@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 55 1715 Rachel.Brothwood@wolverhampton.gov.uk

Recommendations for decision:

The Pensions Committee is recommended to approve:

1. The 12 applications for admission from employers into the Fund as detailed in section 9 and Appendix E of this report.
2. The write-offs detailed in section 11 of this report.

Recommendations for action:

The Pensions Committee is asked to note:

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

1.0 Purpose

1.1 To inform the Committee of the routine operational work undertaken by the Pensions Administration Service areas during the period 1 January – 31 March 2022.

2.0 Background

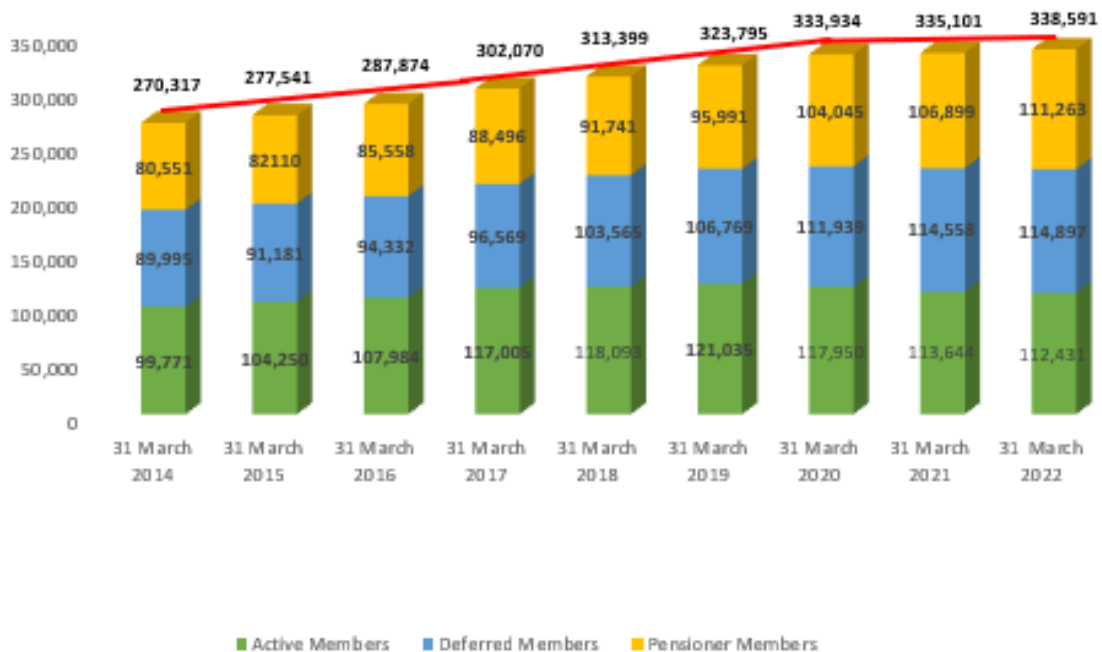
2.1 The Fund provides a pension administration service covering employer, customer and member services, data processing, benefit operations, payroll and systems/technical support. A report is provided to Committee on a quarterly basis to assist monitoring of the activity and performance of these functions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

3.0 Scheme Activity

3.1 Membership Movement – Main Fund

3.1.1 The total number of scheme member records in the Fund at 31 March 2022 stands at 338,591, with an overall increase since December 2021. The long-term trend over a 12 year period in membership continues to illustrate a move towards a more mature profile whereby, in general, pensioners and deferred memberships continue to rise.

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

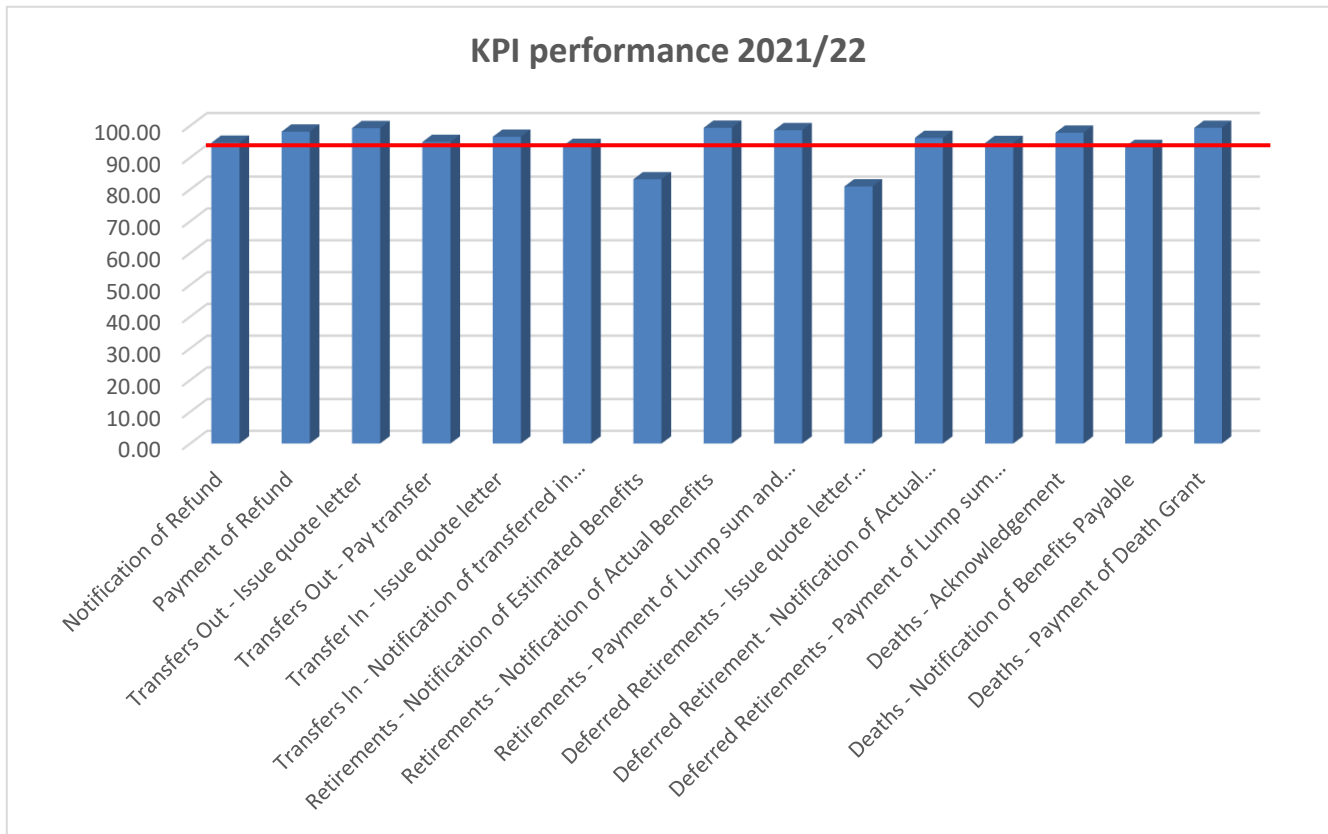


3.2 Workflow Statistics

- 3.2.1 The process analysis statistics Appendix A show details of overall workflow within the Pensions Administration Service during the period 1 January to 31 March 2022. During the period covered by this report, 39,761 administrative processes were commenced and 38,981 processes were completed.
- 3.2.2 As we continue to see an increase in member movements, the workload volumes will also naturally remain high. On 31 March 2022 there were 42,729 items of work outstanding. This represents a slight increase of 1,070 items outstanding compared to 31 December 2021 (41,659). However for the 2021/22 period, the Fund has seen an overall decrease in outstanding casework of 3,901 items, 8%.
- 3.2.3 Of the 42,729 items of work outstanding 5,316 items were pending as a result of information awaited from a third party e.g. scheme members, employers or transferring authorities and 37,413 processes are now either proceeding to the next stage of the process or through to final completion.
- 3.2.4 The Fund continues to review the volumes of incoming work and put in place plans to monitor and address high volume areas. Opportunities for bulk processing and streamlining the management of queries back to employers continue to be explored to increase efficiency in processing.
- 3.2.5 Appendix B provides a summary of the key processes completed by volume across benefit operational functions e.g. calculating benefits for retirements, pensioner member data changes as well as the maintenance of updating membership details. This shows the trend of lower joiners and higher leavers and retirements year to date is consistent with the tail off in growth of membership and increase in deferred and pensioner membership.

4.0 Key Performance Indicators (KPIs)

- 4.1 The Fund uses a number of KPIs to measure performance when processing items such as Transfers In and Out, Retirements and Deferred Retirements.
- 4.2 During the period, all KPI year to date are within target, with two not achieving target in the quarter to 31 March 2022, as follows:
- Deferred Retirement Quote
 - The KPI was impacted by increased volumes of casework for retirements during the period. The team completed 63% more casework than the same period in 2021.
- 4.3 For 2021/22, all KPI's cumulatively achieved the target, except for two:
- Retirements – Notification of Estimated Benefits
 - Active – fell slightly short of the target at 83%. Although the target was not achieved, 21% more cases were processed and the performance for the year is in line with 2020/21,
 - Deferred – fell slightly short of the target at 78%, although the target was not achieved, on average cases were processed within 31 days, against the target of 30.



4.4 Further information on achievement of target KPIs by process by month over the reporting period and Scheme year is included in Appendix C.

5.0 Customer Services

5.1 An overview of our front-line customer contact activity is shown in Appendix D. This outlines the variety and volume of support provided by the Fund to address members' pension queries. An indication of the statistics for the previous year are included within the charts as a comparative measure.

5.2 The most popular queries to our contact centre remain as follows:

- Customers following up on an existing Fund process
- Requests for Pensions Portal support
- Enquires about accessing pension benefits
- Request for support with a Fund letter/form
- Members updating their personal details

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

6.0 Complaints

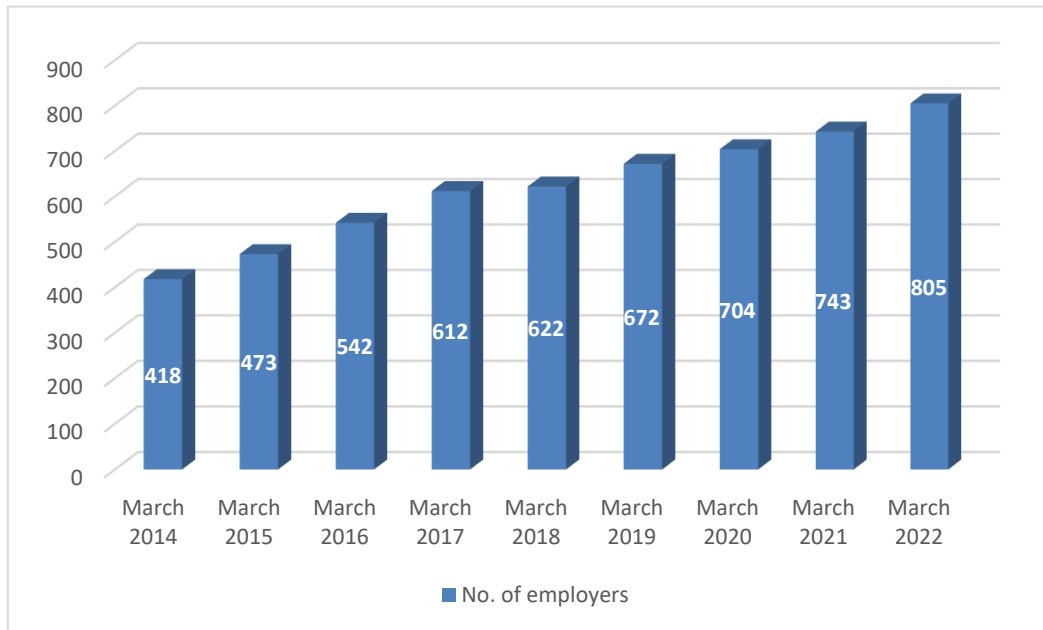
- 6.1 The Fund has a complaint monitoring framework, which enables regular monitoring and review of trends impacting performance. Where a complaint highlights an improvement area, this is investigated and monitored to help shape future services and improve overall customer satisfaction going forward. This mirrors the process undertaken for general customer feedback as outlined within the Customer Engagement Update.
- 6.2 Overall, the number of complaints received by the Fund is proportionally low compared to the number of scheme members, with 103 complaints received for the last quarter. Of those complaints, 40% were upheld and lessons learned incorporated in training and process development.
- 6.3 Complaint numbers remained higher than average during January – March 2022, with a number of complaints received as a result of Guaranteed Minimum Pension (GMP) reconciliation affecting some pensions in payment. The GMP reconciliation process involves comparison of Her Majesty's Revenue and Customs (HMRC) data with the Fund's data, as well as resolving any associated discrepancies in pensions in payment. The reconciliation of GMPs is a statutory exercise and, in accordance with the Local Government Pension Scheme (LGPS) Regulations, the Fund has a legal obligation to pay the correct level of benefits, which is why we have made this adjustment.
- 6.4 Recognising the unexpected nature of this change, we have endeavoured to provide all members with an extended period of notice ahead of amending pension payments (six months prior to adjustment in March 2022) and the Fund has agreed not to seek to recover any overpayments made up until that date.
- 6.5 The Fund has adhered to guidance produced by the Pension Administration Standards Association (PASA) and has issued letters and accompanying 'frequently asked questions' to assist members to understand these changes and will continue to respond to individual queries.

7.0 Internal Dispute Resolution Procedure (IDRP) Casework

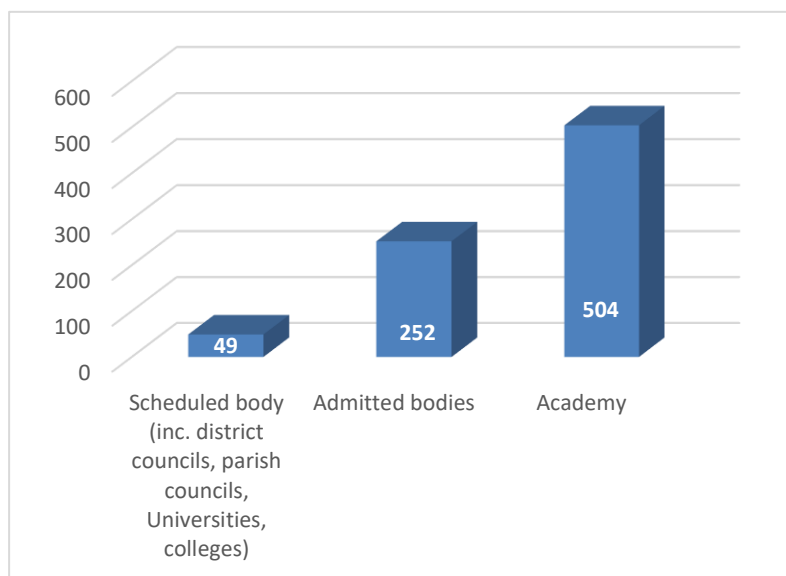
- 7.1 During 2020/21, nine Stage 1 cases were completed (1 partially upheld and 8 not upheld) and five Stage 2 cases were completed (all 5 cases were not upheld).
- 7.2 During 2021/22, Eighteen Stage 1 cases were completed (1 was upheld, 4 were partially upheld, and 13 were not upheld). Seven Stage 2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

8.0 Employer Membership

8.1 The Fund has seen an increase in employer numbers, with the overall number of employers registered with the Fund increasing to 805 at 31 March 2022. This is an increase of 0.6% from the previous period and a 93% increase since March 2014 as shown in the graph below.



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



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

- 56 admission agreements
- 8 academies
- 45 employer terminations

9.0 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. Where applications need to be progressed outside of the Committee meeting cycle, Pensions Committee has delegated responsibility for approving such applications to the Director of Pensions in consultation with the Chair or Vice Chair of Pensions Committee.
- 9.2 There are 12 approvals requested from Committee in regard to applications for admission to the West Midlands Pension Fund, with 10 overall during the quarter. These are detailed in Appendix E.

10.0 Pensions in Payment

- 10.1 The gross annual value of pensions in payment to March 2022 was £559.58m, £14.7m of which (£7.5m for pensions increase and £7.2m for added year's compensation) was recovered from employing authorities and other bodies as the expenditure was incurred.
- 10.2 Monthly payroll details were:

Month	Number	Value (£)
January 2022	90,390	41,105,768
February 2022	90,569	41,188,245
March 2022	106,693	42,702,376

The March figure includes pensioners paid on a quarterly basis.

11.0 Write-off Policy Decisions

A write-off relates to pensions overpaid to members, after following the debt recovery policy, these cases become uneconomical to pursue or the estate has insufficient funds to recover. In general, an overpayment is generated by late notification of death of members.

A write-on relates to monies due to the members estate in order to make pension payments up to date of death. After correspondences, the legal representative is untraceable or does not wish to claim the funds.

11.1 Write-off and Write-on Analysis

The following write-off and write-on of pension payments are reported in line with the Fund's policy:

Individual Value	Write-Off		Write-On	
	Number	Total (£)	Number	Total (£)
Less than £100	0	0.00	3	40.00
£100 - £500	20	3851.81	0	0.00
Over £500	1	1792.82	0	0.00
TOTAL	21	5644.63	3	40.00

Of the cases where the overpayment has been written off:

- 13 cases are where the Fund has not received a response or are unable to trace the Next of Kin.
- 6 cases are where the Next of Kin has stated there is no money in the estate to make the repayment.
- 2 historical cases advised by City of Wolverhampton Council legal team to write off with senior manager approval.

Of the cases where the overpayment has been written on:

- 2 cases where the Fund has received no response from Next of Kin
- 1 case where the spouse does not wish to claim

12.0 Transfer Out – all casework

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

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

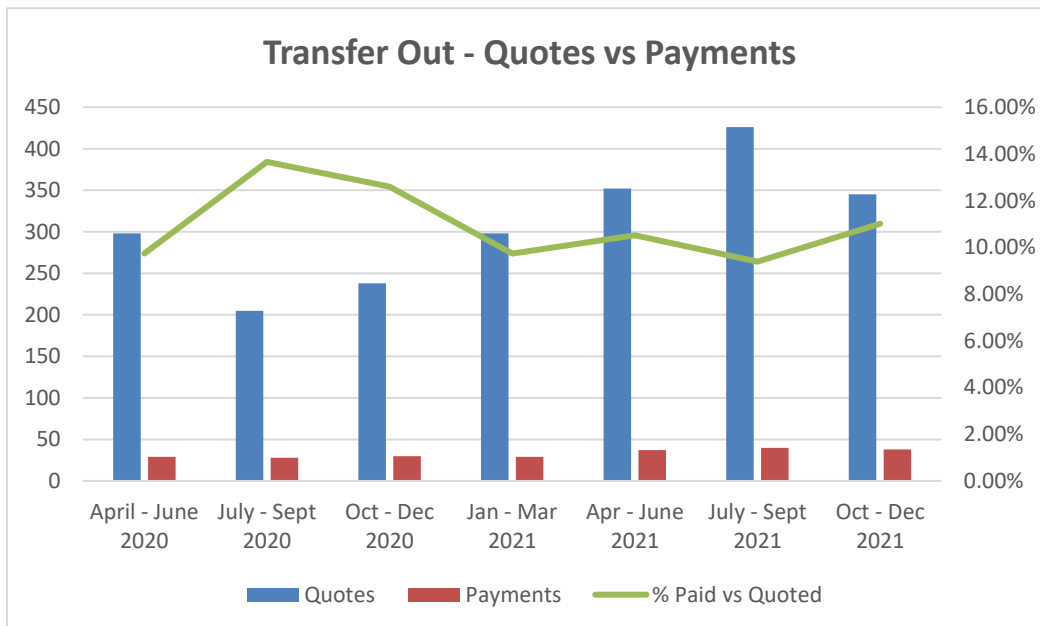
12.2 Non LGPS Transfers

12.2.1 During the period 1 January to 31 March 2022, 371 transfer value quotations were issued to members considering transferring their benefits out of the scheme (in the prior year 1 January 2021 to 31 March 2021, 256 transfer values were issued to members). The Fund continues to monitor any trends and increases in demands, as part of its programme of work to protect members from potential pension scams.

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

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

12.2.3 The Fund has seen a gradual increase in the number of requests from members for transfer out values, however the number of members electing to progress with the transfer of their benefits out of the Fund remains fairly low and stable (c11% of the quotations requested for the period). This is shown in the graph below.



12.2.4 Analysis has been undertaken of the Transfer out payments to non-public sector or occupational schemes over the period of January through to March 2022 to review the volume and trends. During the period, of the 53 completed, a total of 19 non-public sector or occupational scheme transfer out payments have been processed, to a total of 12 different receiving schemes. The majority of the transfers were under £30,000 in value, meaning members were able to transfer these payments without a requirement to take financial advice. The average age of members transferring out was 51 years, with the main reason for members transferring out was to consolidate their benefits into one provider.

13.0 'Stronger nudges' Guidance

- 13.1 From 1 June 2022, the Government introduced legislation to ensure that individuals are made aware of Pension Wise (the free and impartial government guidance service) as part of the application process for taking or transferring their defined contribution (DC) pension savings, including those held in additional voluntary contribution (AVC) funds accessed through the LGPS.
- 13.2 The stronger nudge requirement is introduced by the Occupational and Personal Pension Schemes (Disclosure of Information) (Requirements to Refer Members to Guidance etc) (Amendment) Regulations 2022 (SI 2022/30). The new provisions are designed to help ensure people make informed decisions about accessing their pension savings. Referrals to Pension Wise aim to help protect consumers and encourage use of the free, impartial guidance that is available to help them make informed decisions about the options available to them. This is only applicable to LGPS members who have additional voluntary contributions (AVCs) benefits.
- 13.3 Pension Wise is a government service from MoneyHelper that offers free, impartial pensions guidance about DC pension options. LGPS administering authorities are required to offer to book a Pension Wise appointment for members as part of the application process for accessing their in-house AVCs. The requirement also applies when a member aged 50 or over makes contact about transferring their in-house AVCs to another defined contribution scheme to access them. Members are able to opt out of taking Pension Wise guidance but the Fund must not proceed with an retirement or transfer application unless confirmation has been received that the member has received guidance or opted out of receiving guidance.
- 13.4 On 27 May 2022, the Fund received guidance from the LGA, which set out the impact on the LGPS and standard wording to be included in the Fund's communications with members. The Fund has reviewed this guidance and has taken the necessary steps to ensure processes are compliant from June 2022.

14.0 Financial Implications

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

15.0 Legal Implications

- 15.1 The Fund on behalf of the Council will enter into a legally binding contract with organisations applying to join the LGPS under an admission agreement.

16.0 Equalities Implications

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

17.0 All Other Implications

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

18.0 Schedule of Background Papers

18.1 None.

19.0 Schedule of Appendices

19.1 Appendix A: Workflow Summary

19.2 Appendix B: Detailed Process Analysis

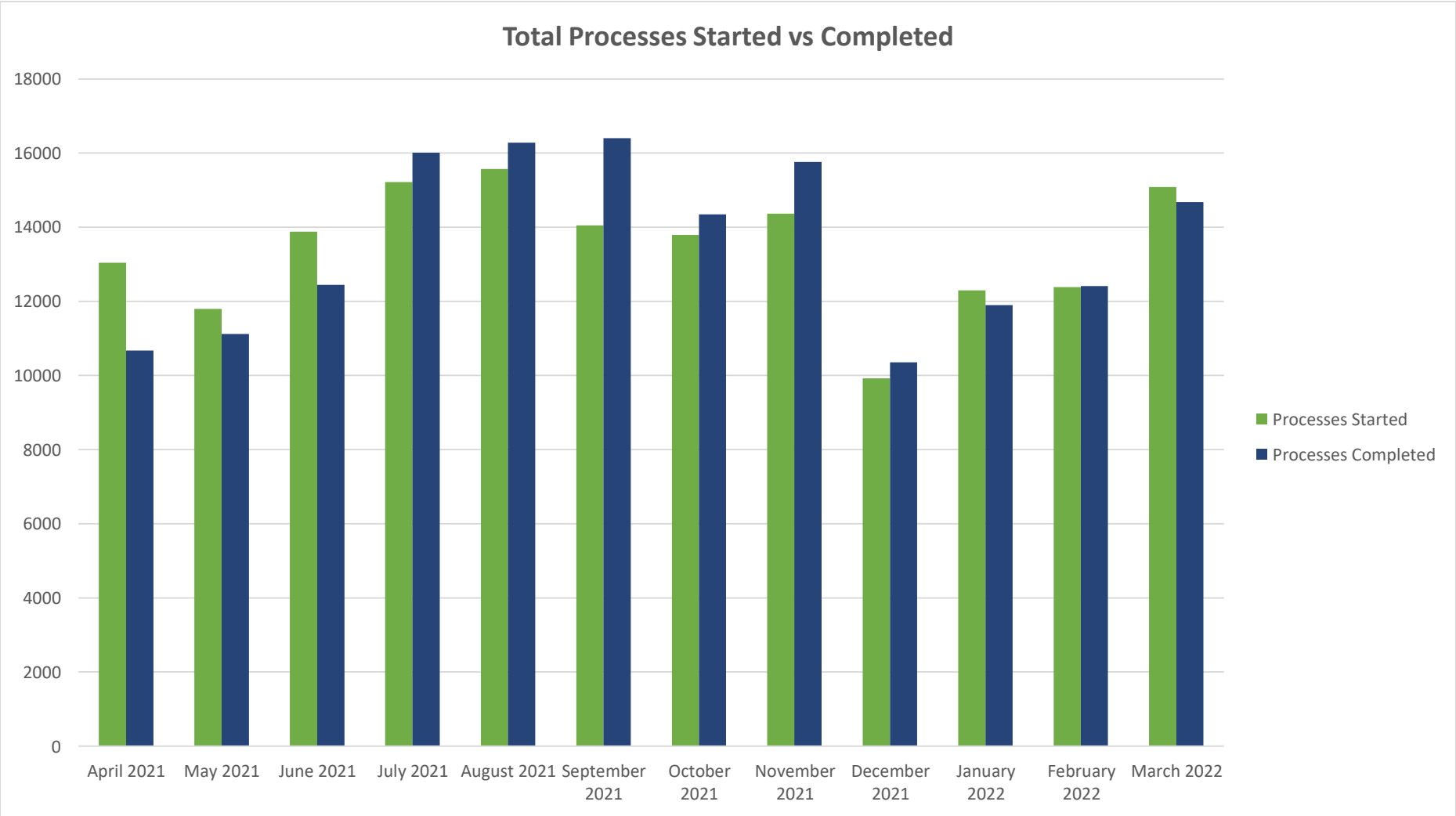
19.3 Appendix C: Key Performance Indicators (KPIs)

19.4 Appendix D: Customer Service Statistics

19.5 Appendix E: Admitted Body Applications

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Appendix A



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**Pension Committee Statistical Report
Detailed Process Analysis**

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

Process type																								
Joiners and Rejoiners (Bulk)	8,763	6,403	11,138	13,558	9,816	16,688	20,227	17755	25509	19939	17479	991	466	695	1146	879	1438	463	1126	2343	1467	2883	2636	16533
Changes in circumstances eg change in hours	18,759	15,303	12,385	11,273	6,391	8,752	6,370	5386	5725	6658	5161	369	332	445	366	553	467	368	380	266	334	301	361	4542
Deferments	5,939	7,818	5,741	6,728	5,664	8,340	8,178	8629	15934	11994	9444	536	630	1039	1148	989	934	1013	1104	599	984	853	1121	10950
Active Retirements (Employer retirements)	3,317	3,950	2,475	2,279	2,351	2,775	2,593	2676	2280	2112	1908	36	209	26	262	254	230	178	167	224	186	188	238	2198
Deferred Retirements	3,332	2,970	2,971	2,726	2,301	3,421	3,552	4429	4814	5071	4844	321	429	722	416	448	430	455	444	450	448	482	462	5507
Deaths of members	295	262	287	285	230	379	399	470	429	441	570	38	41	40	34	30	33	30	30	27	39	34	76	452
Refund									6877	4499	325	328	391	401	507	547	454	520	315	389	382	477	5036	
Opt Outs									3585	1228	97	93	92	126	240	95	87	126	58	24	70	120	1228	
Amalgamations									11628	8841	545	403	359	556	464	828	490	802	888	798	902	1063	8098	

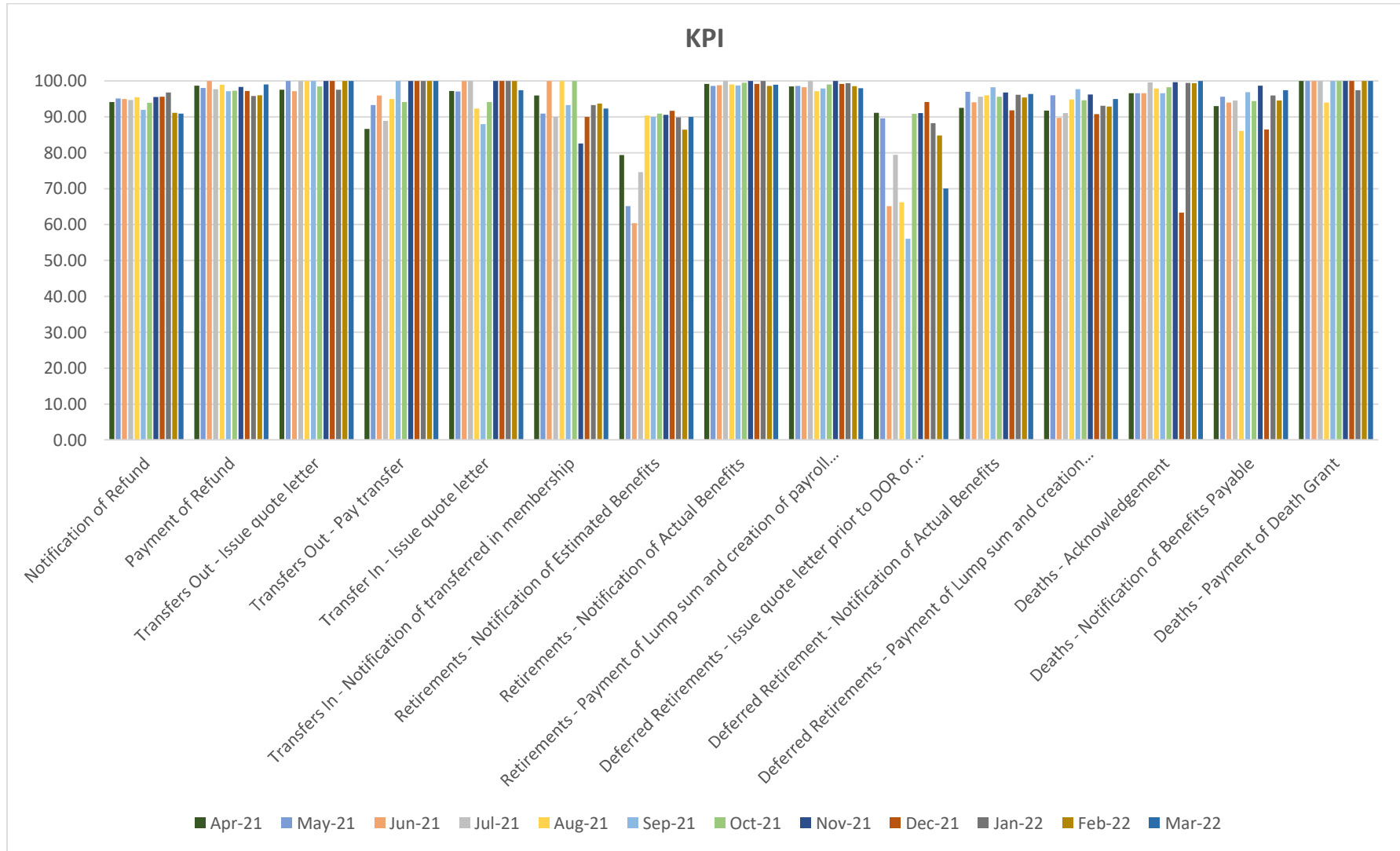
Pensioner members

Process type																								
Changes in circumstances:-																								
Data eg Passwords, NI Numbers	1,310	1,804	1,865	2,017	2,604	4,548	2,427	3105	2694	1953	1761	232	177	138	193	147	195	285	239	296	174	165	216	2457
Changes of Address	2,420	2,681	2,131	1,732	1,733	2,237	2,589	3004	2628	2423	2448	384	415	209	243	221	236	235	200	148	211	182	202	2886
Changes of Bank	2,927	2,531	2,783	3,420	3,281	1,573	2,272	2214	1957	1874	1539	208	201	183	178	179	183	191	179	124	98	140	193	2057
Deaths of pensioners	2,085	2,145	2,101	2,546	2,454	1,702	2,813	2919	2793	2650	3886	254	225	271	244	244	261	256	300	212	369	293	297	3226

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

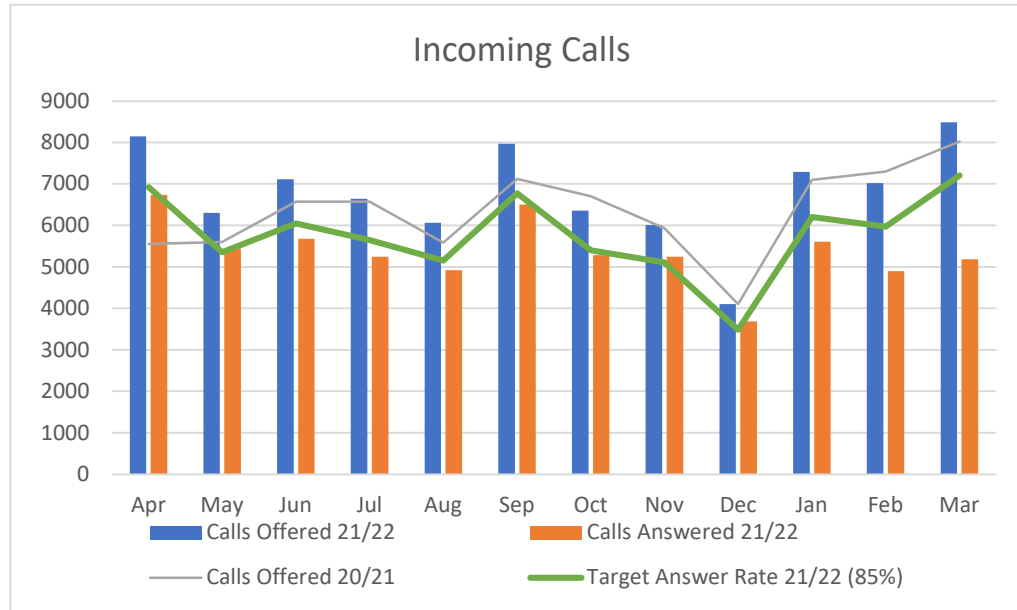
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Appendix C



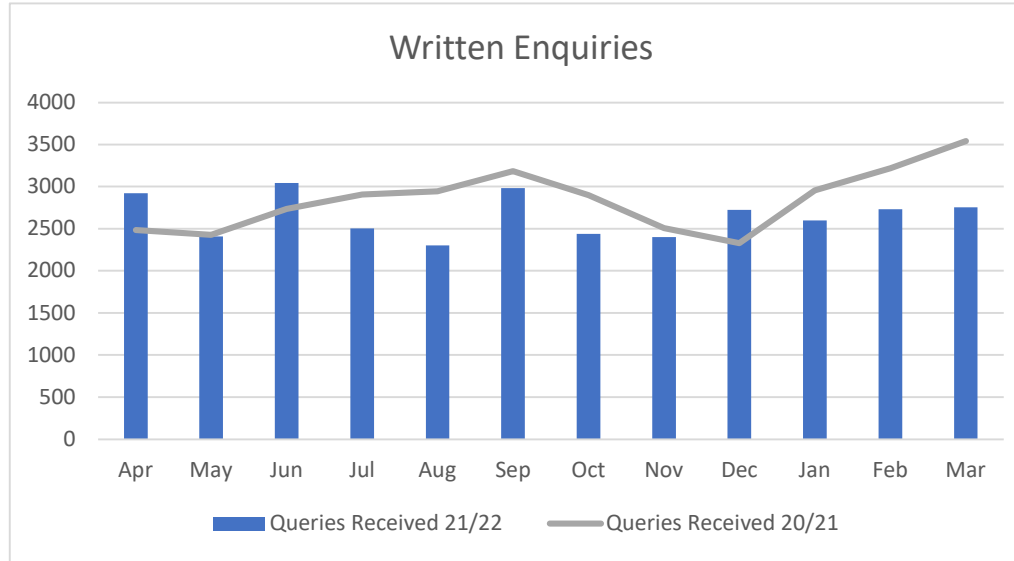
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Appendix D: Customer Services Statistics
 April 21 - March 2022



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

Appendix D: Customer Services Statistics



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

Appendix E Application for admission body status

Employer name	Guarantee Status (Agreement)	No. of employees (Scheme members) Agreement type	Status (Approved/pending approval)
Dolce Ltd (Charter Primary School))	Castle Phoenix Trust	2 (2) Closed	Pending approval
Dolce Ltd (Foxford Community)	Castle Phoenix Trust	8 (6) Closed	Pending approval
Compass Contract Services (St Thomas More Catholic School)	Walsall MBC	6 (6) Closed	Pending approval
Alliance in Partnership (Springfield Primary School)	Reach2 MAT	4 (4) Closed	Pending approval
Alliance in Partnership (Aldermoor Farm Primary School)	Coventry City Council	1 (1) Closed	Pending approval
Veolia ES (UK) Ltd (Solihull MBC)	Solihull MBC	18 (18) Closed	Pending approval
Alliance in Partnership Ltd (St Dunstons)	Birmingham City Council	30 (30) Closed	Pending approval
Coombs Catering Partnership Ltd (Anglesey Primary School)	Birmingham City Council	10 (10) Closed	Pending approval
Compass Contract Services (UK) Ltd (Hamstead Hall Academy Trust)	Hamstead Hall Academy Trust	6 (4) Closed	Pending approval
Aspens Services Ltd (Academies Enterprise Trust)	Academies Enterprise Trust	33 (33) Closed	Pending approval
SIPS Education Ltd (Aston Tower MAT)	Aston Tower MAT	6 (6) Closed	Pending approval
RM Education Ltd (Fairfax MAT)	Fairfax MAT	1 (1) Closed	Pending approval

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<p>CITY OF WOLVERHAMPTON COUNCIL</p>	<p style="text-align: right;">Agenda Item No: 10</p> <h1 style="text-align: center;">Pensions Committee</h1> <h2 style="text-align: center;">29 June 2022</h2>
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Report Title	Customer Engagement Update	
Originating service	Pension Services	
Accountable employee	Simon Taylor	Assistant Director (Pensions)
	Tel	01902 554276
	Email	Simon.taylor2@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	Rachel.brothwood@wolverhampton.gov.uk

Recommendations for action:

The Pensions Committee is asked to note:

1. The engagement activity and informed service development.
2. The update on engagement with Prudential regarding Additional Voluntary Contribution (AVC) provision.

1.0 Purpose

- 1.1 To provide the Committee with an update of the Fund's customer engagement activity from 1st January 2022 to 31st March 2022 and to cover future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy.
- 1.2 To also cover more specific elements of employer and member engagement including the Customer Engagement Plan (appendix A).

2.0 Background

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

3.0 Member engagement & communication

- 3.1 The Member Services team continues to deliver member support via hybrid channels including member webinars, face to face presentation and followed up with individual consultations as required. During this reporting period **1,317** members attended our presentations, webinars and workshops (24% increase compared to previous reporting period). These were followed by **132** individual member consultations. Our events are delivered at various times throughout the day to accommodate attendance around member work commitments. This delivery and the associated feedback are summarised in appendix B.
- 3.2 During this reporting period, the Member Services Team provided **13** satellite support events to **139** hard to reach members. These are members who may not normally be able to access our services due to the nature of their work and location, which might include access to web-based delivery (i.e. computer facilities), working hours or 'satellite' locations.
- 3.3 Through the "Be Pension Smart & Take Control of your benefits" campaign, the Fund continues to encourage members to view and manage their pension record online using the pensions portal. During this reporting period registrations increased by **4,245** bringing the total pension portal registrations to **118,950** at the end of March 2022.
- 3.4 The Fund continues to promote aspects of our work via the social media platform LinkedIn. Since the last reporting period a further **5,089** people have interacted with our variety of articles from sharing shortlisting for award success to advertising our Pension Roadshow events.
- 3.5 From the 17 January 2022 to 1 February 2022 the Member Services Team delivered virtual Pension Roadshows across district councils to explain members annual benefit statements and to encourage them to engage with their benefits. The team delivered **16** digital roadshows which attracted **342** members.

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

During the quarter, several surveys were issued to members and employers to assess overall satisfaction levels on a wide range of processes. Over the period, our satisfaction levels were measured as 83%.

4.0 Employer engagement

4.1 Employer Peer Group

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

4.2 Employer Webinars

- 4.2.1 The Employer Services team has continued to deliver a programme of employer education over the quarter with a further 5 virtual sessions delivered to 17 attendees representing 6 organisations. The sessions are free to attend and provide a useful refresher for existing staff or as an introduction to processes for those who are new to Fund administration.
- 4.2.2 Sessions delivered over the quarter are set out below and will continue to be rolled out over the course of the year. An increased suite of webinars is now available each month and employers are able to easily sign up for via the Fund's website.
 - LGPS basics
 - All about Ill health Retirements
 - Estimates for Early Retirement Costs
 - Submission of your Monthly Data File
 - Understanding Pay and Service in the LGPS
- 4.2.3 A full list of available webinars and details of contents can be found on the Fund's website: [West Midlands Pension Fund - Webinars \(wmpfonline.com\)](https://www.wmpfonline.com)

4.3 Employer Performance

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

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

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

4.4.1 **McCloud: Employer Support**

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

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

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

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

4.5 **2022 Actuarial Valuation: Employer Support**

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

- 4.5.2 Linked to the 2022 valuation process, all employers have now received their annual Employer Health Check. This annual check provides an opportunity for employers to review the following items of key data held by the Fund:
- **Active membership profile** – employers are asked to check that all members in employment are listed and that any leavers are submitted to the Fund to ensure the accuracy of active member records ahead of the triennial review,
 - **Employer contacts** – in order that the Fund can effectively communicate with employers it is vital that current and accurate contact information is maintained,
 - **Employer hub access** – a vital check that the correct individuals have access to the member data viewable through the online self-serve hub
- 4.5.3 This year's check is entirely self-serve with employers able to access all of the above information via downloadable reports on the Employer Hub before completing a short survey. Feedback on response rates and resultant actions will be provided in future reports.
- 4.5.4 Also aligned to the Fund's valuation cycle, employers have received information and a questionnaire to support the Fund's covenant review. Completion of the survey is required by the Fund to assess an organisations current position as part of its ongoing covenant monitoring programme and, over 2022/23, to consider contribution requirement stemming from the actuarial valuation.

5.0 Bi-annual employer events

- 5.1 During this reporting period, the Fund did plan on delivering a face-to-face Annual General Meeting (AGM). However, due to changing government guidelines and challenges in facilitating and attending large group meetings at this time this was replaced with a e-mailed e-book, providing our employers with an "Employer update" on developing member engagement, topical regulatory matters and the Fund office relocation through a series of short articles and videos.
- 5.2 Preparations are currently being made to deliver the Funds face to face Mid-Year Review on the 12 July 2022 at the Fund offices. An invite will be sent shortly to ask attendees to "Save the date" and all members of the Fund's Governing Bodies have also been invited to attend.

6.0 Future engagement

- 6.1 As part of the Fund's hard to reach project to target members who may not normally be able to access our services due to the nature of their work and location, from March to June 2022 the Member Services Team will be focusing on targeting members who work in green space areas including park offices across the region.
- 6.2 Following the Fund's move to new offices from April 2022, bulk emails, updates in newsletters, articles in benefit statements and information have been placed on the website to inform our members of our new location and how accessible we now are to local transport links.

- 6.3 Progress is underway to issue members with their deferred benefits statement 2022. This year not only will we be advising members via email that their statement is online, but we will also be trialling a text message service, where members for whom we hold a valid mobile number will also now receive a SMS notification.
- 6.4 In May 2022 the Fund undertook a verification exercise of its overseas deferred scheme members to ensure accurate and up to date details are held on our systems.
- 6.5 In April 2022, in-line with the Customer Engagement Plan we delivered **10** deferred LGPS webinars to **324** attendees to ensure that our services are accessible to members who have previously left the scheme and have the opportunity for support and guidance with planning their retirement.
- 6.6 The Fund delivered our first **2** “induction” webinars in May to **128** attendees. Due to the success of this piece of engagement, plans will be made to repeat this process on a quarterly basis to ensure all future new joiners of the scheme receive an email to give them the opportunity to attend an induction webinar.

7.0 Engagement with The Prudential

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

8.0 Financial implications

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

9.0 Legal implications

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

10.0 Equalities implications

10.1 The report contains no direct equalities implications.

11.0 Other potential implications

11.1 There are no other potential implications.

12.0 Schedule of background papers

12.1 None

13.0 Schedule of Appendices

14.1 Appendix A – Customer Engagement Plan

14.2 Appendix B – Review of member events

14.4 Appendix C – Letter from Prudential to LGPS SAB

CUSTOMER ENGAGEMENT PLAN 2022/23

	January 2022	February 2022	March 2022	April 2022	May 2022	June 2022	July 2022	August 2022	September 2022	October 2022	November 2022	December 2022	January 2023	February 2023	March 2023		
Employer		1. McCloud 2020/21 data submission deadline	1. Quarterly Employer Brief 2. Employer Peer Group 3. Year -End requirements issued 4. March FTE accuracy campaign	1. Employer Covenant questionnaires	1. Accounting Disclosure Year-End 31 March	1. Quarterly Employer Brief 2. Employer Peer Group		1. ABS Communications	1. Accounting Disclosure Year-End 31 July 2. Employer Peer Group 3. Quarterly Employer Brief	1. Accounting Disclosure Year-End 31 August 2. McCloud Data Collection deadline	1. Annual General Meeting	1. Quarterly Employer Brief 2. Employer Peer Group	1. Employer Survey	1. Year-End requirements issued	1. Employer Peer Group 2. Quarterly Employer Brief 3. Year-End requirements issued		
		McCloud Data Collection Support							2022 Actuarial Valuation								
					Employer Health Checks										FSS Consultation		
										Employer Webinars							PSD Payment Reminders
										Face-to-Face Employer Coaching							
Member (active)	1. Pre-Retirement Workshops 2. Providing Outreach Support to Members Who Cannot Attend Large Events at District Locations 3. Virtual Roadshows 4. Retirement Planning Campaign	1. Pre-Retirement Workshops 2. Providing Outreach Support to Members Who Cannot Attend Large Events at District Locations 3. Retirement Planning Campaign	1. Pre-Retirement Workshops 2. Retirement Planning Campaign 3. Providing Outreach Support to Members Who Cannot Attend Large Events at District Locations 4. Depot Roadshows	1. Pre-Retirement Workshops 2. Retirement Planning Campaign 3. Providing Outreach Support to Members Who Cannot Attend Large Events at District Locations 4. Pension Scam Awareness 5. School/Academy Roadshows	1. Pre-Retirement Workshops 2. Retirement Planning Campaign 3. Providing Outreach Support to Members Who Cannot Attend Large Events at District Locations 4. Targeting New Starters to Join Webinars	1. Retirement Planning Campaign 2. Pre-Retirement Workshops 3. Providing Outreach Support to Members Who Cannot Attend Large Events at District Locations 4. Pru to Send 2021 Annual Statements to Members Which Have Been Delayed	1. Retirement Planning Campaign 2. Pre-Retirement Workshops 3. Providing Outreach Support to Members Who Cannot Attend Large Events at District Locations 4. College and University Roadshows	1. Annual Benefit Statements 2. Retirement Planning Campaign	1. District Roadshow 2. ABS Email Notification 3. Pre-Retirement Workshops 4. Retirement Planning Campaign 5. Pension Saving Statements	1. Pre-Retirement Workshops 2. Member Intention Survey 3. Depot Roadshows 4. Retirement Planning Campaign 5. Active Engagement Forum 6. Pension Saving Statements	1. Pensions Tax 2. Pre-Retirement Workshops 3. Active Newsletter 4. Retirement Planning Campaign 5. CWC Unpaid Leave Promo	1. Pensions Portal 2. Pre-Retirement Workshops 3. Christmas Card 4. Retirement Planning Campaign	1. Pre-Retirement Workshops 2. Retirement Planning Campaign	1. Pre-Retirement Workshops 2. Retirement Planning Campaign	1. Depot Roadshows 2. Pre-Retirement Workshops 3. Retirement Planning Campaign		
	Presentations/One-to-One Consultations/Drop-in Surgeries and Marketplace Events, Post-Event Surveys, Webinars																
Member (deferred)	1. Target ID Verification		1. Depot Roadshows 2. Age 55 Campaign – Pre-Retirement Presentation	1. Deferred Webinars 2. Age 55 Campaign – Pre-Retirement Presentation	1. AVC Statements 2. Age 55 Campaign – Pre-Retirement Presentation	1. Deferred Benefit Statement (DBS) 2. DBS Email Notification 3. Age 55 Campaign – Pre-Retirement Presentation	1. Age 55 Campaign – Pre-Retirement Presentation	1. Deferred Newsletter 2. Deferred Webinars 3. Age 55 Campaign – Pre-Retirement Presentation	1. District Roadshow 2. Age 55 Campaign – Pre-Retirement Presentation 3. Pensions Portal Prize Draw 4. Pre-Retirement Workshop	1. Age 55 Campaign – Pre-Retirement Presentation 2. Deferred Engagement Forum	1. Pensions Tax 2. Age 55 Campaign – Pre-Retirement Presentation	1. Christmas Card 2. Age 55 Campaign – Pre-Retirement Presentation 3. Pre-Retirement Workshops 4. Age 55 Campaign – Pre-Retirement Presentation	1. Pensions Tax 2. Pensions Portal 3. Pre-Retirement Workshops 3. Age 55 Campaign – Pre-Retirement Presentation	1. Pensions Portal 2. Pre-Retirement Workshops 3. Pre-Retirement Workshops 4. Age 55 Campaign – Pre-Retirement Presentation	1. Depot Roadshows 2. Pensions Portal 3. Pre-Retirement Workshops 4. Age 55 Campaign – Pre-Retirement Presentation		
	Presentations/One-to-One Consultations/Drop-in Surgeries and Marketplace Events, Post-Event Surveys, Webinars																
	Planned Portal Upgrade - Deferred Retire Online																
Member (pensioner)			1. Quarterly and Annual Payslips/P60s Issued 2. Pensioner Newsletter 3. Bulk Pensioner Mailing - Your Pension is Safe, We Hope You Are Too.	1. Monthly Payslips/P60s Issued 2. Pensioner Newsletter	1. Tea & Teach Events	1. Quarterly Payslips Issued 2. Tea & Teach Events			1. District Roadshow 2. Pensions Portal Prize Draw 3. Quarterly Payslips Issued	1. Pensioner Engagement Forum 2. Target Overseas Tracing		1. Quarterly Payslips Issued 2. Christmas Card			1. Pensioner Newsletter 2. Quarterly Payslips Issued		
	Planned Website Upgrade																
	Monthly Payslips																
Presentations/One-to-One Consultations/Drop-in Surgeries and Marketplace Events, Post-Event Surveys, Webinars																	
Pensions Committee/Board	1. Pensions Board Meeting		1. Pensions Committee			1. Pensions Committee 2. Induction Training	1. Employer Mid-Year Review 2. Pensions Board		1. Pensions Committee	1. Pensions Board	1. Annual General Meeting	1. Pensions Committee			1. Pensions Board Meeting		
	Weekly Briefings to the Chair by the Director/Assistant Director																
		Training events								Training events				Training events			

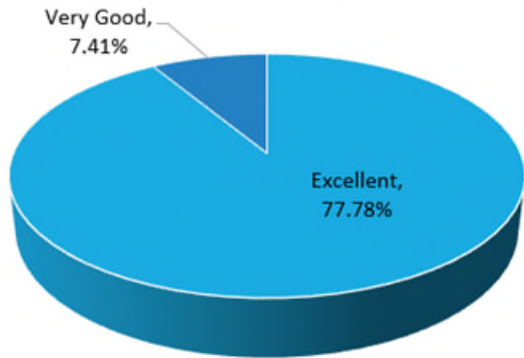
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Member Services individual consultation Feedback

January – March 2022

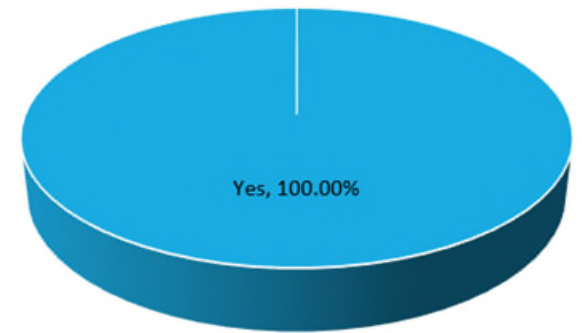
Overall, how would you rate the personal consultation (was it easy to follow and understand)?



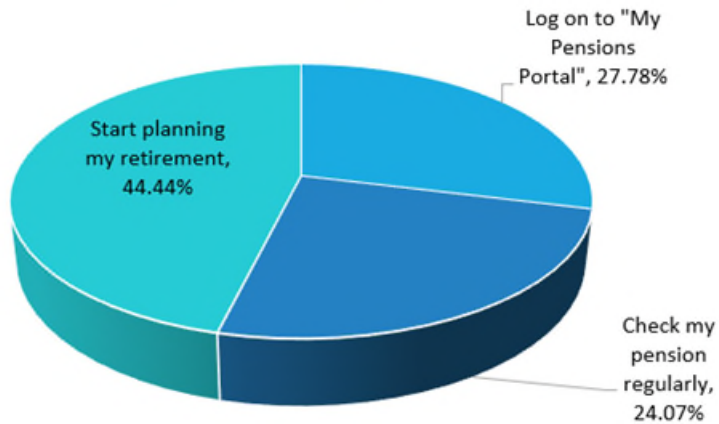
How would you rate the officers general knowledge and skills?



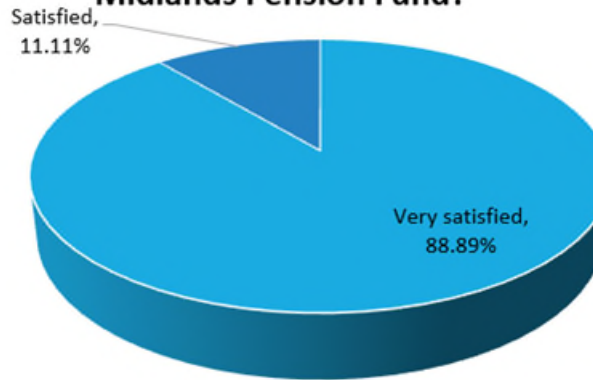
Would you recommend a colleague to attend this type of event?



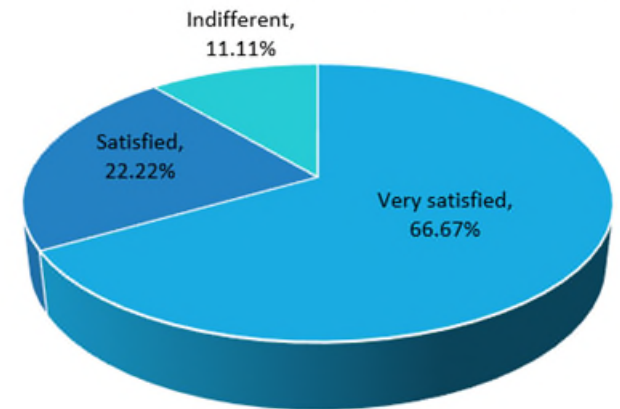
What are you going to do following this personal consultation?



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



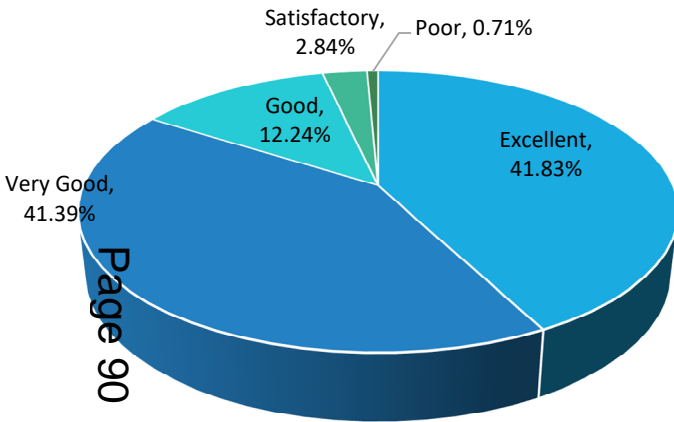
How satisfied are you with your most recent interaction with the WMPF?



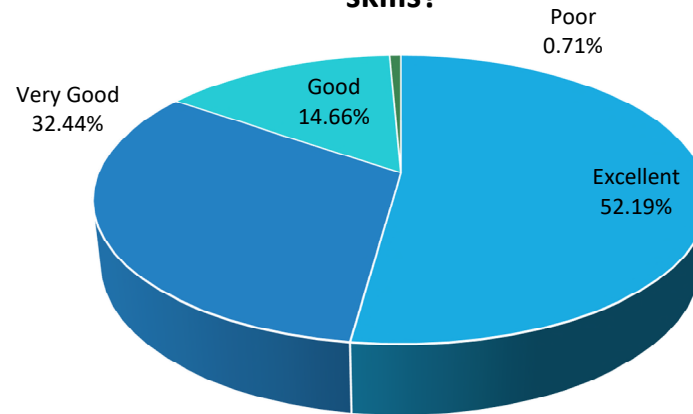
Member Services Webinar Feedback

January – March 2022

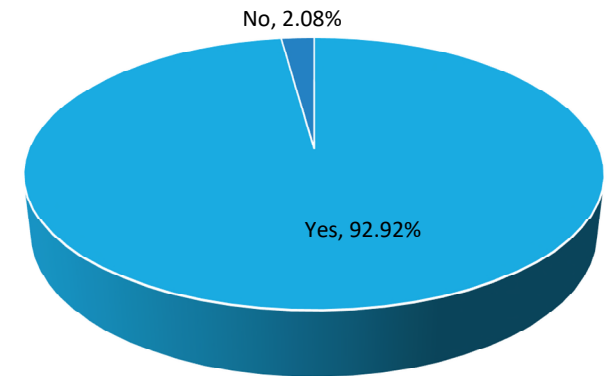
Overall, how would you rate the webinar (was it easy to follow and understand)?



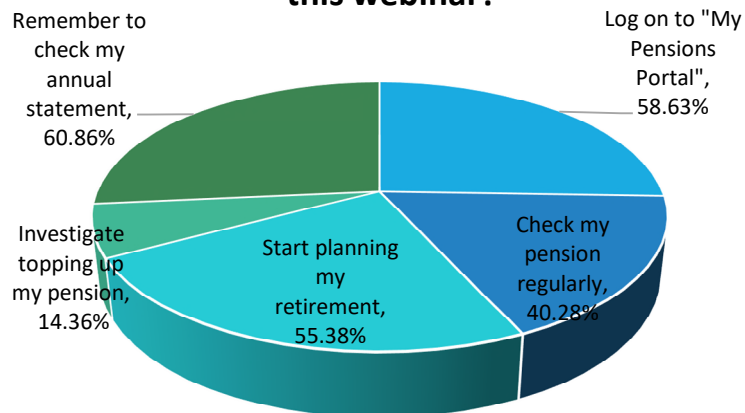
How would you rate the presenters general knowledge and presentation skills?



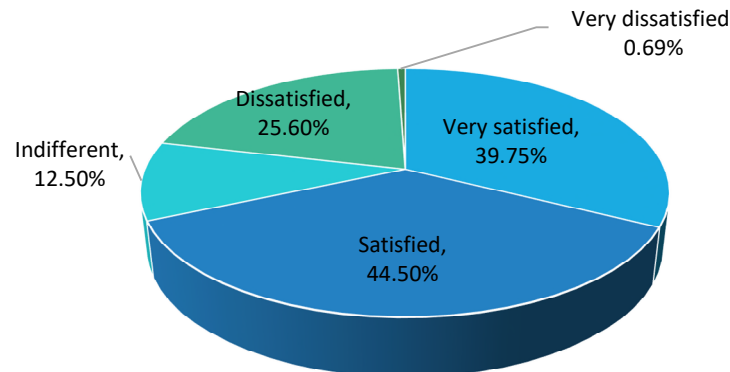
Would you recommend a colleague to attend this type of event?



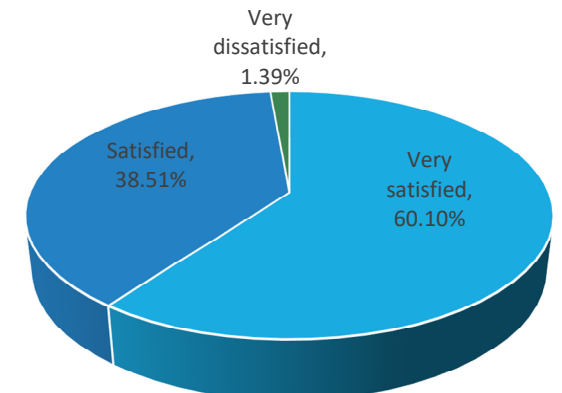
What are you going to do following this webinar?



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



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



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

29th April 2022

Dear Jo

M&G plc administration delays for Local Government AVCs

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

Acknowledgement of delays

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

Description of problems

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

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

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

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

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

Actions taken to improve service

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

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

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

Expected timescales for resumption of normal service

Call waiting times

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

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

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

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

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

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

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

Annual Benefit Statements and Scheme Revisions

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

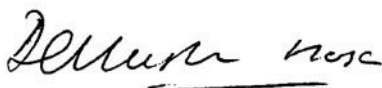
Scheme members can check the value of their AVC account through the online service. Members can login or register for the service at www.pru.co.uk/login

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

The Pensions Regulator

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

Yours sincerely



Alastair Hogg
Head of Corporate Pensions

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 29 June 2022
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Report title	Local Pensions Board Annual Governance Report	
Originating service	Pensions Services	
Accountable employee	Rachel Howe	Head of Governance and Corporate Services
	Tel	01902 55 2091
	Email	Rachel.Howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel:	01902 55 1715
	Email:	Rachel.Brothwood@wolverhampton.gov.uk

Recommendation for action:

The Pensions Committee is asked to note:

1. The Committee is asked to note the report, prepared annually in order to meet the legislative requirement for recording the work of the Local Pensions Board.

1.0 Purpose

- 1.1 To inform the Committee on the work undertaken by the Local Pensions Board (“the Board”) during the 2021-22 municipal year and to meet the legislative requirement for producing an annual report.

2.0 Background

- 2.1 The Public Service Pensions Act 2013 introduced the requirement to have a Local Pensions Board to assist in the good governance of the Scheme.
- 2.2 The West Midlands Pension Fund created and implemented the Local Pensions Board ahead of the deadline of the 1 April 2015 and has since developed an appropriate training programme and annual workplan in consideration of matters relevant to the Fund and the role of the Board.

3.0 Board Membership

- 3.1 The Board undertook its annual nomination process during July 2021 where Joe McCormick, the Board’s academy representative, was re-appointed for a second term. The Board also appointed a second Academy Representative, Steve Smith, as an observer member, recognising the strength of Steve’s application, the growing number of academies in the Fund’s employer base and potential for future turnover among employer representatives on the Board.
- 3.2 With the exception of the annual appointments undertaken at the start of the municipal year Board membership has been stable, with a full complement of Board members in place throughout the year. At their meeting on 26 April 2022 the Board agreed to revise its terms of reference and appointments policy so that recruitment and nominations would take place biennially (rather than annually) to allow the Board to retain knowledge and skills and in light of the delay and ongoing increase in regulatory changes anticipated throughout this year. Therefore, a nomination process will not take place during 2022/23 unless a vacancy occurs naturally.

4.0 Training

- 4.1 The Fund offered a number of both face-to-face and virtual training opportunities for Board members over 2021/22, to add ongoing development of knowledge and skills relevant to the broad range of topics and information report and discussed at Board meetings. A wide range of reading material has also been signposted to include relevant briefings and updates prepared by the Local Government Pension Scheme (LGPS) Scheme Advisory Board (SAB) and the Pensions Regulator.
- 4.2 The Fund endeavoured to deliver joint training opportunities alongside the Pensions Committee to continue to build and strengthen relationships across the two governing bodies. During the 2020/21 year, in addition to the Fund’s virtual Mid-Year Review, the

Board were invited to attend a Responsible Investment Summit held by the Fund's Investment Pooling Company, LGPS Central, as well as joint training events hosted by the Fund in October and March 2021. The Fund will look to continue this collaborative training over 2022/23 year, as well as responding to individual requirements and requests received through member feedback.

- 4.3 Board members have continued to have access to a wide variety of reference and training materials including briefing notes and media updates, through continued use and update of a dedicated online learning platform available to both Pensions Committee and Local Pensions Board members, which also hosts governance documents, handbooks, and training materials.
- 4.4 All members are encouraged to meet their training target to ensure that they obtain the relevant knowledge and skills required to undertake their role on the Board. Attached in Appendix A is a copy of the 2021/22 individual training hours recorded for members of the Board as at 30 April 2022.

5.0 Reports of the Pension Board

- 5.1 During 2021/22 the Board did not refer any matter to the Pensions Committee and continued its focus on Customer Engagement, Risk Management, Service Development and Investment Governance. The Board continued to consider customer engagement and service provision through both periods of restrictions due to the pandemic and the return of face-to-face events, working with officers to ensure support and information was available to members, as well as working with Fund's employers to support and understand matters of interest and relevance across the employer-base and to differing sectors within.
- 5.2 The Board also considered the impact of LGPS regulatory changes on the Fund, continuing to engage with their respective groups on these issues and regularly informing their counterparts on key messages of the Fund, including the changes being implemented to ensure continued compliance with regulation, including, for example, the pending McCloud remedy.
- 5.3 Throughout the year, the Board considered reports on the following topics:
- Customer Engagement
 - Pensions Administration
 - Governance and Assurance, including monitoring of Key Performance Indicators and Risk Management
 - Impact of changes to regulations
 - Service Development
 - Funding Management
 - Responsible Investment and Climate Change
 - Investment Governance
 - Funding Valuation

6.0 Reports of the LGPS Pension Board

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

6.2 The SAB produces its report based on published annual reports and accounts of the LGPS Funds across England and Wales. It is therefore produced retrospectively each year. The latest report, published June 2022, highlights the aggregated position from individual LGPS Fund 2021 annual reports and provides a useful point of reference for a variety of stakeholders.

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

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

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

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

6.5 Throughout the year, the SAB has issued a number of communications reporting on the outcomes of their meetings and delivery of their own workplan, all of which have been presented to the Local Pension Board and Committee in update reports at formal meetings, through training events or communication roundups.

6.6 The SAB is undertaking a "forward look" to agree its future strategic priorities following the appointment of new Board secretariat earlier this year and its workplan for 2022/23 is expected to be published in due course.

7.0 Costs

7.1 The cost of operating and supporting the Local Pensions Board is included within the Fund's annual budget as part of the Good Governance of the Fund.

7.2 To support the work of the SAB, all LGPS Funds are required to pay a levy based on membership numbers. For 2021/22 that levy was £29,632 (excluding VAT), which the Fund has paid as due.

8.0 Forward Plan for 2022/23

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

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

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

9.0 Financial Implications

9.1 As outlined in the report.

10.0 Legal Implications

10.1 The Fund is required to have a Local Pensions Board as set out in the Public Service Pensions Act 2013, which also requires the Fund to produce an annual report on the work of the Board.

11.0 Equalities Implications

11.1 There are no direct equalities implications.

12.0 All Other Implications

12.1 There are no other direct implications to consider.

13.0 Schedule of Background Papers

13.1 Scheme Advisory Board, Annual Report 2021

<https://lgpsboard.org/index.php/schemedata/scheme-annual-report>

13.2 Scheme Advisory Board meeting papers are available on their website.

www.lgpsboard.org

14.0 Schedule of Appendices

14.1 Appendix A – Local Pensions Board Training Hours

Appendix A – Local Pension Board Training Hours 2021-22

	Seat	Start Date	Hours Spent Training	Training Target	Full Year Training Target Met?
Adrian Turner	Member	01/04/2015	29	22	Yes
Ian Martin	Employer	01/06/2019	22	22	Yes
Jacque Carman	Employer	01/04/2018	22	22	Yes
Joe McCormick	Employer	01/04/2015	27	22	Yes
John Reynolds	Employer	01/04/2021	8	22	No
Julian Allam	Member	01/02/2021	22	22	Yes
Mark Smith	Employer	01/01/2021	53.5	22	Yes
Paul Johnson	Employer	01/04/2017	25.5	22	Yes
Rupinderjit Kaur	Member	01/04/2021	16	22	No
Sharon Champion	Member	01/04/2015	25.5	22	Yes
Stan Ruddock	Member	01/01/2020	14.5	22	No
Terry Dingley	Member	01/04/2021	25.95	22	Yes
Grand Total			290.95	264	Yes

Items covered in training include:

- Our People Strategy
- Accounting
- Risk Management
- Regulatory Update, to include McCloud, Pension Dashboards, and forthcoming guidance from regulated bodies (the Pensions Regulator (tPR), Scheme Advisory Board (SAB))
- Responsible Investment and Climate Framework
- Operations and Pension Administration
- Our Customer Engagement (members and employers)
- Preparing for the Actuarial Valuation

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Agenda Item No: 12

West Midlands Pension Fund
Internal Audit Annual Report
2021-2022



Introduction

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

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

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

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

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

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

Executive Summary

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

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

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

Internal Audit Opinion

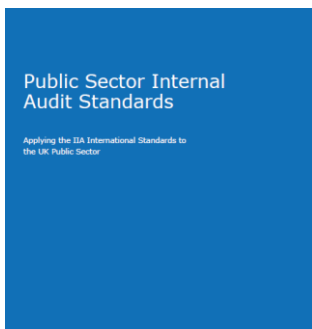
We have conducted our audits in accordance with the Public Sector Internal Audit Standards. Within the context of the parameters set out above, our opinion is as follows:

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

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

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

Compliance with the Public Sector Internal Audit Standards



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

Summary of work completed

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

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

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

Summary of audit reviews completed

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

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

Key findings and recommendations

Covid-19 Response

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

Examples of good practice were noted, including:

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

Business Continuity

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

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

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

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

Pensions Administration Strategy

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

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

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

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

People Management

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

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

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

Tracing Agents

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

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

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

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

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

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

Payroll Review

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

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

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

Employer Covenants

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

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

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

Payment Authorisations

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

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

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

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

Contributions Monitoring

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

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

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

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

On-going assurance work

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

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

Follow up of previous recommendations

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

Consultancy and advice work

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

Report title	Internal Audit Plan Annual Report 2021 – 2022	
Originating service	Pensions Services	
Accountable employee	Amanda MacDonald	Client Lead Auditor
	Tel	01902 55 0411
	Email	Amanda.macdonald@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 55 1715
	Email	Rachel.brothwood@wolverhampton.gov.uk

Recommendations for action:

The Pensions Committee is asked to note:

1. The internal audit annual report for 2021 – 2022

1.0 Purpose

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

2.0 Background

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

3.0 Internal Audit Annual Report 2021 – 2022.

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

4.0 Financial implications

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

5.0 Legal implications

5.1 This report contains no direct legal implications.

6.0 Equalities implications

6.1 This report contains no equalities implications.

7.0 Environmental implications

7.1 This report contains no environmental implications.

8.0 All other implications

8.1 This report contains no other implications to consider.

9.0 Schedule of background papers

9.1 None.

10.0 Schedule of appendices

10.1 Appendix A – Annual Audit Report 2021-22

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Pensions Committee

29 June 2022

Report title	Quarterly Investment Report to 31 March 2022	
Originating service	Pension Services	
Accountable employee(s)	Shiventa Sivanesan	Assistant Director, Investment Management and Stewardship
	Tel	01902 556659
	Email	shiventa.sivanesan@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	rachel.brothwood@wolverhampton.gov.uk

Recommendations for action:

The Pensions Committee is asked to note:

1. The global market and investment update paper prepared by the Fund's Investment Consultant, Redington.
2. Asset Allocation and Performance Reporting for the West Midlands Pension Fund (WMPF), Main Fund and Admitted Body Sub Funds.

1.0 Purpose

- 1.1 The investment report covers developments in investment markets, asset allocation and investment performance over the latest quarter in relation to the WMPF (Main Fund and Admitted Body Sub Funds). Supporting responsible investment activities are covered in a separate paper.

2.0 Background

- 2.1 This paper aims to bring together routine investment matters relevant to the management and implementation of the Fund's investment strategy and related policies:

- I. The economic and market background environment in which the Fund operates and the outlook for different asset classes.
- II. WMPF's investment strategy is outlined in the Investment Strategy Statement (ISS) and set in conjunction with the Funding Strategy Statement (FSS) to target a return over the long term to deliver the asset values required to meet benefit payments due to members. The Strategic Investment Allocation Benchmark (SIAB) forms part of the ISS and includes the target asset allocation and the levels of returns investment policies will be benchmarked against.
- III. This report provides separate commentary on the Main Fund and Admitted Body Sub Funds (ABSF), established for former employers of the West Midlands Integrated Transport Authority Pension Fund, West Midlands Travel Limited (WMTL) and Preston Bus (PB).
- IV. The Strategic Investment Allocation Benchmark (SIAB) Policy targets were refreshed as part of the 2020 ISS review as approved by the Pensions Committee in March 2020. Implementation of the ISS changes continues to progress and this report adopts an interim benchmark comprising policy targets that reflect partial transition to the strategic targets outlined in the ISS, designed to better meet the future needs of the WMPF.

3.0 Executive Summary

- 3.1 As at 31 March 2022, the WMPF's market value was £20.2 billion (incl. WMTL and PB ABSF). Stock markets and fixed income generally fell over the quarter although performance varied by region and sector.
- 3.2 The Main Fund decreased by 1.9% over the quarter, underperforming its benchmark by 0.5%. The Fund has produced strong absolute and relative returns over the 1 year outperforming the benchmark by 0.7%. Performance has trailed the benchmark over longer time periods.

3.3 The ABSF underperformed against their benchmarks over the quarter. WMTL has also underperformed over longer time periods whereas PB has outperformed over 1, 3 and 5 years. Negative relative performance was driven by the allocations to Diversified Growth Funds and Multi-Asset Credit which lagged their 'base rate plus' target performance as equity and credit markets fell over the period.

4.0 Markets and Investment Background

4.1 The Fund's Investment Consultant, Redington provides a quarterly update on the market background and market performance over the quarter. The report for the quarter to 31 March 2022, which further sets out the outlook for the Fund's key asset classes over the coming months, can be found in Appendix A.

4.2 Returns for the major asset classes for the period are shown below:

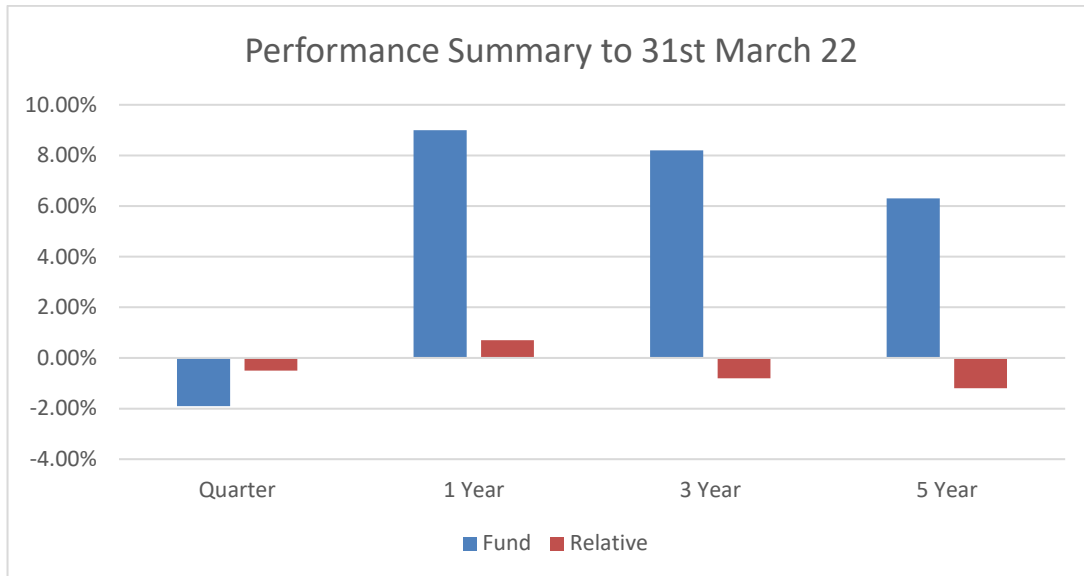
Total Return (£)	<u>Quarter</u>	<u>12 months</u>
US Equity (S&P 500)	-1.9%	21.2%
Emerging Markets (MSCI Emerging Markets)	-4.4%	-7.1%
UK Equity (FTSE All Share)	0.5%	13.0%
Gilts (GBI UK All Mats)	-7.4%	-5.3%
Corporate Bonds (BofA ML Non-Gilts)	-6.2%	-5.1%
High Yield (BofA ML Global High Yield)	-3.3%	-0.1%

4.3 Equities generally fell in the quarter, although there was slightly positive performance from UK equities. There was negative performance across bond markets, with corporate bonds outperforming government bonds.

5.0 West Midlands Pension Fund

Main Fund Performance Summary

- 5.1 The Main Fund delivered a return of -1.9% over the quarter, underperforming the benchmark return by 0.5%. The Fund's relative returns versus its benchmark over various time periods are shown below:



- 5.2 The Fund outperformed its benchmark over the 12 months to end of March. Private equity was a large contributor to positive relative performance as continued strong performance from the portfolio outperformed the listed equity index to which it is compared.
- 5.3 Infrastructure continues to be a negative contributor to relative performance over longer time periods.
- 5.4 Over 3 years the main detractors remain infrastructure, the combined global equity portfolio and a drag from holding excess cash in rising markets.
- 5.5 The asset allocation of the Main Fund as at the quarter end is set out overleaf. Interim benchmark weights have been introduced to reflect partial transition to the strategic targets outlined in the Fund's ISS. Full adoption of the ISS targets will take some time, especially for illiquid assets such as infrastructure and private debt.
- 5.6 The Fund remained overweight in growth assets versus previous policy targets, as a result of existing equity positions and the strong performance from these asset types over the longer time period.

	Weight @ 31/03/22	Final ISS target	Interim Benchmark
Total Equity	54%	42%	48%
Private Equity	8%	6%	6%
Opportunistic	2%	2%	2%
TOTAL GROWTH	63%	50%	56%
Corporate Bonds	5%	4%	4%
Multi-Asset Credit/Specialist	3%	6%	6%
Emerging Market Debt	4%	5%	5%
Private Debt	1%	6%	1%
Infrastructure	4%	9%	7%
Property	8%	9%	9%
TOTAL INCOME	25%	38%	31%
Gilts	2%	2%	2%
ILG	7%	3%	5%
Low risk strategy (orphan liabilities)	1%	5%	4%
Cash	3%	2%	2%
TOTAL STABILISING (incl. low risk)	12%	12%	13%
TOTAL	100.0%	100.0%	100.0%

5.7 The Fund's focus remains on implementing the Strategic Asset Allocation (SAA) changes as agreed as part of the 2020 Investment Strategy review. Efforts have primarily focused on fixed income assets, with steps being taken to move towards new target weights in multi-asset credit, emerging market debt and private debt in particular, with equity holdings expected to be trimmed over the coming quarters. Options to add to the Fund's infrastructure investments are also being explored.

6.0 West Midlands Pension Fund

Detailed Performance Commentary

Growth Assets

6.1 The total combined equity fund delivered negative returns during the quarter but has produced strong absolute returns over the 1 year and longer time periods to 31 March.

6.2 The Main Fund's passive equity assets are now almost exclusively managed by the investment pool company, Local Government Pension Scheme Central Ltd (LGPSC) with a large proportion of these assets held in an LGPSC Global Equity passive fund. All passive funds performed broadly in line with the respective benchmarks during the quarter but with significant divergence between region and strategy as shown below:

	Quarter	12 months
LGPSC UK (FTSE All Share)	0.4%	12.6%
LGPSC Global ex UK	-3.1%	8.8%
LGPSC Dividend Growth (Blended)	-2.1%	11.7%
LGPSC Climate Multi-Factor	-3.9%	14.9%

6.3 Over the quarter the Fund's actively managed global equities comprised the LGPSC Active Equity fund, an allocation to sustainable equity managers and a basket of global equity futures.

6.4 The LGPSC Global Active Equity Fund has outperformed the benchmark over the quarter and longer time periods. The LGPSC Global Active Equity Fund is a blended multi-manager portfolio consisting of 3 underlying portfolios.

6.5 Emerging markets performed negatively over the quarter with the Fund's Emerging Market Equity portfolio underperforming its benchmark. The portfolio has lagged its benchmark over longer time periods.

6.6 The private equity portfolio outperformed during the quarter and significantly outperformed over 1 year. The benchmark used for this asset class comprises listed equities plus an outperformance target (with a 3 month lag). Over longer time periods the portfolio has met expectations.

	Quarter	1 Year	3 year
Private Equity Portfolio	9.3%	36.5%	23.0%
FTSE All World +1% (3m lagged)	6.4%	21.0%	19.4%

Income Assets

- 6.7 The Fund's income segment trailed its respective benchmark over the quarter and over 12 months. The aggregate property portfolio outperformed the benchmark over the quarter with strong relative performance from the indirect portfolio. The property portfolio has delivered strong absolute returns over the 1 year and longer time periods.
- 6.8 The infrastructure portfolio has delivered a positive return over the course of the quarter and year but, as previously reported, the portfolio has significantly underperformed its target return (CPI +4%) over most time periods.

	Quarter		1 Year		3 Year	
	Return	Relative	Return	Relative	Return	Relative
Infrastructure Portfolio	3.3%	0.8%	7.7%	-2.8%	1.7%	-5.1%
Property Portfolio	5.6%	1.1%	18.4%	-1.1%	7.9%	-0.1%

- 6.9 The Fund's fixed interest holdings produced negative performance as a result of the increasing interest rate environment. Within the Fund's fixed interest holdings, corporate bonds have outperformed the benchmark over the quarter and longer time periods. The emerging market debt holdings underperformed their benchmark over the quarter, which has impacted longer term performance. Whilst the Fund's multi asset credit holdings managed to provide some protection from broader credit markets, they have underperformed over the quarter and longer time periods.

	Quarter		1 Year		3 Year	
	Return	Relative	Return	Relative	Return	Relative
Corporate Bonds	-5.0%	1.2%	-3.6%	1.6%	2.9%	1.9%
Multi Asset Credit	-3.0%	-1.0%	-0.3%	-0.5%	1.8%	-1.2%
Emerging Market Debt	-7.5%	-1.8%	-4.4%	-0.8%	0.6%	1.5%

Stabilising Assets

- 6.10 Stabilising Fixed Income: The stabilising portfolio comprises the Fund's exposure to government bonds and index linked securities and cash. The stabilising component of the fixed interest portfolio delivered negative returns for the quarter as yields on sovereign debt rose (meaning prices fell).
- 6.11 Over the quarter, 1 and 3 year timeframes the stabilising portfolio has outperformed its benchmark.

Currency

6.12 The Fund currently only hedges a small proportion of its foreign currency exposure (25% for EUR equities). The hedge has had a small negative impact on performance over the quarter but has had a positive impact over the 1 and 3 year period. The hedge overlay is primarily a risk reduction tool.

7.0 Admitted Body Sub Funds (ABSFs)

7.1 The current allocation for the two ABSFs is shown below.

WMTL asset allocation (excluding buy-in policy):

Asset Class	Value @31/03/22	Target %	Current %
Total Equities	£ 93,613,009		32%
UK Equities	£ 6,786,960		2%
North America Equity Index	£ 37,349,295		13%
Europe (ex UK) Equity Index	£ 22,112,210		8%
Japan Equity Index	£ 7,521,575		3%
Asia Pac exJap Dev Equ Ind	£ 8,114,696		3%
World Emerging Markets Equ Ind	£ 11,728,274		4%
Newton Real Return	£ 35,910,260		12%
Baillie Gifford DGF	£ 37,815,066		13%
Total Equities & DGF	£ 167,338,336	16%	58%
Corporate Bonds	£ 9,719,006		3%
Multi Asset Credit	£ 52,261,146		18%
Private Debt	£ 1,451,627		1%
LDI	£ 56,085,945		19%
Total Credit & LDI	£ 119,517,724	84%	41%
Cash	£ 2,146,775	0%	1%
Total	£ 289,002,834.71		100%

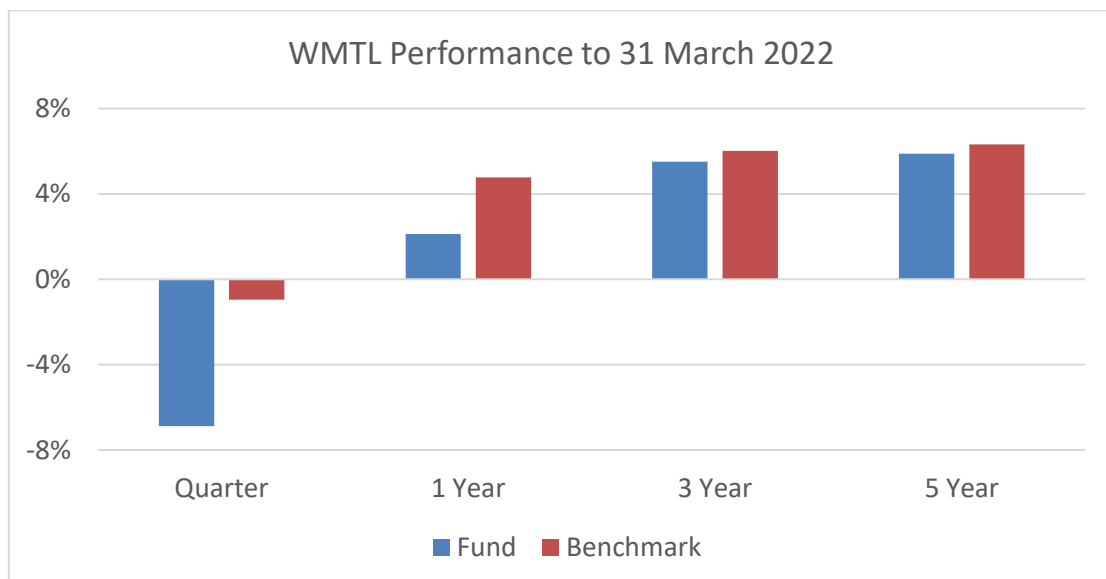
The allocation to private debt is expected to increase over time. Commitments have been made in this area, however, given the private nature of these assets these commitments will draw down over a period of time, moving the allocation towards the target.

PB asset allocation:

Asset Class	Value @31/03/22	Target %	Current %
Total Equities	£ 2,825,125	15%	14%
UK Equities	£ 237,118		1%
North America Equity Index	£ 1,223,551		6%
Europe (ex UK) Equity Index	£ 390,268		2%
Japan Equity Index	£ 314,489		2%
Asia Pac exJap Dev Equ Ind	£ 228,810		1%
World Emerging Markets Equ Ind	£ 430,889		2%
Total Fixed Interest, LDI & cash	£ 16,500,042	85%	84%
Corporate Bonds	£ 5,004,094		26%
Multi Asset Credit	£ 5,720,162		29%
LDI	£ 5,775,785		29%
Cash	£ 291,512		1%
Total	£ 19,616,679.34	100%	100%

WMTL Performance

7.2 The Fund significantly underperformed over the quarter and 1 year. Performance is more in line with the benchmark over the 3 and 5 year periods. Relative performance is driven by the multi-asset credit and diversified growth fund holdings which underperformed their 'base rate plus' target performance as equity and credit markets fell over the period.



Fixed Income

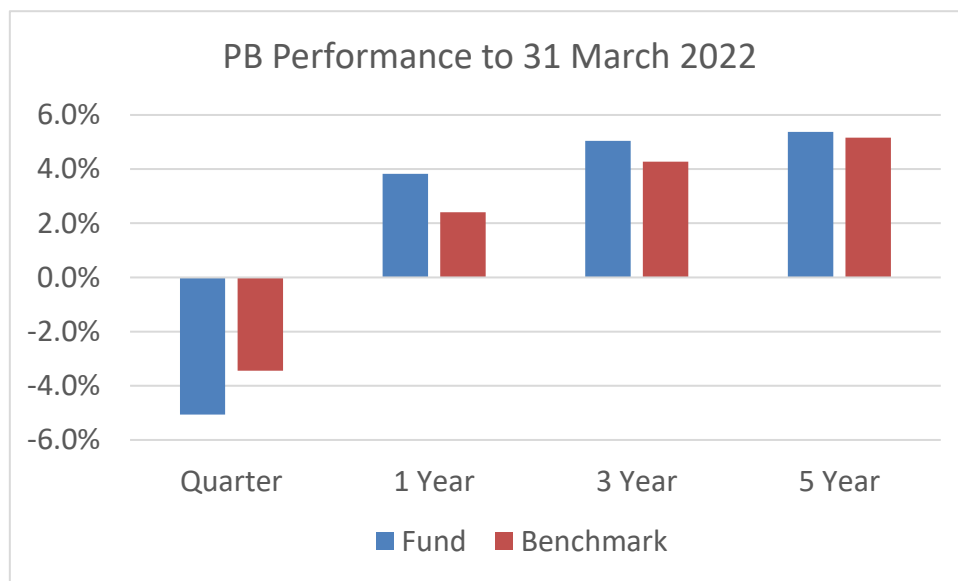
7.3 Alongside the multi-asset credit holding in the bond portfolio, there are passive index linked gilts and actively managed corporate bonds. The corporate bond mandate has outperformed its benchmark over the quarter and 1 year whilst the multi-asset credit has underperformed over the same time periods.

Diversified Growth Funds

7.4 Both Diversified Growth Fund holdings delivered negative absolute and relative performance over the quarter. Over the 1 year the total Diversified Growth portfolio underperformed the benchmark.

PB Performance Summary

7.5 PB performance is summarised below. The Fund underperformed over the quarter but has outperformed over the 1, 3 and 5 year periods. Underperformance over the quarter was driven by the Multi-Asset Credit allocation.



7.6 PB's holding in passive equities, index-linked gilts, multi-asset credit and corporate bonds are the same as those held by WMTL, with performance outlined above.

8.0 Investment Pooling Update – LGPS Central Ltd

8.1 The Fund continues to work closely with its investment pool company LGPSC 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.

9.0 Investment Strategy Statement (Annual Review)

- 9.1 In defining the implementation of the Fund's Investment Strategy the ISS sets out the SIAB including the permitted ranges for each asset type.
- 9.2 A full in-depth review of the Fund's ISS is completed every 3 years in conjunction with the triennial funding and valuation process. In addition, interim annual reviews are also completed to complement this cycle.
- 9.3 The Fund completed a full review of its Investment Strategy over 2019/20 resulting in significant changes to the Funds SIAB being approved in March 2020. Implementation of these strategy changes is underway as communicated separately to this Committee. As the Fund is significantly increasing its allocation to private markets it will take time until the Funds positioning closely matches the policy targets stated in the ISS.
- 9.4 The interim review referenced last quarter confirms these strategy changes remain appropriate for the Fund to meet its longer-term objectives. The Fund's Investment Consultant, Redington, who advised the Fund during the 2019/20 review has provided Fund Officers with a confirmation statement confirming their ongoing support for the strategy changes being implemented.
- 9.5 Whilst the longer-term strategy remains the focus and is unchanged, Fund Officers are alive to the significant changes to the investment and economic landscape that have occurred since 2020. Given this backdrop and the Fund's overarching goals, including with regards to sustainability objectives, it was agreed by the Pensions Committee last quarter that the increase in allocation to emerging markets equities, which was agreed within the Liquid Growth portion of the SIAB, is put on hold for the time being pending a full review of the Fund's existing and potential holdings in this area. This area of the portfolio is to be reviewed in more detail in line with the broader strategy review as part of the triennial valuation.

10.0 Financial Implications

- 10.1 The financial implications are set out throughout the report.

11.0 Legal Implications

- 11.1 This report contains no direct legal implications.

12.0 Equalities Implications

- 12.1 This report contains no direct equal opportunities implications.

13.0 Other Implications

13.1 There are no other implications.

14.0 Schedule of Background Papers

14.1 There are no background papers.

15.0 Schedule of Appendices

15.1 Appendix A – Redington Economic and Market Update



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REDINGTON 



YOUR MARKET AND INVESTMENT UPDATE

Q1 2022

Private and Confidential



WHAT HAPPENED DURING THE QUARTER



Philip Rose
(CIO, Strategy
& Risk)

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Market Summary

Markets have moved from an environment where growth is the main driver of price movements to one where inflation is the main price driver. Historical asset class relationships may not be maintained in this new environment, from both a return and a correlation perspective. This has been manifested this quarter by equities and bonds selling off in tandem while commodities have risen – a reversal of the behaviour seen over the last 20 years.

In order to dampen inflation, central banks are tightening monetary policy; however, it remains to be seen whether this will be sufficient to pull inflation back in line with central bank targets without sending economies into recession. While higher interest rates can reduce demand, they may not offer additional supply and this supply/demand interplay will be crucial in determining whether inflation will persist.

Market Data

Equity Index	Level	Change since 31-Dec-21	Change since 31-Mar-21
FTSE 100 (Total Return)	7524	2.9%	16.1%
S&P 500 (Total Return)	9527	-4.6%	15.6%
EuroStoxx 50 (Total Return)	1704	-8.9%	2.1%
Nikkei 225 (Total Return)	47174	-2.5%	-2.8%
MSCI World (Total Return)	7089	-4.6%	11.6%
MSCI Emerging Markets (Total Return)	698	-6.1%	-9.9%
FX			
USD vs GBP	1.31	-2.9%	-4.7%
EUR vs GBP	1.19	-0.3%	1.0%
JPY vs GBP	159.9	2.7%	4.8%
Credit Spreads			
Sterling Non-Gilt Index	105	36 bps	15 bps
Sterling Non-Gilt 15Y+ Index	175	38 bps	31 bps
Global Investment Grade	124	37 bps	32 bps
US Investment Grade	146	46 bps	44 bps
Global High Yield	367	33 bps	15 bps
European High Yield	318	28 bps	28 bps

Key Points for You

- Expected Returns remained broadly unchanged over the quarter at Gilts + 3.4%. A decreased allocation to equities was largely offset by an increased expected return for credit assets (see appendix) and a higher allocation to illiquid markets.
- Asset-side risk, as measured by VaR 95%, increased slightly from 15.8% at 31 December 2021 to 16.2% at 31 March 2022.
- The Pension Risk Management Framework ("PRMF") in this report contains asset-only monitoring metrics. Our proposed PRMF, which includes liability-based metrics, has been included in the appendices.

Market Data

UK Gilts	Level	Change since 31-Dec-21	Change since 31-Mar-21
10Y	1.64	66 bps	70 bps
30Y	1.75	64 bps	34 bps
UK Nominal Swaps			
10Y	1.93	49 bps	86 bps
30Y	1.69	48 bps	44 bps
Gilt Breakeven Inflation			
10Y	4.36	44 bps	75 bps
30Y	3.67	28 bps	29 bps
UK RPI Swap			
10Y	9.29	295 bps	600 bps
30Y	5.72	103 bps	222 bps
UK Gilt Real Rates			
10Y	-2.72	22 bps	-5 bps
30Y	-1.92	36 bps	5 bps
US TIPS			
20Y	0.12	46 bps	52 bps
30Y	-0.03	14 bps	24 bps

VIEWS FROM THE ASSET CLASS SPECIALISTS









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		<p>Kate Mijakowska</p> <p>Government Bonds</p>	<p>Q1 2022 saw a considerable move up in gilt yields. The 20-year nominal yield increased by 64bps (intra-quarter, it was up as much as 76bps at one point). As inflation expectations also rose meaningfully, real yields at the 20-year point only increased by 33bps. Inflation expectations at the front end of the curve saw some extreme movements, with a 5-year UK RPI swap up 71bps on the quarter.</p> <p>During the quarter, the Bank of England delivered two 25bps hikes and announced that it would start to cease reinvesting the proceeds of maturing bonds from the Quantitative Easing Programme. In March, the government also issued the Spring Statement, which suggested the government plans to issue £125bn of gilts in the 2022/23 financial year, c. £25bn below market expectations.</p>
		<p>Oliver Wayne</p> <p>Liquid Markets (Equities)</p>	<p>Global developed markets (DM) delivered negative absolute returns in Q1. The best-performing market was the UK, which benefited from its exposure to the energy and materials sectors, which performed well over the quarter. Emerging market (EM) equities delivered negative absolute returns, driven primarily by the weak performance of China as lockdowns were imposed in several cities due to rising Covid-19 cases. The Central Bank of Russia closed local markets to all foreign investors, leaving managers with exposure to Russian companies that could not be unwound. Russian securities held in portfolios are now being written down as part of a fair value assessment in the absence of true market values. Our rated managers' exposure to Russia was generally low and any remaining exposure has been written down to zero. From a factor perspective, value and low volatility delivered excess returns in both DM and EM. Larger companies continued to outperform smaller companies in DM and smaller companies continued to outperform larger companies in EM.</p>
		<p>Tom Wake-Walker</p> <p>Liquid Markets (Multi-Asset)</p>	<p>We witnessed increased dispersion in the performance of both underlying assets and multi-asset/liquid alternative strategies in Q1, as the impact of the Russian/Ukrainian war and rising inflation expectations rippled through markets. Equity markets sold off as risk aversion took hold – negatively affecting some Diversified Growth Fund managers who maintained higher allocations. We also saw a sell-off in government bonds, driven by fears of high and rising inflation. Largely speaking, Redington-rated managers held reduced or short bond exposure, so either benefited or were relatively unaffected by this move. Trend-following strategies proved particularly profitable due to their positioning here. The other large move over the quarter was in commodities where the Russian/Ukrainian war magnified pressures on supply constraints, particularly in energies and agriculturals. Our rated managers predominantly held long exposure – through risk parity, trend-following and discretionary strategy allocations – taking advantage of these moves. Equity style premia strategies were positive, with value continuing to perform strongly.</p>

VIEWS FROM THE ASSET CLASS SPECIALISTS



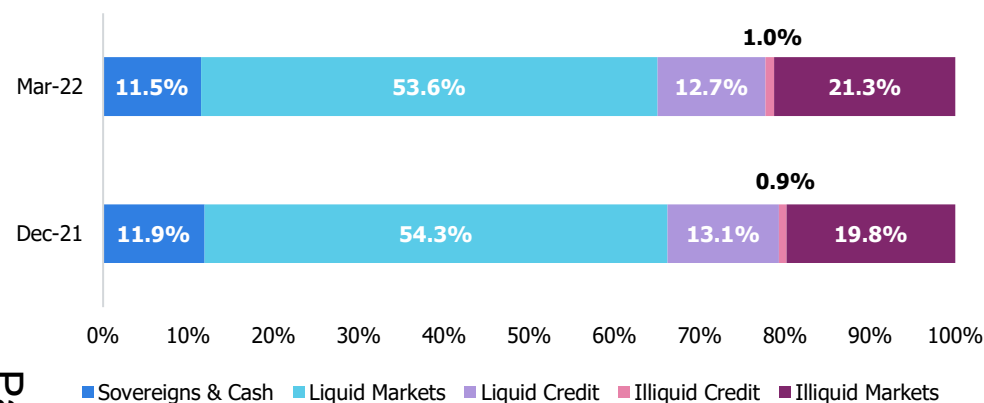
		<p>Chris Bikos</p> <p>Liquid & Semi-Liquid Credit</p>	<p>Risk sentiment in the first quarter of 2022 was dominated by the conflict in Ukraine and central banks' hawkish stances. Credit spreads widened across the board; with rates moving higher, government securities outperformed their corporate counterparts of similar duration. Both the Federal Reserve (Fed) and the Bank of England (BoE) raised rates by 0.25% and 0.50% respectively. Yield moves differed across markets, with the US Treasury market exhibiting one of its worst sell-offs on record, but moves were less pronounced in core Europe and the UK. High yield spreads widened more than investment grade, but the higher income offered by the asset class provided a cushion. Overall, on the corporate side, credit metrics remain strong, although the flattening of the yield curve has elevated concerns about future economic growth or even a recession. Towards the end of the quarter, EM currencies and EM spreads stabilised. The differentiation in EM regions became more pronounced, with commodity exporters and Latin American countries proving the most resilient. At the asset class level, local-currency bonds were slightly more resilient than hard-currency bonds. Finally, structured credit and leveraged loans were the top-performing asset classes, benefiting from their floating-rate nature.</p>
		<p>Tricia Ward</p> <p>Illiquid Credit</p>	<p>Private credit markets were relatively insulated from the public market volatility of Q1 amid geopolitical uncertainty and expectations of more aggressive monetary policy. Underlying borrower fundamentals remain strong, with a renewed lender focus on borrower pricing power and shorter-duration loans. Whilst global M&A activity declined 20% vs Q1 2021, private equity buyouts rose by 18%, reinforcing demand for direct lending (source: Refinitiv). As the market matures, private loans compete directly with broadly syndicated loans in the upper-mid markets. 'Mega loans' of >\$1bn are commonplace and direct lenders now represent c.5% of the large corporate debt market.</p> <p>Borrowers appreciate the speed, flexibility and certainty of direct loans compared with the defined ratings process in public markets. There is only a small pool of lenders of sufficient size to cater to this segment of the market, but they typically benefit from the increase in borrower quality that comes with scale. However, deals are usually covenant lite (i.e. they provide more flexibility to borrowers). We require managers to retain strong deal terms in our middle-market focus areas and evaluate opportunities arising from the changing dynamics.</p>
		<p>Jaspal Phull</p> <p>Illiquid Markets</p>	<p>The UK property market remains buoyant, with All-property up 3.9% throughout Q1 according to the CBRE Monthly Index. The industrial sector continues to lead the way, reporting capital growth of 3.0% in March alone, shortly followed by the retail sector reporting capital growth of 2.9%. UK property investment soared throughout Q1, in particular in the build-to-rent sector where investment grew 50% in Q1 2022, representing £1.7bn in transactions. Throughout the UK, house price growth hit its highest level in 18 years at 14.3% year on year in March. Wholesale gas prices hit a new peak over the quarter, up 26% on the previous Q4 peak, driven by the conflict in Ukraine. The European Commission proposed a new strategy, REPowerEU, to boost Europe's energy independence, phasing out the reliance on Russian gas, oil and coal imports. The plan is based on 2 pillars: diversifying gas supplies, and accelerating renewables and energy efficiency with the hope of lowering gas consumption by 30% by 2030.</p>

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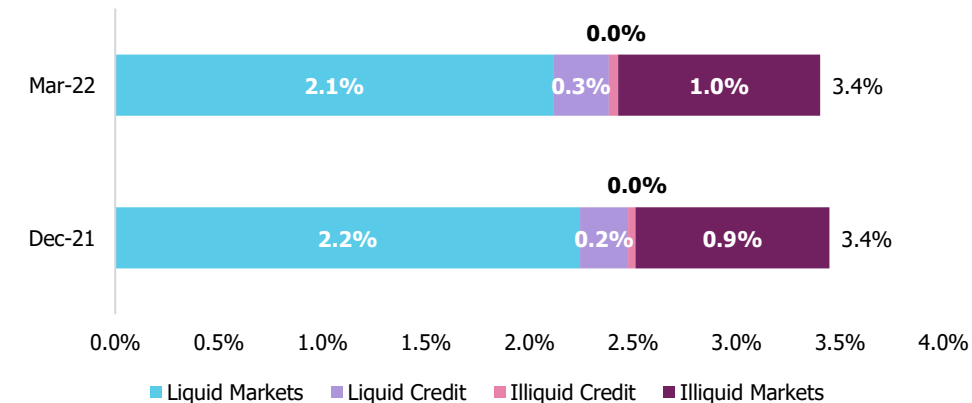
YOUR ASSET ALLOCATION AND EXPOSURE



Asset Allocation Change



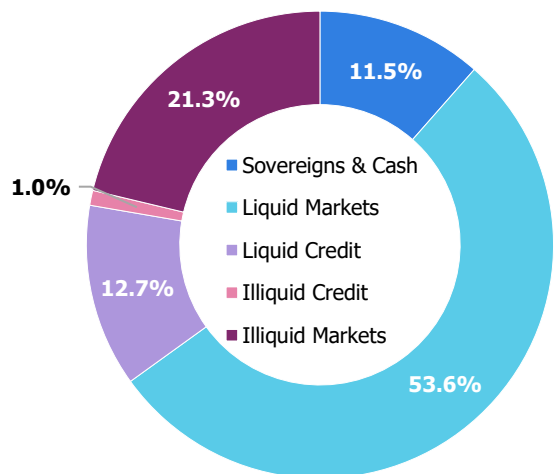
Expected Return Contribution Change (over gilts)



Note, asset class expected returns are in the appendix.

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Detailed Asset Allocation

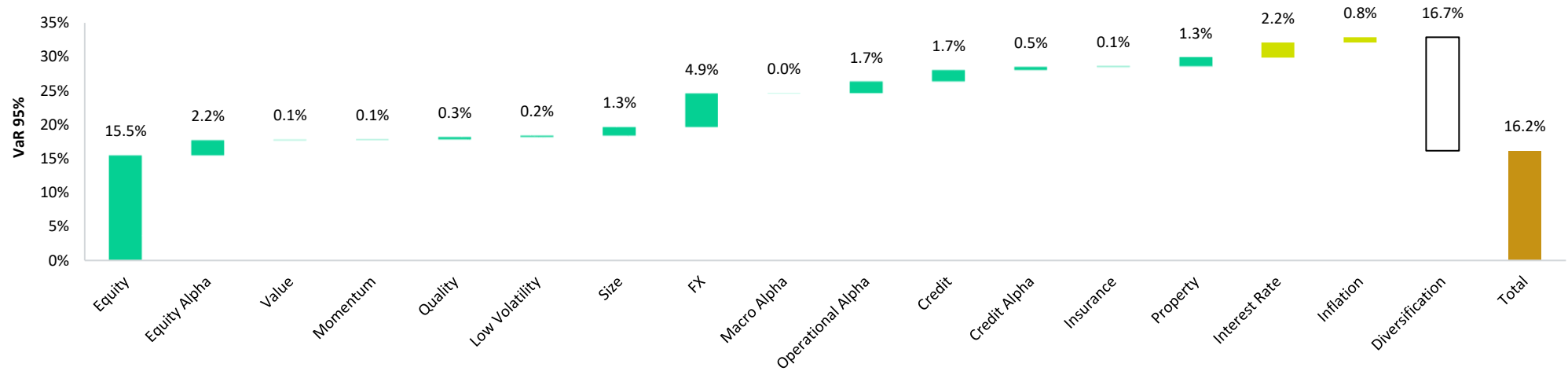


- 2.7% Cash
- 5.1% Index-Linked Gilts
- 1.6% Nominal Gilts
- 0.5% LGIM Overseas Bond Fund
- 1.6% US TIPS
- 6.1% ACS LGPS UK Equity Passive Fund
- 13.8% ACS LGPS Global Ex UK Passive Equity Fund
- 3.1% ACS LGPS Global Equity Dividend Growth Factor Fund
- 10.7% ACS LGPS All World Equity Climate Multi Factor Fund
- 6.0% LGPS Central Global Equity Multi Manager Fund
- 0.3% LGIM UK All Share
- 1.0% Global Active Futures
- 0.5% Equities held with Merrill Lynch
- 0.1% Smaller Equity Positions
- 2.4% Sustainable Equities - Impax
- 2.2% Sustainable Equities - RBC
- 0.6% Sustainable Equities - WHEB
- 2.4% Emerging Markets Equities - AGF
- 2.6% Emerging Markets Equities - BMO
- 1.7% Emerging Markets Equities - Mondrian
- 1.5% Aegon Short Dated Investment Grade Bond Fund
- 3.1% UK Corporate Bonds
- 1.0% LGPS Central Global Active IG Corporate Bond Fund
- 3.5% Multi-Class Credit
- 3.6% Emerging Market Debt Funds
- 1.0% Schroders FOCUS II / LGPS Credit Fund II
- 4.2% Infrastructure
- 7.6% Property
- 1.7% Opportunistic Funds
- 7.7% Private Equity

HELPING YOU UNDERSTAND YOUR RISK

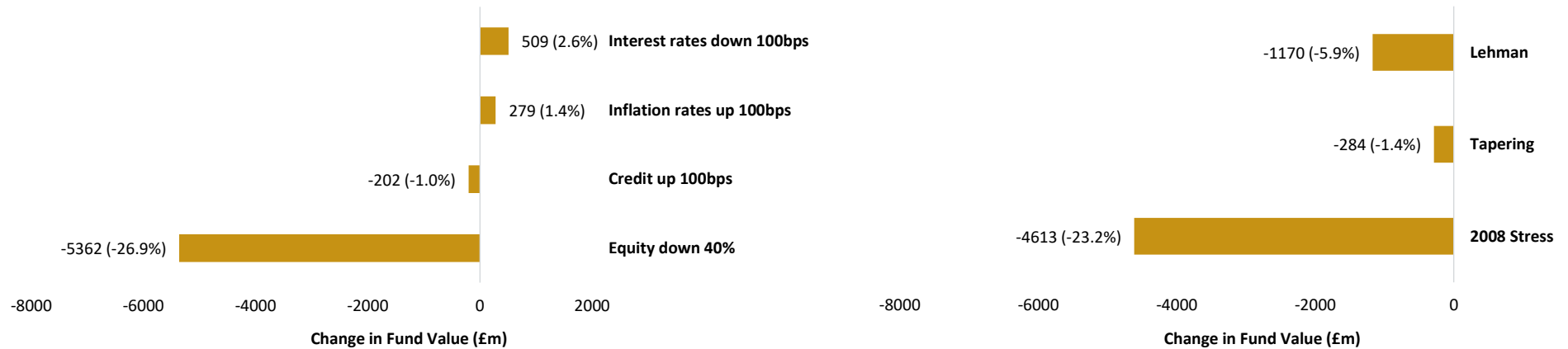


Current Value-at-Risk 95% (Asset Only)



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Scenario Analysis





APPENDICES

REDINGTON'S EXPECTED RETURNS – MARCH 2022



Asset Class	Expected Return (Gilts +)	Volatility	Expected Fees (p.a.)
Equity			
Developed Market Equities	3.8% ↓	17.0% ↑	0.0%-0.1%
Sustainable Equities	4.0% ↓	15.8% ↑	0.2%-0.4%
Emerging Markets Equities	4.3% ↓	20.3% ↑	0.1%-0.2%
China A Share Equities	5.6% ↓	30.6% ↓	0.3%-0.8%
Liquid Credit			
Corporate Debt GBP – Passive	1.1% ↑	6.2% ↓	0.1%-0.2%
Corporate Debt GBP – Active	1.4% ↑	6.3% ↓	0.2%-0.3%
Emerging Market Debt – Corporates	2.4% ↑	7.9% –	0.4%-0.6%
Emerging Market Debt – Local Currency Sovereign	3.4% ↑	14.6% ↓	0.5%-0.8%
Emerging Market Debt – Hard Currency Sovereign	2.4% ↑	9.3% ↓	0.5%-0.8%
Multi-Class Credit Global	2.9% ↑	7.9% ↑	0.4%-0.7%
Illiquid Credit			
Diversified Matching Illiquids (Uninvested)	2.7% ↑	7.1% –	0.3%-0.5%
Opportunistic Illiquid Credit	4.3% ↑	12.1% ↑	1.0%-1.5% (+ performance fee)
Securitised Opportunities	3.3% ↑	6.1% ↑	0.5%-0.7%
Special Situations	5.2% ↑	17.2% ↑	1.0%-1.5% (+ performance fee)
Illiquid Markets			
Private Equity	5.4% ↓	30.2% ↓	1.0%-1.5% (+ performance fee)
Insurance-Linked Securities	4.8% –	8.4% –	1.0%-1.5%
Renewable Infrastructure (Whole Projects)	3.6% ↓	13.9% ↑	0.5%-0.7% (+ performance fee)

Fee data is estimated based on fees of preferred managers in each strategy. In practice, each fee would be negotiated for West Midlands and may be considerably lower.

GLOSSARY



Term	Description
Annual Management Charge (AMC)	The fee charged by the asset manager for managing the fund, typically expressed as an annual percentage on the invested assets. This excludes additional expenses, e.g. administrative costs, which when combined with the AMC make up a fund's total expense ratio (TER).
Credit Risk	The risk of financial loss as a result of the inability or unwillingness of an entity to make payments as they become due. Many types of relationships involve credit risk, such as those in which a company owes money to its suppliers (trade debt) or where a counterparty is required to make payments under a derivative contract (counterparty credit risk).
Credit Spread	The difference in the yield between two different bonds, due to different credit quality. The credit spread reflects the additional yield an investor can earn from taking incremental credit risk. Is it often quoted in relation to the yield on government bonds.
Inflation	The average rate at which prices (of products and services) increase over time. It gradually reduces the value of money over time – the higher the rate of inflation, the greater the erosion of value.
Risk Attribution	The process of attributing certain components of total risk to various sources such as inflation risk, credit risk, equity risk, etc.
Stress Testing	A tool used to assess a portfolio's exposure to large – but plausible – shocks. In the broadest sense, stress testing is a 'what if' exercise and can be modelled across various scenarios. For example, a stress test can be used to simulate the performance of a portfolio during 9/11, Black Monday and the Global Financial Crisis of 2007-08.
Value-at-Risk (VaR)	The minimum value that the Fund would expect to lose (at risk) for a given confidence level, over a given time horizon. We have used a 1-in-20 (i.e. 95%) confidence level. For example, if a portfolio's 95% 1-year VaR is £200 million, it would have a 5% chance (1-in-20) of suffering a loss over the year of £200 million or more.
Volatility	A measure of variability that is used as a common metric for risk. It represents the value of one standard deviation change in the value of an assets' return. Under certain assumptions, we are able to use this measure to calculate the probability of a given change in the value of the asset or portfolio.
Yield	The income return on an investment. It is based on the received cash flows of a security and is usually expressed as an annual percentage.
Yield Curve	A graphical representation showing the yields of a set of financial instruments by maturity. For example, the par interest rate swap curve or the UK Gilt curve.

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Head of Global Assets

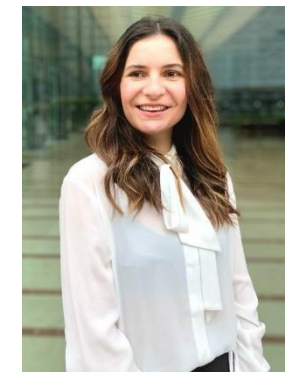
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CITY OF WOLVERHAMPTON COUNCIL	<h1>Pensions Committee</h1> <h2>29 June 2022</h2>
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Report title	Responsible Investment Activities	
Originating service	Pension Services	
Accountable employee	Shiventa Sivanesan	Assistant Director – Investments
	Tel	01902 556659
	Email	Shiventa.Sivanesan@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	Rachel.Brothwood@wolverhampton.gov.uk

Recommendations for action:

The Pensions Committee is asked to note:

1. The Fund's second Annual Stewardship Report submitted to the Financial Reporting Council (FRC) in April 2022 which sets out stewardship activities undertaken by the Fund and its investment partners over 2021. The report is available on the Fund's website: [West Midlands Pension Fund - Stewardship \(wmpfonline.com\)](https://www.wmpfonline.com)
2. The Fund's Voting Principles which have been finalised and published on the Fund's website following the draft version that was presented at the March Pensions Committee meeting: - [West Midlands Pension Fund - Voting Globally \(wmpfonline.com\)](https://www.wmpfonline.com)
3. The Fund's engagement and voting activity for the three months ending 31 March 2022 [Appendices A and B].
4. The issues discussed by LAPFF are set out in the Quarterly Engagement Report, which is available on the LAPFF website: [LAPFF-QER-2022-Q1.pdf \(lapfforum.org\)](https://www.lapfforum.org)
5. The voting and engagement activity of LGPS Central, as set out in the Quarterly Stewardship Report, available on the LGPS Central website: [LGPSC-Stewardship-Update-Q4-2021-2022.pdf \(lgpscentral.co.uk\)](https://www.lgpscentral.co.uk)

6. The research and engagement activity undertaken by EOS at Federated Hermes as set out in the Quarterly Engagement Report, which is available on the EOS website: [EOS Public Engagement Report \(hermes-investment.com\)](https://www.hermes-investment.com)

1.0 Purpose

- 1.1 To update the Pensions Committee on the work undertaken in relation to responsible investment activities since the last Pensions Committee meeting.

2.0 Background

- 2.1 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.

3.0 Responsible Investment Activities

Engagement through Partnerships

- 3.1 The Fund's strategy is to engage with its investee companies and other key stakeholders through partnerships and on its own. The Fund aims to protect and increase shareholder value by engaging on a range of financially material Environmental, Social and Governance (ESG) investment factors. A significant part of the Fund's engagement programme is implemented through partnerships including the Local Authority Pension Fund Forum (LAPFF), EOS at Federated Hermes ('EOS' - via a contract held by LGPS Central Ltd, the Fund's investment pool operator), the Institutional Investors Group on Climate Change (IIGCC), Climate Action 100+ (CA 100+), the Transition Pathway Initiative (TPI), and the Principles for Responsible Investment (PRI).
- 3.2 Through LAPFF, the Fund engaged 50 companies during the quarter¹, addressing human rights, climate change and governance issues. Engagements were generally conducted through letter writing or meetings; seven company engagements are currently categorised as change in process, whilst substantial and moderate improvements were documented in nine engagements.
- 3.3 This quarter LGPS Central undertook 1,346² engagements with 570 companies on behalf of the Fund, the majority of which were carried out by EOS. Most engagements were conducted through letter issuance or remote company meetings, where LGPS Central, collaborative engagement partners or EOS in a majority of cases met or wrote to the Chair, a Board member, or a member of senior management.

¹ This is a consolidated figure representing the number of companies engaged, not the number of engagements.

² There can be more than one engagement issue per company, for example board diversity and climate change.

- 3.4 In April the Fund submitted its Annual Stewardship Report to the Financial Reporting Council (FRC) for review. The report highlights stewardship activity undertaken by the Fund and its investment providers over 2021, which has developed following feedback from the FRC on the Fund's 2020 report. LGPS Central have also submitted their Annual Stewardship Report to the FRC for review. The FRC will confirm the outcome of their review and continuation of the Fund's signatory status in October 2022.

Climate Change

- 3.5 During the quarter LAPFF undertook 28 climate change engagements. A number of these companies are categorised as change in process or showing improvement. LAPFF has sought improvement in Shell's climate change plans. LAPFF view Shell's net zero plans as not covering the necessary emissions reductions prior to 2050 and being dependent on customers and carbon offsets. A joint meeting with CA100+ members and the CEO of Shell was held in March 2021 which concluded that Shell's plans were not adequate. Whilst there hasn't yet been a shift in Shell's strategy, there appears to be more scepticism from asset managers and owners that had previously been supportive of Shell's plans in 2021.
- 3.6 As part of an engagement with the CA100+ investor collaborative group, LAPFF held a meeting with the Chair of LyondellBasell to discuss the company's climate transition plan and further progress to reduce its carbon emissions. The Chair was probed on the greatest challenges the company faces in moving to net zero and LAPFF asked for more detail around the company's plans. Subsequent correspondence with the Chair set out various areas of investor expectations discussed during the meeting. A further meeting is proposed after the company has issued its sustainability report later in 2022.
- 3.7 This quarter, LGPS Central's climate change engagement set comprised 292 companies with 380 engagement issues. Most engagements were undertaken via CA100+ with progress on 151 specific engagement objectives.
- 3.8 As co-lead in the CA100+ engagement with Glencore, LGPS Central have held multiple constructive dialogues with Glencore relating to the company's climate action plan. LGPS Central met with Glencore's CEO to discuss the company's climate progress report and raised concerns around the company's short-term greenhouse gas emissions target. Glencore received 23.72% opposition, including from LGPS Central, to their Transition Plan Report and will be expected to engage its shareholders to understand their concerns. LGPS Central have explained their vote rationale to the company and expect to continue constructive engagement with Glencore alongside the other co-leads of CA100+.
- 3.9 LGPS Central, alongside eleven institutional investors led a climate resolution at Credit Suisse asking the company to improve its climate risk disclosures, bring its coal, oil and gas policies in line with leading practice in the sector, and publish short and long-term targets to reduce its exposure to coal, oil and gas assets, on a timeline consistent with the 1.5°C goal of the Paris Agreement. Several rounds of engagement with Credit Suisse led to the company making several commitments in the weeks ahead of its AGM. However, LGPS Central believed the bank did not address several requests that were

made in the resolution including disclosing its capital markets fossil fuel activities. Ahead of COP26 last year, Credit Suisse was one of the banks which received a letter co-signed by LGPS Central with more than 100 investors, setting out expectations for Paris-alignment and protection and restoration of biodiversity.

Sustainable Food Systems

- 3.10 Over the quarter LGPS Central and EOS engaged with Tyson Foods over a range of issues focusing on the company's practices and policies as well as encouraging better plastic-related risk management. LGPS Central supported a shareholder resolution which urged the company to reduce its use of plastic packaging as they view the company's action as lagging the practices of other supply-chain efforts to reduce plastic use and packaging waste. Although ultimately unsuccessful, this proposal was supported by 59% of independent shareholders and in LGPS Central's view this can bring attention to the continued use of plastic packaging. EOS has a long-standing engagement with Tyson and will continue dialogue with the company on various ESG-related issues including circular economy and plastic-related risk management.
- 3.11 LAPFF and EOS has partnered with the Farm Animal Investment Risk and Return (FAIRR) initiative which seeks to raise awareness of the material ESG risks and opportunities caused by intensive livestock production. The pandemic exposed and exacerbated the fundamental and structural human capital risks in the animal farming industry and through this engagement the group targeted the seven largest protein producers globally, the aim being to empower workers and support risk mitigation in three key areas: health and safety, fair working conditions and worker representation. LAPFF has signed onto collaborative engagements, one of which looks to address sustainable aquaculture, asking salmon companies to develop and disclose strategies for diversifying feed ingredients towards lower impact and more sustainable alternatives, and to implement better climate risk management.

Human Rights

- 3.12 LAPFF, along with the Renova Foundation had a meeting with BHP to discuss LAPFF's concerns over progress regarding the house building after the Samarco tailings dam collapse at Mariana, Brazil in 2015. Whilst progress has been made the LAPFF Chair reiterated this was inadequate. LAPFF will continue to engage the companies, Renova, and the affected communities to have everyone's needs met as soon as possible.
- 3.13 LAPFF continues to ask a number of companies to undertake human rights impact assessments on their operations in the Occupied Palestinian Territories (OPT). LAPFF met with Bezeq and Motorola (alongside LGPS Central) over the quarter. Both meetings provided a starting point to continue dialogue going forward. The need for companies to carry out human rights impact assessments was highlighted, and Motorola were provided with a list of potential third-party providers who can assist with such an assessment. LAPFF also met with the UN Special Rapporteur on Human Rights to discuss a letter that was sent to LGPS Funds, as well as further information on company positions on the UN list and the process for this being refreshed and companies being removed from it. LAPFF will continue to engage with a number of companies it initially engaged with on this matter.

- 3.14 LAPFF has joined around 60 global investors in working groups, coordinated by the Investor Alliance for Human Rights. This provides the opportunity to collaborate going forward and corroborate notes and engagement strategies with a host of other investors. Issues under consideration include the use of Uyghur labour and the technology sector. LAPFF will be seeking meetings with those companies that have yet to respond, alongside Microsoft who provided further detail.

Responsible Financial Management

- 3.15 In March 2022 LGPS Central signed a letter to the US Securities and Exchange Commission (SEC), alongside over 100 other investors, in support of a shareholder proposal at Amazon asking for tax transparency. In a letter to Amazon in April, SEC ruled in favour of the shareholders who demanded a vote on the issue. The shareholder resolution, which will now be allowed to go to a vote at Amazon's AGM represents one of the first times the regulator has granted a shareholder request on tax matters.
- 3.16 LAPFF joined other investors in writing to the SEC referencing its upcoming Climate Disclosure Rulemaking. Co-ordinated by the US 'As You Sow' organisation, correspondence underscored the importance of requiring verified Scope 1 through 3 value chain carbon emissions-reporting with an emphasis on Scope 3 verified reporting.
- 3.17 LAPFF supported a collaborative letter to French auditors EY, PwC, KPMG and Deloitte, asking about disclosure on material climate-related risks. It raised the concern that if material climate risks are not properly examined, there may be questions over the reliability of auditor's opinions that these accounts meet the true and fair view standard as required under European Company Law.

Voting Globally

- 3.18 The Fund's Voting Principles are currently executed by EOS via a contract held by LGPS Central Ltd, the Fund's asset pool company. The Fund has contributed to and endorses LGPS Central's Voting Principles. As mentioned last quarter the Fund has reviewed and updated its Voting Principles in consultation with appointed investment managers, including LGPS Central Ltd. The updated version was finalised in April 2022 ahead of the voting season and has strengthened expectations on board composition to enhance diversity (Section 3.1); enhancement of Auditor Independence and Remuneration practices (Sections 3.2 and 3.4); and inclusion of Section 3.5 '*Sustainable Business Practices*' which sets out enhanced expectations of company climate-related disclosures and transition plans and encourages commitment to biodiversity protection as part of a broader climate transition effort. Several company votes were conducted following Q1 2022. Key highlights will be summarised in the September reporting to the Pensions Committee.
- 3.19 The voting activity for the quarter across markets and issues can be found in Appendix D. During the period, the Fund voted at a total of 441 company meetings (4,867 resolutions) – 55 UK, 83 Europe, 39 North American, 232 Developed Asia, 5 Australasian and 27 in Emerging and Frontier Markets. At 221 meetings the Fund recommended opposing one or

more resolutions. The largest number of resolutions that were opposed concerned board structure and remuneration (usually voting against non-independent non-executive directors where the Fund or its advisors do not see sufficient independent oversight on a company board).

Correspondence

3.20 The Fund continues to receive correspondence from individual members of the public, and more established divestment groups in connection with climate change, arms and weapons manufacturers, agricultural livestock production, human rights issues and calls for divestment.

3.21 The Fund continues to respond to all correspondents and will continue to monitor progress on the issues outlined, with updates to each quarterly Pensions Committee Meeting.

4.0 Financial implications

4.1 The promotion of good corporate governance amongst companies in which the Fund invests is complementary to the Fund's objective of maximising financial returns, as it is widely believed that good corporate governance improves shareholder value in the long term.

5.0 Legal implications

5.1 This report contains no direct legal implications.

6.0 Equalities implications

6.1 This report contains no equal opportunities implications.

7.0 Other Potential Implications

7.1 This report contains no other potential implications

8.0 Schedule of background papers

8.1 LAPFF Quarterly Engagement Report: [LAPFF-QER-2022-Q1.pdf \(lapfforum.org\)](#).

8.2 LGPSC Quarterly Stewardship Update: [LGPSC-Stewardship-Update-Q4-2021-2022.pdf \(lqpscentral.co.uk\)](#)

8.3 LGPSC Annual Stewardship Report 2021: [LGPS-Central-Annual-Stewardship-Report-2021-FINAL.pdf \(lqpscentral.co.uk\)](#)

8.4 EOS at Federated Hermes Public Engagement Report: [EOS Public Engagement Report \(hermes-investment.com\)](#)

9.0 Schedule of appendices

9.1 Appendix A – WMPF Engagement Activity

9.2 Appendix B – WMPF Voting Activity

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West Midlands

EOS at Federated Hermes

Engagement by region

Over the last quarter we engaged with **303** companies held in the West Midlands portfolios on a range of **1,035** environmental, social and governance issues and objectives.

Global

We engaged with **303** companies over the last quarter.



Europe

We engaged with **75** companies over the last quarter.



United Kingdom

We engaged with **22** companies over the last quarter.



Emerging & Developing Markets

We engaged with **31** companies over the last quarter.



Developed Asia

We engaged with **42** companies over the last quarter.



Australia & New Zealand

We engaged with **five** companies over the last quarter.



North America

We engaged with **128** companies over the last quarter.

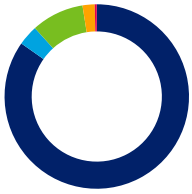


Engagement by theme

Over the last quarter we engaged with 303 companies held in the West Midlands portfolios on a range of 1,035 environmental, social and governance issues and objectives.

Environmental

Environmental topics featured in 27.2% of our engagements over the last quarter.



- Climate Change 84.8%
- Forestry and Land Use 3.5%
- Pollution and Waste Management 9.2%
- Supply Chain Management 2.1%
- Water 0.4%

Social and Ethical

Social and Ethical topics featured in 19.7% of our engagements over the last quarter.



- Bribery and Corruption 1.0%
- Conduct and Culture 9.8%
- Diversity 23.0%
- Human Capital Management 27.0%
- Human Rights 33.3%
- Labour Rights 5.9%

Governance

Governance topics featured in 37.1% of our engagements over the last quarter.



- Board Diversity, Skills and Experience 29.7%
- Board Independence 15.9%
- Executive Remuneration 40.6%
- Shareholder Protection and Rights 12.0%
- Succession Planning 1.8%

Strategy, Risk and Communication

Strategy, Risk and Communication topics featured in 15.9% of our engagements over the last quarter.



- Audit and Accounting 13.9%
- Business Strategy 36.4%
- Cyber Security 2.4%
- Integrated Reporting and Other Disclosure 21.8%
- Risk Management 25.5%

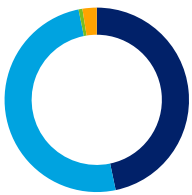
West Midlands

EOS at Federated Hermes

Over the last quarter we made voting recommendations at **441** meetings (**4,867** resolutions). At **221** meetings we recommended opposing one or more resolutions. We recommended voting with management by exception at **11** meetings and abstaining at **three** meetings. We supported management on all resolutions at the remaining **206** meetings.

Global

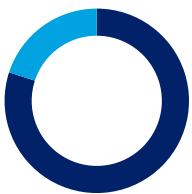
We made voting recommendations at **441** meetings (**4,867** resolutions) over the last quarter.



- Total meetings in favour **46.7%**
- Meetings against (or against AND abstain) **50.1%**
- Meetings abstained **0.7%**
- Meetings with management by exception **2.5%**

Australia and New Zealand

We made voting recommendations at **five** meetings (**18** resolutions) over the last quarter.



- Total meetings in favour **80%**
- Meetings against (or against AND abstain) **20%**

Developed Asia

We made voting recommendations at **232** meetings (**1,914** resolutions) over the last quarter.



- Total meetings in favour **57.8%**
- Meetings against (or against AND abstain) **42.2%**

Emerging and Frontier Markets

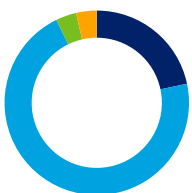
We made voting recommendations at **27** meetings (**239** resolutions) over the last quarter.



- Total meetings in favour **22.2%**
- Meetings against (or against AND abstain) **77.8%**

Europe

We made voting recommendations at **83** meetings (**1,520** resolutions) over the last quarter.



- Total meetings in favour **21.7%**
- Meetings against (or against AND abstain) **71.1%**
- Meetings abstained **3.6%**
- Meetings with management by exception **3.6%**

North America

We made voting recommendations at **39** meetings (**472** resolutions) over the last quarter.



- Total meetings in favour **17.9%**
- Meetings against (or against AND abstain) **71.8%**
- Meetings with management by exception **10.3%**

United Kingdom

We made voting recommendations at **55** meetings (**704** resolutions) over the last quarter.



- Total meetings in favour **67.3%**
- Meetings against (or against AND abstain) **25.5%**
- Meetings with management by exception **7.3%**

The issues on which we recommended voting against management or abstaining on resolutions are shown below.

Global

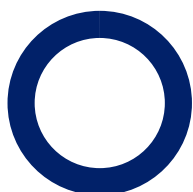
We recommended voting against or abstaining on **599** resolutions over the last quarter.



- Board structure **50.9%**
- Remuneration **24.0%**
- Shareholder resolution **6.5%**
- Capital structure and dividends **3.2%**
- Amend articles **3.0%**
- Audit and accounts **8.0%**
- Other **4.3%**

Australia and New Zealand

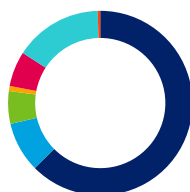
We recommended voting against or abstaining on **two** resolutions over the last quarter.



- Remuneration **100%**

Developed Asia

We recommended voting against or abstaining on **227** resolutions over the last quarter.



- Board structure **62.6%**
- Remuneration **8.8%**
- Shareholder resolution **5.7%**
- Capital structure and dividends **0.9%**
- Amend articles **6.2%**
- Audit and accounts **15.4%**
- Other **0.4%**

Emerging and Frontier Markets

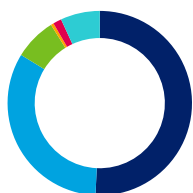
We recommended voting against or abstaining on **59** resolutions over the last quarter.



- Board structure **30.5%**
- Remuneration **30.5%**
- Shareholder resolution **1.7%**
- Capital structure and dividends **1.7%**
- Amend articles **1.7%**
- Audit and accounts **16.9%**
- Other **16.9%**

Europe

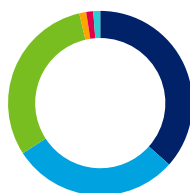
We recommended voting against or abstaining on **203** resolutions over the last quarter.



- Board structure **50.7%**
- Remuneration **33.0%**
- Capital structure and dividends **7.4%**
- Amend articles **0.5%**
- Audit and accounts **1.5%**
- Other **6.9%**

North America

We recommended voting against or abstaining on **82** resolutions over the last quarter.



- Board structure **36.6%**
- Remuneration **29.3%**
- Shareholder resolution **30.5%**
- Capital structure and dividends **1.2%**
- Amend articles **1.2%**
- Other **1.2%**

United Kingdom

We recommended voting against or abstaining on **26** resolutions over the last quarter.



- Board structure **46.2%**
- Remuneration **50%**
- Amend articles **3.8%**

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