

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

Trade union observers

Malcolm Cantello
Martin Clift
Ian Smith
Janice Wadrup

The quorum for a Committee meeting is 5 voting members, to include at least 1 elected member from the City of Wolverhampton Council and one Metropolitan District Representative.

Information for the Public

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

Contact Fabrica Hastings
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

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[NOT PROTECTIVELY MARKED]

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

Agenda

Part 1 – items open to the press and public

- | <i>Item No.</i> | <i>Title</i> |
|-----------------|---|
| 1 | Apologies for absence (if any) |
| 2 | Declarations of interests (if any) |
| 3 | Minutes of the previous meeting (Pages 5 - 12)
[For approval] |
| 4 | Matters arising
[To consider any matters arising from the minutes of the previous meetings] |
| 5 | Responsible Investment Activities (Pages 13 - 38)
[To receive an update on the work undertaken in relation to responsible investment activities.] [Appendix A to follow.] |
| 6 | Pensions Administration Report from 1 July to 30 September 2022 (Pages 39 - 58)
[To receive an update on the routine operational work undertaken.] |
| 7 | Customer Engagement Update (Pages 59 - 68)
[To receive an update on the Fund's customer engagement activity.] |
| 8 | Compliance and Assurance (Pages 69 - 78)
[To receive an update on the work of the Fund to deliver a well governed scheme.] |
| 9 | Delivering Our Corporate Plan (Pages 79 - 82)
[To receive an update on the work of the Fund in achieving its deliverables and targets set out in the Corporate Plan.] |
| 10 | Budget Monitoring 2022/23 and Quarterly Accounts to 30 September 2022
(Pages 83 - 86)
[To receive an update on the forecast out-turn against operating budget.] |
| 11 | Quarterly Investment Report to 30 September 2022 (Pages 87 - 108)
[To consider a range of investment issues.] |
| 12 | 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

- | | | |
|----|---|---|
| 13 | <p>Investment Strategy and Activity Update (Pages 109 - 114)</p> <p>[To receive an update on investment strategy and activity.]</p> | <p>Information relating to the financial or business affairs of any particular person (including the authority holding that information) Para (3)</p> |
| 14 | <p>2022 Actuarial Valuation Update (Pages 115 - 126)</p> <p>[To receive an update on the delivery of the 2022 Actuarial Valuation.]</p> | <p>Information relating to the financial or business affairs of any particular person (including the authority holding that information) Para (3)</p> |
| 15 | <p>Pension Administration System Transition (Pages 127 - 136)</p> <p>[To receive an update on the progress of the project managing the transition of the pension administration system to the new provider.]</p> | <p>Information relating to the financial or business affairs of any particular person (including the authority holding that information) Para (3)</p> |

Attendance

Members of the Pensions Committee

Cllr Milkinderpal Jaspal (Chair)
Cllr Olivia Birch (Vice-Chair)
Cllr Paul Appleby
Cllr Craig Collingswood
Cllr Carol Hyatt
Cllr Phil Page
Cllr Paul Singh
Cllr Tersaim Singh
Cllr Paul Sweet
Cllr Michael Gough (Solihull Metropolitan Borough Council)
Cllr Angus Lees (Dudley Metropolitan Borough Council)
Cllr Bally Singh (Coventry City Council)

Trade Union Representatives

Martin Clift (Unite)
Ian Smith (Unite)

Employees

Rachel Brothwood	Director of Pensions - West Midlands Pension Fund
Simon Taylor	Assistant Director – Pensions
Shiventa Sivanesan	Assistant Director – Investment Management and Stewardship
Femi Olatunde	Finance Project Consultant
Christopher Manning	Head of Finance
Amy Regler	Head of Operations
Hayley Reid	Regulatory Governance Manager
Laura Parker-Marsden	Governance Support Officer
Holly Slater	Governance Officer
Jaswinder Kaur	Democratic Services Manager
Fabrica Hastings	Democratic Services Officer
David M Rowley	Grant Thornton – V
Grant B Patterson	Grant Thornton - V

Part 1 – items open to the press and public

Item No. *Title*

- 1 Apologies for absence (if any)**
Apologies were received from Councillor Peter Allen, Councillor Ray Goodwin and Malcom Cantello – Trade Union Representative.
- 2 Declarations of interests (if any)**
There were no declarations of interest.

3 **Minutes of the previous meeting**

1. Cllr Hyatt requested that the minutes were amended to reflect the question raised on page 6 was regarding the attendance of Trade Union Representatives.
2. Subject to the above amendment, the minutes of the previous meeting held on 29 June 2022 be approved as a correct record.

4 **Matters arising**

There were no matters arising.

5 **Customer Engagement**

Simon Taylor, Assistant Director - Pensions, presented the report on Fund's customer engagement activity from 1st April 2022 to 30th June 2022 and to cover future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy.

The Assistant Director - Pensions drew the Committee's attention to the Communications Policy and Customer Engagement Strategy which had been reviewed and required approval, summarising the changes in both documents and highlighting the new opportunities for engagement afforded to the Fund by the move to its new premises.

It was noted that the Fund had received reaccreditation of its Customer Services Excellence award, receiving a compliance plus rating and extra recognition for certain areas of delivery.

The Committee were further advised that as a mark of respect to the Queen, all Fund events scheduled from the 12 September - 21 September 2022 had been postponed. The Pensions Awareness Week covered in section 6.4 of the report had now been planned for later in the year.

Resolved:

1. That the Customer Engagement Strategy and Communications Policy as set out in Appendices B and C be approved.
2. That the reaccreditation of the Fund for Customer Service Excellence for 2022 be noted.

6 **Pensions Administration Report from 1 April to 30 June 2022**

Amy Regler, Head of Operations, presented the report on the routine operational work undertaken by the Pensions Administration Service areas during the period 1 April – 30 June 2022.

The Head of Operations advised the Committee of an increase in outstanding case work, due to the profile of the Fund's membership with a high volume of deferred members attaining their retirement age during the period.

The Head of Operations highlighted two instances where KPI's (the provision of retirement quotes for active and deferred members), had not been achieved during the period. It was noted that the Fund routinely sees an increase in the provision of retirement quotes at this time of year and measures had been put in place to mitigate the impact with an improvement in Fund processing performance compared to the same period during the previous year.

Resolved:

1. That the 13 applications for admission from employers into the Fund as detailed in section 9 and Appendix E of this report be approved.
2. That the write-offs detailed in section 11 of this report be approved.
3. That the performance and workloads of the key pension administration functions be noted.
4. That the Development of the Fund's membership and participating employers be noted.

7 **Compliance and Assurance**

Hayley Reid, Regulatory Governance Manager, presented the report on the work of the Fund to deliver a well governed scheme.

The Regulatory Governance Manager outlined the Conflicts Management policy and the reviewed and updated Debt Recovery policy which had both been included within the report for approval.

The Regulatory Governance Manager noted that the risks included within the Fund's strategic risk register had remained static throughout the quarter. It was noted that both recruitment and resourcing and investment volatility remained high risks and that the Fund continued to await the publication of statutory guidance and regulations over the coming months, noting delays and unforeseen changes in these could further impact on the risk environment.

The Committee were advised of the statutory delivery of the Fund's Annual Benefit Statement, statements had been delivered to 99.6% of eligible deferred members and 90.7.% of eligible active members. All statements had been published on member portals in advance of the 31 August 2022 deadline.

The Regulatory Governance Manager highlighted the LGPS England and Wales: Governance and reporting of climate risks consultation for the Committee which had been included as a background paper to the report.

In a response to a question from Cllr Collingswood with regards to data breaches, the Regulatory Governance Manager advised the Committee that there were no patterns identified in relation to the data breaches detailed in the report and outlined the process for the monitoring and review of data breaches.

Resolved:

1. That the Fund's Conflicts Management policy be approved.
2. That the Fund's Debt Recovery policy be approved.
3. That the latest Strategic Risk Register and areas being closely monitored in the current environment be noted.
4. That the compliance monitoring activity undertaken during the quarter be noted.
5. That the Fund's Key Performance Indicators (KPI) and action taken to support service delivery be noted.
6. That the statutory delivery of the Annual Benefit Statements be noted.

8 **Annual Report and Accounts 2021/22**

Femi Olatunde, Finance Project Consultant, presented the report on the finalisation of the Statement of Accounts and the Annual Report for the year ending 31 March 2022 and the latter's publication on the Fund's website in advance of the statutory deadline of 1 December 2022.

David Rowley, Grant Thornton, presented the Committee with an update on the Annual Report and Accounts 2021-22. He advised the Committee that Grant Thornton had no concerns to report regarding the finalisation of the external audit which was substantially complete. It was noted that at the time of reporting there had not been any control weaknesses identified which required reporting to the Committee.

It was noted that the Committee had approved a delegation to the Chair and Vice-Chair to approve the final statement of accounts upon completion of the external audit.

Resolved:

1. That the delegation of the authority to the Chair and Vice-Chair to approve; the final Statement of Accounts, once the audit is completed in September, and the final publication of the Fund's 2021-2022 Annual Report, as agreed by the Committee in June 2022, be noted.
2. That the update on the Fund's External Audit from Grant Thornton be noted.

9 **Budget Monitoring 2022/23 and Quarterly Accounts 30 June 2022**

Femi Olatunde, Finance Project Consultant, presented the report on the yearend forecast at the end of quarter ended 30 June 2022 and provided an update on the value of the net assets of the WMPF at the end of quarter ended 30 June 2022.

The Finance Project Consultant outlined the net position of the Fund and provided an update on the operating budget of the Fund, it was noted that at the end of June 2022, the net assets of the Fund were £19.4bn.

Resolved:

1. That the value of the net assets of the West Midlands Pension Fund (WMPF) at the end of quarter ended 30 June 2022 was £19.4bn be noted.
2. That, as at the end of June 2022, WMPF forecasts an overspend of £4.5m at yearend attributable to £5.3m forecast overspend on investment management expenses offset by £0.8m forecast underspend on employee costs, be noted.

10 **Quarterly Investment Report to 30 June 2022**

Shiventa Sivanesan, Assistant Director – Investment Management and Stewardship, 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 Separate Funds).

The Assistant Director - Investment Management and Stewardship advised the Committee that the second quarter of 2022 was a challenging market environment with the majority of asset classes producing negative returns. Within this backdrop, the Fund returned -4.9% over the quarter to the end of June 22, outperforming its benchmark by 0.3%. Over the 12-months to the end of June 22, the Fund returned -1.4%, outperforming its benchmark by 0.5%.

In response to a question from Cllr Collingswood the Assistant Director – Investment Management and Stewardship confirmed that performance was largely driven by broader market performance, however, it was noted that the Fund had benefited from the diverse range of assets it holds and allocations to private markets.

In response to a question from Cllr B Singh the Assistant Director – Investment Management and Stewardship confirmed that private equity allocations consisted of a variety of underlying investment funds and performance was specific to individual managers and their strategies.

In response to a question raised by Martin Clift, Trade Union Representative, regarding Investments in the energy sector and engagement with companies with regards to profits and price levels, the Assistant Director – Investment Management and Stewardship confirmed that engagement formed part of the Fund’s stewardship activity and was ongoing.

Resolved:

1. That the global market and investment update paper prepared by the Fund’s Investment Consultant, Redington be noted.
2. That the Asset Allocation and Performance Reporting for the WMPF, Main Fund and Admitted Body Separate Funds be noted.

11 **Responsible Investment Activities**

Shiventa Sivanesan, Assistant Director – Investment Management and Stewardship, presented the report on the work undertaken in relation to responsible investment activities since the last Pensions Committee meeting.

The Assistant Director – Investment Management and Stewardship was pleased to confirm the Financial Reporting Committee (FRC) had confirmed the Fund’s continued status, as a signatory to the UK Stewardship Code. Following the Fund’s second annual stewardship report submission in April 2022, it was noted that the FRC had acknowledged the improvements made by the Fund since the report was first submitted last year.

The Fund continues to engage on a wide range of issues, prioritising the engagement themes as set out in the Responsible Investment Framework:

- Climate Change
- Sustainable food systems
- Human rights
- Responsible financial management.

The Committee were advised that a number of Company Annual General Meetings had taken place during the quarter and a significant amount of voting activity had taken place in line with the Fund’s Voting policy which was highlighted within the report.

It was noted that the Fund continues to receive requests, questions and communications on a range of topics from members of the public and that the Fund continues to review and respond to correspondence, signposting activity and action across a range of investment and engagement activities.

In response to a question raised by Cllr Hyatt regarding the success rate of engagement in relation to voting, the Assistant Director – Investment Management and Stewardship advised that both were powerful tools for investors and that votes can be significant with regards to prompting companies to engage with investors regarding concerns.

In response to a question raised by Cllr B Singh regarding emerging market equity exposure, the Assistant Director – Investment Management and Stewardship advised that investments within emerging markets equity exposure were currently under review, the results of which would be fed back to the Committee once the review had concluded.

Resolved:

1. That the Fund's engagement and voting activity for the three months ending 30 June 2022 [Appendices A and B] be noted.
2. That the Fund has retained its signatory status to the UK Stewardship Code, following submission of its second Annual Stewardship Report to the Financial Reporting Council (FRC) in April 2022 be noted.
3. That the issues discussed by Local Authority Pension Fund Forum (LAPFF) are set out in the Quarterly Engagement Report, which is available on the LAPFF website: [LAPFF-QER-2022-Q2.pdf \(lapffforum.org\)](https://lapffforum.org/LAPFF-QER-2022-Q2.pdf) be noted.
4. That the voting and engagement activity of Local Government Pension Scheme (LGPS) Central, as set out in the Quarterly Stewardship Report, available on the LGPS Central website: [LGPSC-Stewardship-Update-Q1-2022-2023.pdf \(lgpscentral.co.uk\)](https://lgpscentral.co.uk/LGPSC-Stewardship-Update-Q1-2022-2023.pdf) be noted.
5. That 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://hermes-investment.com/EOS-Public-Engagement-Report) be noted.

12 **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.

13 **Investment Strategy and Activity Update**

Shiventa Sivanesan, Assistant Director – Investment Management and Stewardship, presented the report on the investment strategy and activity in the WMPF and Admitted Body Separate Funds over the quarter.

Resolved:

1. That the update on the development and implementation of investment strategies for the Main Pension Fund and Admitted Body Separate Funds be noted.

14 **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 2022/23 and delivery of the 2022 actuarial valuation.

Resolved:

1. That the report and the associated update on progress with the 2022 actuarial valuation of the Fund be noted.
2. That the wider considerations for assumption setting aligned to the 2022 actuarial valuation be noted.
3. That the update on the associated employer covenant review in the context of the Fund's Integrated Risk Management Framework be noted.

15

Fund recruitment and resourcing

Rachel Brothwood, Executive Director of Pensions, presented the report on the measures being taken to recruit, review and build resilience within the Fund's resource and operational delivery.

Resolved:

1. That the progress with ongoing recruitment activity, including following changes to the Senior Management team be noted.
2. That the continued increase in competition for resource and skills in specialist roles and functions within the Fund, together with the activity underway to review resource plans be noted.
3. That the developing resilience review and action planning underway to mitigate key person risk be noted.

16

LGPS Pooling and Shareholder Update

Rachel Brothwood, Executive Director of Pensions, presented the report on the matters to be considered by Shareholders at the LGPS Central Limited Annual General Meeting on 27 September, highlights from the Company's 2022/23 Annual Report and the forward-plan for the development of the Company's 2023/24 business plan and budget.

Resolved:

1. That the Executive Director's update on Shareholder business relating to LGPS Central Limited be noted.
2. That the Annual Report of LGPS Central Limited for 2021/22, published on 1 September 2022, be noted.
3. That the work underway to finalise the LGPS Central pool annual report to the Department for Levelling Up Housing and Communities (DLUHC) and inform discussion on the Company's 2023/24 business plan and budget be noted.

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CITY OF WOLVERHAMPTON COUNCIL	<h1>Pensions Committee</h1> <h2>14 December 2022</h2>
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Report title	Responsible Investment Activities	
Originating service	Pension Services	
Accountable employee	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	Executive Director of Pensions
	Tel	01902 551715
	Email	Rachel.Brothwood@wolverhampton.gov.uk

Recommendations for decision:

The Pensions Committee is asked to note and approve:

1. Publication of the Fund’s 2022 Taskforce for Climate-related Financial Disclosure (TCFD) Report [Appendix A].
2. The Fund’s 2022 Responsible Investment Framework [Appendix B].

Recommendations for noting:

The Pensions Committee is asked to note:

1. The Fund’s engagement and voting activity for the three months ending 30 September 2022 [Appendices C and D].
2. The issues discussed by the Local Authority Pension Fund Forum (LAPFF) are set out in the Quarterly Engagement Report, which is available on the LAPFF website: [LAPFF-QER-2022-Q3-Final.pdf \(lapffforum.org\)](https://www.lapffforum.org/LAPFF-QER-2022-Q3-Final.pdf)
3. The voting and engagement activity of the Local Government Pension Scheme (LGPS) Central, as set out in the Quarterly Stewardship Report, available on the LGPS Central website: [LGPSC-Stewardship-Update-Q2-2022-2023.pdf \(lgpscentral.co.uk\)](https://www.lgpscentral.co.uk/LGPSC-Stewardship-Update-Q2-2022-2023.pdf)

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

1.0 Purpose

- 1.1 To update the Pensions Committee on the work undertaken in relation to responsible investment activities since the prior 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 and disclosure.

Taskforce for Climate-related Financial Disclosures (TCFD)

- 2.2 The climate crisis continues to be at the forefront of investors' concerns due to the potential materialisation of climate-related risks and their impact to investments, communities and nature. As a result, the Fund continues to assess, monitor and manage its climate-related risks. This is the sixth year in which the Fund has disclosed its action and approach to assessing and managing the risks associated with climate change and is an area which the Fund continues to develop. Further information is provided in the report in Appendix A.

Responsible Investment Framework

- 2.3 The Fund has reviewed and updated its Responsible Investment Framework that outlines the Fund's guiding principles and approach to Responsible Investment. A copy of the updated document is provided in Appendix B. The Responsible Investment Framework is a critical element of the investment process ensuring that the Fund continues to build a sustainable future for all by considering environmental, social and governance factors within its approach. Changes made to the Framework in 2022 reflect the evolution of the Fund's Responsible Investment approach since prior review and approval in March 2021, including:

- Reference to the Fund's update Climate Change Framework and Strategy 2021, including Net Zero commitment;
- The Fund's signatory status to the 2020 UK Stewardship Code (in 2021 and 2022); and
- Review and re-statement of the Fund's commitment and core engagement theme of Human Rights.

The Intuitional Investors Group on Climate Change (IIGCC) Target Disclosure

- 2.4 As part of ongoing work with IIGCC and the Paris Aligned Asset Owners Initiative, following the quarter-end the Fund, as part of its signatory obligations, submitted its disclosure statement around its net zero targets and plans for aiming to continue to develop its approach and framework to achieve its commitments.

Local Government Pension Scheme (England and Wales): Governance and Reporting of Climate Change Risks Consultation

- 2.5 Following the quarter-end, the Fund responded to the consultation by the Department for Levelling Up, Housing and Communities (DLUHC) regarding the mandatory reporting on the assessment, management and disclosure of climate-related risks. The Fund's early adoption of voluntary TCFD reporting framed its responses and submission. A copy of the Fund's response has been shared with the Committee.

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 LAPFF, EOS at Federated Hermes ('EOS' - via a contract held by LGPS Central Ltd, the Fund's investment pool operator), the 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 36 companies during the quarter¹, addressing climate change, human rights, and governance issues. Engagements were generally conducted through letter writing or meetings; 2 company engagements are currently categorised as change in process, whilst substantial and moderate improvements were documented in 8 engagements.
- 3.3 This quarter LGPS Central undertook 831 engagements with 313 companies on behalf of the Fund, the majority of which were carried out by CA100+.

Climate Change

- 3.4 During the quarter LAPFF undertook 10 climate change engagements. 10 of these companies are categorised as in dialogue with a further 3 showing improvement.
- 3.5 This quarter, LAPFF issued a voting alert recommending a vote against National Grid's transition plan. This involved concerns that despite draft climate action plans from Massachusetts and New York state agencies proposing nearly 10 million households adopting electric heat pumps by 2050, National Grid still envisaged 50% of households in

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

these states to have some form of gas burning system. National Grid representatives provided more detail on 1.5°C alignment and the challenge for the gas business in the US. Correspondence has been sent to National Grid to identify and overcome potential policy barriers in relation to the decarbonisation of the powers and utilities sectors.

- 3.6 Mizhuo, a financial service company in Japan, established medium targets for the carbon intensity of the electric power sector following a collaborative meeting in July. This used the lower end of the International Energy Agency (IEA) Net Zero Emissions by 2050 Scenario, and the upper end of the IEA's Sustainable Development Scenario. Mizhuo also has an engagement policy to support clients managing transition risks with a trigger when clients show no willingness or relevant strategy to address transition risks in one year. LAPFF will continue to engage with Asia-based utilities and financial companies.
- 3.7 This quarter, LGPS Central's climate change engagement set comprised 191 companies with 310 engagements issues and objectives². Most engagements were undertaken via CA100+ with progress on 144 specific engagement objectives.
- 3.8 LGPS Central and EOS's engagement with NextEra centres around the ongoing CA100+ initiative. Following votes against the Chair at NextEra Energy's (NEE) Annual General Meeting (AGM) in May, due to inadequate management of climate-related risks, NEE announced net zero goals by 2045 without reliance on offsets for their Scope 1 and 2 emissions. CA100+ investors are pushing for a meeting at board level to discuss the gaps including clear pathways for absolute emission reductions, capex alignment with the real net zero target and policy advocacy.
- 3.9 This quarter, LGPS Central voted against Barclay's Climate Strategy, Targets and Progress 2022 report in May 2022. Barclays have used the International Energy Agency's Net Zero by 2050 Roadmap for the Energy Sector (IEA NZE2050) analysis as a reference and has set specific 2030 sector emissions intensity targets for energy, power generation, cement, and steel. These target ranges for emission intensity are not fully aligned with IEA's NZE analysis and some of their restrictive policies are insufficient. Engagement will continue focusing on their climate transition efforts and updates to targets phasing out the financing of US thermal coal power generation by 2030.

Sustainable Food Systems

- 3.10 This quarter, LGPS Central actions on the Sustainable Food Systems theme engaged with 11 companies with 15 engagement issues and objectives³.
- 3.11 The Global Commitment, led by the Ellen MacArthur Foundation (EMF) with the UN Environment Programme, is an initiative with more than 500 organisations aiming to develop a circular economy by reusing, recycling and composting plastic. For companies, who have signed up to the Global Commitment, the use of virgin plastics has peaked. Plastics have been mainly eliminated through recycling, but more efforts are required in terms of redesign and reusing plastics. From an investor's perspective, companies will

² There can be more than one climate-related engagement issue and/or objective per company.

³ There can be more than one sustainable food systems related engagement issue and/or objective per company.

need to have clear strategies on plastic including plastic reporting and switching to sustainable alternatives.

Human Rights

- 3.12 This quarter our human rights related engagements comprised 54 companies with 93 engagement issues and objectives.
- 3.13 The LAPFF Chair travelled to Brazil to investigate the communities affected by tailings dams in Conceição do Mato Dentro, Mariana, and Brumadinho. This trip was an element of LAPFF's broader work on mining and human rights, which is highlighted in the mining and human rights report LAPFF published in April 2022. The motivation for the trip reflects LAPFF's view that social and environmental impacts by investee companies are financially material for investors.
- 3.14 LAPFF continues to investigate issues of Uyghur forced labour in Xinjiang and other regions of China. LAPFF joined the Investor Alliance for Human Rights Uyghur Region Engagement Group earlier in the year. The Forum reached out to the Australian Strategic Policy Institute (ASPI), which produced the report 'Uyghurs for Sale' in March 2020, linking 82 global brands to factories in the Xinjiang region to potential cases of forced Uyghur Labour. Following LAPFF's meeting with ASPI representatives, it was implied that companies operating in the Xinjiang region could not undertake the thorough levels of due diligence they were claiming to be able to do. LAPFF followed up with questions to both Cisco and Dell after meetings earlier in the year, but neither company responded.
- 3.15 EOS at Federated Hermes continue to engage with technology companies on a broad range of human rights such as freedom of expression, data protection, content moderation and other industry-specific issues. With Meta Platforms, Inc. EOS participated in a joint investor call regarding eliminating emotional bias from artificial intelligence; dissemination of paid and labelled political content and acknowledge tension between freedom of expression and hate speech, bullying, misinformation etc. Meta has improved disclosure on children's rights but is lacking metrics and targets to show the effectiveness of their efforts.

Responsible Financial Management

- 3.16 This quarter, our tax transparency engagement set comprised 5 companies with 5 engagement issues and objectives. There was progress on 1 specific engagement objective against a total of 4 objectives.
- 3.17 Experian has published a standalone tax report, following engagement with LGPS Central. The expectation is for companies to disclose tax-relevant Country-by-Country-Reporting (CBCR) showing jurisdiction-wise activities and tax paid. Experian was encouraged to disclose a tax contribution report including CBCR, using the Global Reporting Initiative (GRI) Tax Standard 207. LGPS Central believe that the company meets the core element of the standard with room for improvements in relation to CBCR. Experian plans to incorporate feedback in their tax report next year.

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.
- 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 277 company meetings (3,260 resolutions) – 116 UK, 40 Europe, 33 North American, 44 Developed Asia, 14 Australasian and 30 in Emerging and Frontier Markets. At 120 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).

Voting Key Highlights

- 3.20 LGPS Central voted against the reappointment and remuneration of the Director at Reliance Industries Ltd. As a member of the Governance committee, his role is prominent to the company's climate action and yet company performances on climate change was below expectations in comparison to others in the oil and gas sector. This included failure to disclose Scope 3 emissions. This proposal did not meet the required shareholder support to be passed, therefore LGPS Central will continue to raise concerns on climate change and governance issues.
- 3.21 LGPS Central supported a proposal requiring General Mills to report absolute reduction in plastic packaging use. General Mills has already set goals to make 100% of its packaging recycled or recyclable by 2030 and investing in a flexible film recycling facility. But in comparison to its peers who have joined the Ellen MacArthur New Plastics Economy Global Commitment, the company is lagging. Multiple US states have enacted legislation placing the responsibility of post-consumer package waste on companies and adopting minimum recycled content standards. With these significant risks, the resolution passed with 56.5% votes. The company is currently undergoing engagement with EOS at Federated Hermes on deforestation matters also.
- 3.22 LGPS Central supported a shareholder proposal at Sainsbury's AGM in July on Living Wage accreditations. As a proactive company in paying minimum wages, LGPS Central believes that Sainsburys should set an industry example by being Living Wage accredited. This would involve paying indirect workers, such as cleaners and security staff, real living wage and support staff and broader society during the cost-of-living crisis. The proposal received 16.7% support but failed to pass.
- 3.23 LGPS Central supported eight shareholder proposals at Tesla's AGM in August including reporting climate change lobbying in line with the Paris Agreement. While there is no evidence of misalignment between Tesla's lobbying and the Paris Agreement objective, additional disclosure would facilitate better management of climate-related opportunities and risks. This received 34.3% support. Another proposal involved eradicating child labour in the company's battery supply chain, which received 10.4% votes.

Correspondence

- 3.24 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. During the quarter the Fund received queries and correspondence on responsible investment topics relating to investment in Occupied Palestine Territories (OPT). LAPFF is continuing a programme of engagement over 2022 on behalf of the Fund and is monitoring both UN activity and the developing political situation in OPT areas. Pensions Committee will be kept abreast of progress.
- 3.25 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-Q3-Final.pdf \(lapfforum.org\)](#)
- 8.2 LGPS Central Quarterly Stewardship Update: [LGPSC-Stewardship-Update-Q2-2022-2023.pdf \(lgpscentral.co.uk\)](#)
- 8.3 EOS at Federated Hermes Public Engagement Report: [EOS Public Engagement Report \(hermes-investment.com\)](#)

9.0 Schedule of Appendices

- 9.1 Appendix A – 2022 Taskforce for Climate-related Financial Disclosure (TCFD) Report

9.2 Appendix B – 2022 Responsible Investment Framework

9.3 Appendix C – WMPF Engagement Activity

9.4 Appendix D – WMPF Voting Activity



RESPONSIBLE INVESTMENT FRAMEWORK

DECEMBER 2022

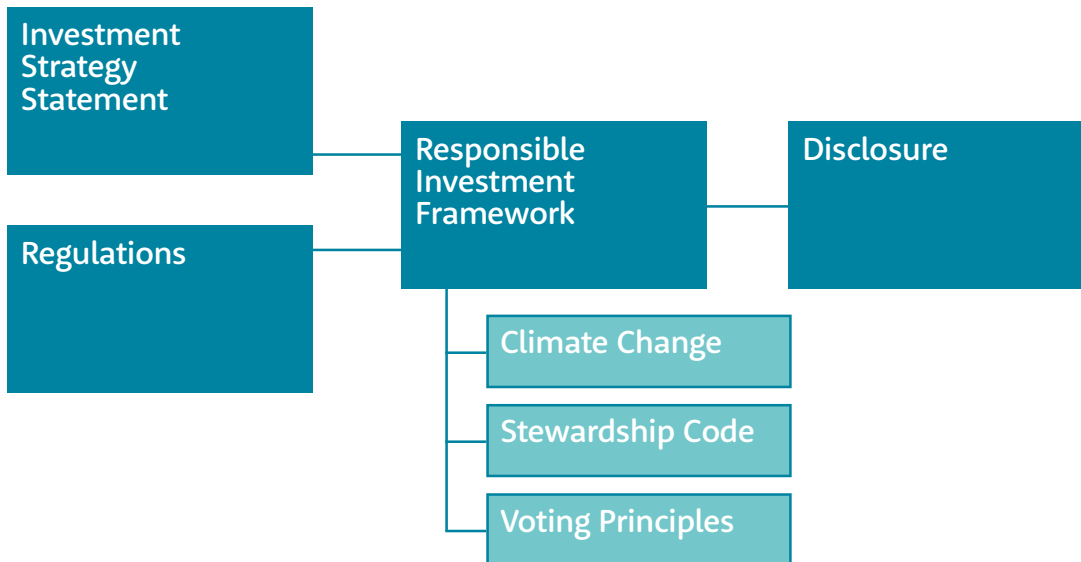


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1 PURPOSE

This framework defines West Midlands Pension Fund’s (“the Fund”) commitment to responsible investment (RI). Its purpose is to detail the approach that the Fund aims to follow in integrating environmental, social and governance (ESG) considerations into its investment strategy and implementation. It informs and is supplementary to the Fund’s *Investment Strategy Statement*, aligning with the Fund’s investment beliefs and fiduciary duty.



This framework has been developed in the context of relevant regulations, statutory guidance, and the advice of the Law Commission. Under the framework, the Fund applies a three-pillar approach to implementation: Selection, Stewardship and Reporting & Disclosure. This document sets out the overarching framework for Responsible Investment and supporting practical application of the *Climate Change Strategy and Framework*, *Statement of Alignment with the UK Stewardship Code* and *Voting Principles*.

The Pensions Committee is, at all times, responsible for the Fund’s investments, including responsible investment beliefs and guiding principles which inform the development and review of RI policy. Responsibility for oversight and implementation of the Fund’s RI framework sits with the Executive Director of Pensions, supported by the Assistant Directors. This framework applies to all members of the Pensions Committee and the Fund officers.

The Pensions Committee reviews the framework annually, or at times the Fund sees fit to revise its RI policies and procedures. This statement updates and replaces the March 2021 *Responsible Investment Framework*. A draft statement was presented to the Pensions Committee on 14 December 2022 for approval.

2 BELIEFS AND GUIDING PRINCIPLES

The term “responsible investment” refers to the integration of financially material environmental, social, and corporate governance (“ESG”) factors into investment processes. It has relevance both before and after the investment decision and is a core part of fiduciary duty. It is distinct from “ethical investment”, which is an approach in which the moral persuasions of an organisation take primacy over its investment considerations.

Please refer to the glossary for more definitions of terms.

Investment Beliefs

The Fund’s *Statement of Investment Beliefs*, set out in the Fund’s *Investment Strategy Statement*, cover:

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

Engagement and Collaboration

The Fund prefers to adopt a policy of risk monitoring and engagement to positively influence company behaviour and enhance shareholder value, influence that would be lost through a divestment approach. In scenarios in which engagement fails, an appropriate escalation methodology may be adopted. The Fund extends this principle of “engagement for positive change” to the due diligence, appointment, and monitoring of fund managers.

The Fund believes that it will improve its effectiveness by acting collectively with other like-minded investors because it increases the likelihood that they will be heard by the company, fund manager or other relevant stakeholder compared with acting alone. The Fund recognises the need to operate at a market-wide level to promote improvements and develop effective RI processes that will help it to deliver sustainable long-term growth.

Remuneration and Cost Management

Executive remuneration and investment management costs matter, particularly in low-return environments. Fee arrangements with fund managers and the remuneration policies of investee companies should be aligned with the Fund’s long-term interests. The Fund recognises that it is part of its fiduciary duty to ensure that there is appropriate alignment and notes that the now industry-wide cost transparency initiatives the Fund has led on have been pivotal in aiding greater understanding of cost to enable improved alignment and cost management.

Climate Change

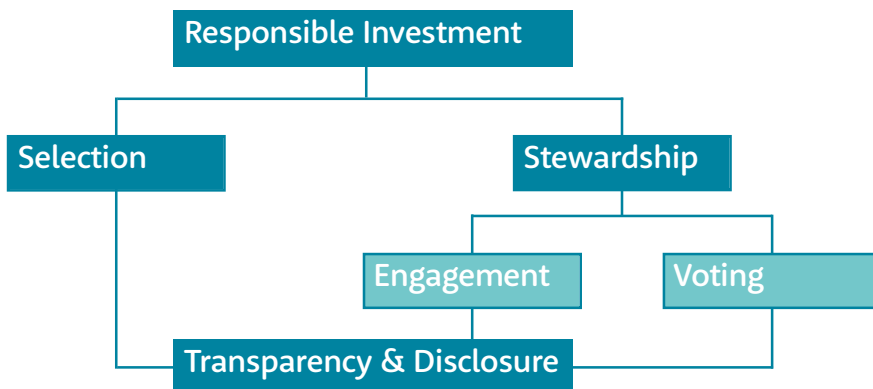
Financial markets could be materially impacted by climate change and by the response of climate policymakers. The Fund has developed evidenced-based beliefs relating to climate change to assist in monitoring and managing this specific area of risk and opportunity and this is outlined in more detail within the *Climate Change Framework and Strategy*, most recently updated over 2021. As a responsible investor, the Fund will seek to proactively manage this risk factor through stewardship activities, using partnerships of like-minded investors where feasible.

The Fund is a strong supporter of the Paris Agreement on climate change and believes that policy makers, consumers, companies, and investors have a role to play in increasing awareness and enabling a just transition through strong governance. As part of commitments to net zero by 2050 or sooner, the Fund aims to continue to develop best practice strategies and solutions to support this change alongside other industry actors. Noting that climate-aware decisions will be better with accurate, relevant, complete, and comparable data, the Fund is engaging to increase disclosure and aid development of policy instruments.

The Fund undertakes and discloses its assessment of financial risk associated with climate change and inherent within the investment portfolio, in line with recommendations made by the Taskforce for Climate-related Financial Disclosure (TCFD).

No individual investor nor the investment industry is influential enough to achieve the rate of change required to avoid catastrophic consequences highlighting the importance of collaborative and collective progress required. The Fund supports increasing regulation and guidance for UK pension funds taking effect in 2023 to assess, manage and publish actions on climate change.

3 IMPLEMENTATION



Either directly or through Fund management arrangements, the Fund aims to put its responsible investment beliefs into practice through actions taken both before the investment decision (which we refer to as ‘the selection of investments’) and after the investment decision (‘the stewardship of investments’).

The Fund is aiming for full integration of responsible investment principles throughout investment strategy, process, and monitoring, with evidence of increasing use of environment, social and governance (ESG) risk factors in decision making throughout the investment value chain.

The Fund aims to be transparent to its stakeholders through regular, high-quality disclosure. Disclosures are made quarterly through Pensions Committee meetings, regular updates to the Fund’s website and annually through the Fund’s *Annual Report and Accounts* and the *Climate-related Disclosure Report*. Together these ambitions yield the Fund’s three RI pillars: Selection, Stewardship and Transparency and Disclosure.

Selection

The Fund aims to be aware of and monitor financially material RI issues in the context of investment and manager selection, whether this is through directly appointed external managers, or funds managed by LGPS Central Ltd. The Fund extends this principle of ‘engagement for positive change’ to the due diligence, appointment, and monitoring of fund managers across all asset classes.

Fund Manager Due Diligence

The Fund collects the following information from each manager before they are appointed, where applicable to the asset class:

- Copy of their RI or stewardship policies (or equivalent) which articulates how RI factors, whether stemming from research, stewardship activities or other sources, are integrated into their investment process.
- Case studies or examples of where RI issues have influenced an investment decision.
- Information on the process for integrating any third-party RI data into their company financial models, investment strategies and portfolio construction.
- Fee transparency and evidence of disclosure, noting commitment to sign-up to the LGPS Code of Transparency as a condition of appointment.

- RI reporting format, incorporating both quantitative and qualitative risk assessment.
- Whether they are a signatory of the UN-backed Principles for Responsible Investment (PRI) and 2020 UK (or other) Stewardship Code.

Fund Manager Appointments

The Fund assesses the RI capability of a Fund manager as a factor within each of the people, process, and performance categories. In its decision to appoint a Fund manager, the Fund takes a balanced consideration of all relevant factors including RI. However, the Fund will pay particular attention to adherence to relevant soft regulatory codes depending on the market in which it invests.

In practice, this means the Fund is willing to hire a fund manager at an early stage of developing its RI approach so long as there is a demonstrable RI commitment and a willingness to improve in their approach over a short and defined time period.

In alignment with the guiding principle on “Engagement and Collaboration”, the Fund believes that there is added value in working managers to develop their approach.

Fund Manager Monitoring

Each Fund manager is expected to report¹ at agreed intervals to the Fund on how their RI activities are contributing to improved long-term risk-adjusted returns. Examples of information that can be provided in aid of this objective include but are not limited to the following:

- The evolution of how the manager integrates the consideration of RI issues into its investment and stewardship activities.
- How investment and stewardship functions are combined to protect and/or enhance value.
- Any outcomes arising from the manager’s engagement with companies and their effectiveness.
- Financial metrics used to assess the risks within the portfolio and how these change over time and/or relative to comparable benchmarks.

LGPS Central Limited

Since April 2018, Fund assets have transitioned into the LGPS investment pool, and pooled vehicles created by LGPS Central Limited. The pool company has developed a leading approach to RI, requiring all products to meet and retain a standard for RI-integration and thereby supporting Partner Funds in the execution of their individual RI policies. RI integration features in the investment process for all major asset classes; a suite of RI policies are in place together with an appointed engagement provider to support regular engagement, monitoring and reporting.

¹Refers to either formal written reporting and to financial or verbal communications, which can be regular and/or ad-hoc in frequency.

Stewardship

Engagement Through Partnerships

The Fund's strategy is to engage with its investee companies and other key stakeholders through partnerships. The Fund aims to protect and increase shareholder value by engaging on a range of financially material ESG investment factors. A significant part of the Fund's engagement programme is implemented through partnerships as detailed in [Memberships and Affiliations](#).

Company Engagement

The Fund's approach includes bottom-up engagement – which targets improvements on specific issues at individual companies – and top-down engagement – which identifies themes of long-term economic significance and of relevance for stakeholders. The Fund will, either directly, collaboratively or through specialist service providers or Fund management arrangements:

- hold constructive dialogue with investee companies;
- encourage the disclosure by companies of RI issues;
- participate in the development of public policy on RI issues; and
- disclose and maintain a policy for identifying and managing conflicts of interest with the aim of taking all reasonable steps to put the interests of the Fund's beneficiaries first.

Industry Engagement

To address the global challenges and initiate change, collaboration is required from all stakeholders, such as public policy makers, regulators, trade bodies, indexes, and other players in the financial markets. These global challenges present risks and obstacles that affect the way we invest and uphold our duty to pension members and fall within the Fund's fiduciary responsibilities. Therefore, with other like-minded investors, the Fund may engage with these bodies in policy advocacy, developing regulations or signing investor letters and statements.

The Fund considers these initiatives on a case-by-case basis.

Shareholder Litigation

The Fund may be eligible to participate in certain individual and class action securities litigation. Securities litigation may be used as an escalation technique within an engagement process. There are a number of litigation options available when a company has violated securities laws that result in losses to the Fund.

For US-based claims, the options would be to:

- remain in the class action and file proof of claim through our claims administrator;
- participate as a lead plaintiff in a class action; or
- opt out and file a private action.

For non-US based claims, the options would be to join an existing group action or file a group action as a lead plaintiff.

The Fund takes a case-by-case approach in determining whether or not to join a class action but considers factors such as:

- advantages and disadvantages of the Fund becoming actively involved;
- relative size of the Fund's potential losses compared to other organisations;
- likelihood of success; and
- whether the Fund is fully indemnified against costs, expenses, counterclaims, and any other losses.

Voting

Voting is a valuable tool that allows the Fund to exercise its rights as a shareholder to drive and influence the direction of the company. Hence, the Fund has developed a separate voting policy which can be found at www.wmpfonline.com.

Transparency and Disclosure

The Fund aims to keep its beneficiaries aware of its RI activities through:

- disclosing RI policy publicly, e.g. voting policies, *Climate Change Framework and Strategy*;
- providing a summary of the Fund's RI activities, including voting activity², in the *Annual Report and Accounts*;
- providing a summary of the Fund's RI activities in the quarterly reports to the Fund's Pensions Committee;
- publishing aggregate voting and company engagement statistics on a quarterly basis;
- disclosing the outcomes of its voting decisions on a vote-by-vote basis; and
- disclosing the Fund's approach to managing climate change risk using the recommendations made by the Taskforce on Climate-related Financial Disclosures framework (TCFD).

4 ENGAGEMENT THEMES FOR 2020-23

The Fund has selected four engagement themes for the financial year: climate change; sustainable food systems; human rights; and responsible financial management. As part of continuous review, these engagement themes may be revised in 2023 to reflect on relevance and priority.

Climate Change

The Fund adopts an evidence-based approach to climate change and believes there is overwhelming evidence to support that climate change poses both risks and opportunities to the Fund's investments. It is the Fund's view that the scale of these impacts is such that a proactive and precautionary approach is needed to address them through the integration of net zero practices into the Fund's investment strategy. The Fund has a proactive programme of climate change stewardship, primarily by leveraging its strategic partnerships and through its support to the Transition Pathway Initiative, the Climate Action 100+ Initiative, and the Institutional Investor Group on Climate Change.

Sustainable Food Systems

A sustainable food system is one that delivers food and nutrition security for all in such a way that the economic, social, and environmental bases for future generations are not compromised. There has been a shift among consumers who are increasingly aware of, and concerned by, the climate impacts of the food they eat and how sustainably it is produced. The Fund aims to participate in organisations aiming to tackle these issues, particularly the damage that single-use plastics has on the environment. The Fund is keen to engage alongside partners in highlighting the risks that single-use plastics pose to longer term financial returns.

Human Rights

Human rights include civil, political, economic, and social and cultural rights, such as the right to life, the right to freedom of association or the right to health. People play a pivotal role within companies and the global economy, therefore ensuring their basic human rights are met, is not only financial factor, but the responsibility of the companies to show respect for human rights and their people. The Fund is actively aiming to address issues associated with human rights through the research, analysis and engagements conducted by all engagement partners including the Local Authority Pensions Fund Forum and LGPS Central pool.

The Fund believes that a diverse and inclusive workplace can provide benefits to a company. It signals to a company's strength to innovate, overcome challenges and retain talent that results in higher financial returns. As a representative of an asset owner diversity working group, the Fund aims to pursue greater gender and ethnicity diversity within the investment industry. Fund stewardship work incorporates a drive for wider-ranging action on equality and inclusion to drive change and increase representation and involvement by all.

Responsible Financial Management

The Fund supports the practice of responsible financial management. The avoidance of tax by some large multinationals has attracted a great deal of criticism, and small businesses shouldering a heavier tax burden have struggled to compete. Instead, more companies are now taking a long-term view that investment in the community and the society in which they operate by paying taxes will ultimately lead to greater prosperity for the business too. As governments, companies and global economies look to "build back better" over 2021, increased focused on financing and reporting arrangements is expected to increase both to demonstrate action on climate change and to respond to demands to reconsider social value. The Fund aims to monitor and address these issues through the work of their engagement partnerships and collaborations.

5 MEMBERSHIPS AND AFFILIATIONS

Organisation/Initiative Name	About the Organisation/Initiative Name
Local Authority Pension Fund Forum (LAPFF)	<p>The Fund is a founding member of the Local Authority Pension Fund Forum (LAPFF) and the Fund's Executive Director of Pensions is currently LAPFF's Honorary Treasurer. LAPFF is the UK's leading collaborative shareholder engagement group encompassing 82 local authority pension funds and seven investment pools from across the country with combined assets of around £300 billion. The Fund is an active participant in LAPFF's engagement programs.</p> <p>Membership of LAPFF provides the Fund with:</p> <ul style="list-style-type: none"> • independent research and advice on the RI risks of companies to inform further stakeholder engagement; • advice on the governance practices of companies; and • a forum to engage with companies to improve governance practices.
Institutional Investors Group on Climate Change (IIGCC)	<p>The Fund is a member of the Institutional Investors Group on Climate Change (IIGCC), which is an influential asset owner and asset manager membership body and the largest one focusing specifically on climate change. IIGCC helps define the investment practices, policies and corporate behaviours required to address climate change.</p>
Climate Action 100+	<p>The Fund is a member of Climate Action 100+ - an engagement collaboration of more than 700 investors with a combined \$68 trillion assets under management. CA100+ engages 166 companies on climate risk that are responsible for 80% of global industrial greenhouse gas emissions.</p>
Transition Pathway Initiative (TPI)	<p>The TPI is a global, asset-owner led initiative which assesses companies' preparedness for the transition to a low carbon economy. Rapidly becoming the go-to corporate climate action benchmark. The Fund, via LGPS Central, supports the TPI Global Climate Transition Centre, an independent source of research and data into the progress being made to transition to a low-carbon economy, created for the global investor community and supported by collective \$50trn AUM.</p>
Principles for Responsible Investment (PRI)	<p>PRI is the largest RI-related organisation globally, and helps with research, policy influence and collaborative engagement. The Fund has been as a signatory of the PRI since 2010 and continue to annually assess the quality of our RI activities against PRI's requirements and assessments.</p>
UK Stewardship Code 2020	<p>The Fund is a signatory to the UK Stewardship Code 2020 which sets high stewardship standards for pension funds including the annual assessment of our <i>Annual Stewardship Report</i>.</p>

6 APPENDIX: GLOSSARY OF TERMS

ESG Factors

Environmental, social, and corporate governance factors which could impact company performance and therefore investment returns. Examples include (but are not limited to) climate change, workforce issues, remuneration, independence of the board and auditors, board composition and diversity.

Ethical Investment

An approach seeking a moral or ethical return, potentially ahead of financial return.

Fund

West Midlands Pension Fund which incorporates the former employers of the West Midlands Integrated Transport Authority Pension Fund following a merger of the Funds.

Governance

The process and principles by which a company or organisation undertakes its business. For the Fund, governance includes how it undertakes both its operational and investment responsibilities on behalf of its members.

Pensions Board

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

The Pensions Board is not a decision-making body, nor does it hold a scrutiny function; its role is to assist in the compliance with scheme rules. The Fund's policies, including the Investment Strategy Statement and the RI Framework, are reviewed annually by the Pensions Board.

Pensions Committee

Body established by City of Wolverhampton Council (the administering authority) in charge of the management of the administration of benefits and strategic management of the Fund's assets, which has representation from the seven West Midlands metropolitan district councils and local trade unions.

Socially Responsible/Social Impact Investments

Investments that deliver social impact as well as a financial return are often described as "social investments".

The Fund considers opportunities in social investments alongside other opportunities and will assess their relative merits on fundamental grounds and with reference to suitability of fit for the Fund.

Responsible Investment

The integration of financially material environmental, social and corporate governance ("ESG") factors into investment processes both before and after the investment decision.

Stewardship

We define the concept of stewardship the same as the Financial Reporting Council (FRC), the organisation that oversees the UK Stewardship Code:

"Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. The UK Stewardship Code (2020) sets high standard for asset owners and asset managers, and for service providers that support them".

West Midlands Pension Fund
PO Box 3948
Wolverhampton
WV1 1XP

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West Midlands Pension Fund

Engagement by region

We engaged with 180 companies held in the West Midlands Pension Fund portfolio on a range of 641 environmental, social and governance issues and objectives

Global

We engaged with 180 companies



- Environmental 38.5%
- Governance 17.5%
- Social and Ethical 29.0%
- Strategy, Risk and Comm 15.0%

Australia & New Zealand

We engaged with three companies



- Environmental 20.0%
- Governance 20.0%
- Social and Ethical 46.7%
- Strategy, Risk and Comm 13.3%

Developed Asia

We engaged with 15 companies



- Environmental 40.4%
- Governance 27.7%
- Social and Ethical 12.8%
- Strategy, Risk and Comm 19.1%

Emerging & Developing Markets

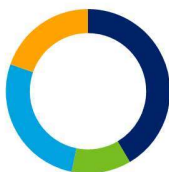
We engaged with 20 companies



- Environmental 37.5%
- Governance 17.9%
- Social and Ethical 25.0%
- Strategy, Risk and Comm 19.6%

Europe

We engaged with 46 companies



- Environmental 41.5%
- Governance 11.7%
- Social and Ethical 27.1%
- Strategy, Risk and Comm 19.7%

North America

We engaged with 72 companies



- Environmental 38.5%
- Governance 14.4%
- Social and Ethical 33.1%
- Strategy, Risk and Comm 14.0%

United Kingdom

We engaged with 24 companies



- Environmental 34.6%
- Governance 34.6%
- Social and Ethical 29.5%
- Strategy, Risk and Comm 1.3%

Engagement by theme

We engaged with 180 companies held in the West Midlands Pension Fund portfolio on a range of 641 environmental, social and governance issues and objectives

Environmental

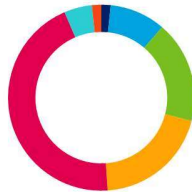
Environmental topics featured in 38.5% of our engagements



- Climate Change 74.5%
- Forestry and Land Use 5.7%
- Pollution and Waste Management 13.4%
- Supply Chain Management 2.4%
- Water 4.0%

Social and Ethical

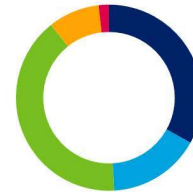
Social and Ethical topics featured in 29.0% of our engagements



- Bribery and Corruption 1.6%
- Conduct and Culture 9.7%
- Diversity 17.7%
- Human Capital Management 19.9%
- Human Rights 44.6%
- Labour Rights 4.8%
- Tax 1.6%

Governance

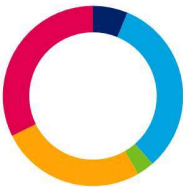
Governance topics featured in 17.5% of our engagements



- Board Diversity, Skills and Experience 33.0%
- Board Independence 16.1%
- Executive Remuneration 40.2%
- Shareholder Protection and Rights 8.9%
- Succession Planning 1.8%

Strategy, Risk and Communication

Strategy, Risk and Communication topics featured in 15.0% of our engagements



- Audit and Accounting 6.3%
- Business Strategy 32.3%
- Cyber Security 3.1%
- Integrated Reporting and Other Disclosure 26.0%
- Risk Management 32.3%



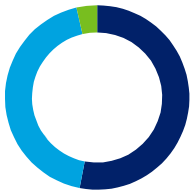
West Midlands Pension Fund

EOS at Federated Hermes

Over the last quarter we made voting recommendations at **277** meetings (**3,260** resolutions). At **120** meetings we recommended opposing one or more resolutions. We recommended voting with management by exception at **ten** meetings. We supported management on all resolutions at the remaining **147** meetings.

Global

We made voting recommendations at **277** meetings (**3,260** resolutions) over the last quarter.



- Total meetings in favour **53.1%**
- Meetings against (or against AND abstain) **43.3%**
- Meetings with management by exception **3.6%**

Australia and New Zealand

We made voting recommendations at **14** meetings (**69** resolutions) over the last quarter.



- Total meetings in favour **28.6%**
- Meetings against (or against AND abstain) **64.3%**
- Meetings with management by exception **7.1%**

Developed Asia

We made voting recommendations at **44** meetings (**326** resolutions) over the last quarter.



- Total meetings in favour **50%**
- Meetings against (or against AND abstain) **50%**

Emerging and Frontier Markets

We made voting recommendations at **30** meetings (**243** resolutions) over the last quarter.



- Total meetings in favour **46.7%**
- Meetings against (or against AND abstain) **53.3%**

Europe

We made voting recommendations at **40** meetings (**550** resolutions) over the last quarter.



- Total meetings in favour **47.5%**
- Meetings against (or against AND abstain) **50%**
- Meetings with management by exception **2.5%**

North America

We made voting recommendations at **33** meetings (**353** resolutions) over the last quarter.



- Total meetings in favour **15.2%**
- Meetings against (or against AND abstain) **72.7%**
- Meetings with management by exception **12.1%**

United Kingdom

We made voting recommendations at **116** meetings (**1,719** resolutions) over the last quarter.

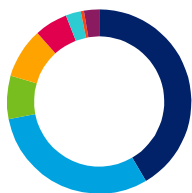


- Total meetings in favour **71.6%**
- Meetings against (or against AND abstain) **25%**
- Meetings with management by exception **3.4%**

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

Global

We recommended voting against or abstaining on **342** resolutions over the last quarter.



- Board structure **41.5%**
- Remuneration **30.4%**
- Shareholder resolution **7.6%**
- Capital structure and dividends **8.8%**
- Amend articles **5.8%**
- Audit and accounts **2.6%**
- Poison pill/Anti-takeover device **0.6%**
- Other **2.6%**

Australia and New Zealand

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



- Board structure **50%**
- Remuneration **50%**

Developed Asia

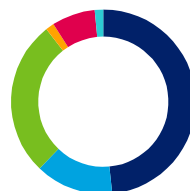
We recommended voting against or abstaining on **42** resolutions over the last quarter.



- Board structure **73.8%**
- Remuneration **9.5%**
- Capital structure and dividends **9.5%**
- Amend articles **7.1%**

Emerging and Frontier Markets

We recommended voting against or abstaining on **66** resolutions over the last quarter.



- Board structure **48.5%**
- Remuneration **13.6%**
- Capital structure and dividends **27.3%**
- Amend articles **1.5%**
- Audit and accounts **7.6%**
- Other **1.5%**

Europe

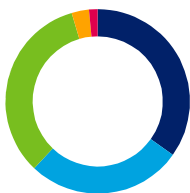
We recommended voting against or abstaining on **98** resolutions over the last quarter.



- Board structure **36.7%**
- Remuneration **30.6%**
- Shareholder resolution **3.1%**
- Capital structure and dividends **8.2%**
- Amend articles **13.3%**
- Audit and accounts **2.0%**
- Other **6.1%**

North America

We recommended voting against or abstaining on **66** resolutions over the last quarter.



- Board structure **34.8%**
- Remuneration **27.3%**
- Shareholder resolution **33.3%**
- Amend articles **3.0%**
- Audit and accounts **1.5%**

United Kingdom

We recommended voting against or abstaining on **44** resolutions over the last quarter.



- Board structure **15.9%**
- Remuneration **68.2%**
- Shareholder resolution **2.3%**
- Amend articles **2.3%**
- Audit and accounts **2.3%**
- Poison pill/Anti-takeover device **4.5%**
- Other **4.5%**

Pensions Committee

14 December 2022

Report Title	Pensions Administration Report from 1 July to 30 September 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	Executive Director of Pensions 01902 55 1715 Rachel.Brothwood@wolverhampton.gov.uk

Recommendations for decision:

The Pensions Committee is recommended to approve:

1. The 17 applications for admission from employers into the Fund as detailed in section 9 and Appendix E 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 outcomes of the Fund's deferred overseas existence exercise.

1.0 Purpose

1.1 To inform the Pensions Committee of the routine operational work undertaken by the Pensions Administration Service areas during the period 1 July – 30 September 2022.

2.0 Background

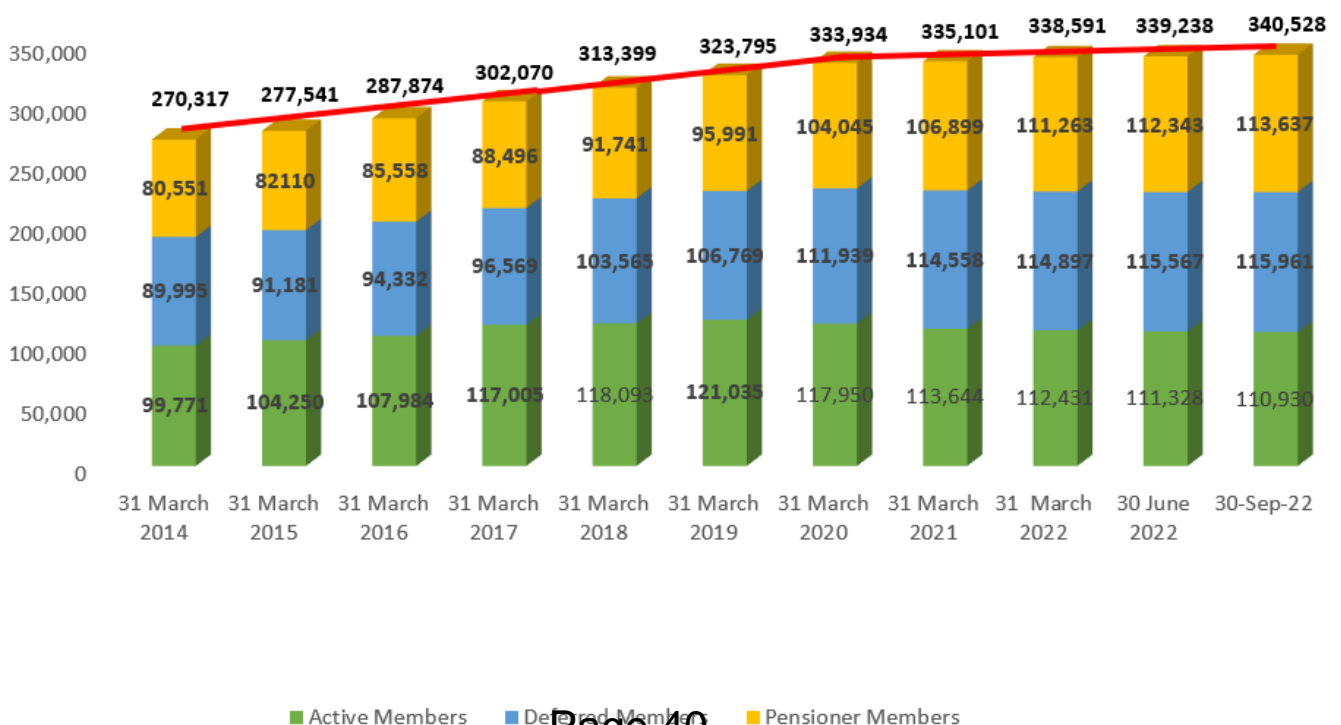
2.1 The Fund provides a pension administration service covering employer, customer and member services, data processing, benefit operations, payroll and systems/technical support. A report is provided to Pensions Committee on a quarterly basis to assist monitoring of the activity and performance of these 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 30 September 2022 stands at 340,528 with an overall increase since April 2022. The long-term trend over a 12 year period in membership continues to illustrate a move towards a more mature profile whereby, in general, pensioners and deferred memberships continue to rise.

	Membership as at 30 June 2022	Net Movements during the period	Membership as at 30 September 2022
Active Members	111,328	-398	110,930
Deferred Members	115,567	394	115,961
Pensioner Members	112,343	1,294	113,637
Total Members	339,238	1,290	340,528



3.2 Workflow Statistics

- 3.2.1 The process analysis statistics in Appendix A show details of overall workflow within the Pensions Administration Service during the period 1 July to 30 September 2022. During the period covered by this report, 42,430 administrative processes were commenced, a slight increase compared to the previous reporting period and 44,298 processes were completed, which is c16% more than the previous reporting.
- 3.2.2 As we continue to see an increase in member movements, the workload volumes will also naturally remain high. On 30 September 2022 there were 41,937 items of work outstanding. This represents a decrease of 1,661 items outstanding compared to 30 June 2022 (43,958). This decrease is mainly due to the focused work being undertaken to start targeting the clearance of work in preparation for the change in pension administration software system.
- 3.2.3 Of the 41,937 items of work outstanding, 5,748 items were pending as a result of information awaited from a third party e.g. scheme members, employers or transferring authorities and 36,189 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 plans in place 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. In addition, the Fund continues to monitor the level of members opting out of the scheme which remain at a low level. Overall the last six months have seen an increase in processing across a number of key areas, indicating another year on year increase.

4.0 Key Performance Indicators (KPIs)

- 4.1 The Fund uses a number of KPIs to measure performance when processing items such as Transfers In and Out, Retirements and Deferred Retirements.
- 4.2 During the period, four KPI's did not achieve target on one occasion each during the period, as follows:
- Active Retirement Quote – September 2022
 - The KPI fell slightly short of the 90% target, achieving 89%, which was due to waiting upon information from employers. The KPI is cumulatively achieving 90% year to date.
 - Deferred Retirement Quote – July 2022
 - The KPI achieved 78% against the target of 90%. The team completed 25% more payment casework during the period impacting this KPI.
 - Deferred Retirements – payment of lump sum and creation of payroll record – August 2022

- The KPI fell short of the target, achieving 88% for the period, on average casework was completed within 4 days against the target of 5. The KPI is cumulatively achieving 90% year to date.
- Transfer in – Notification of transferred membership – July 2022
 - 2 cases failed KPI meaning 75% achievement of KPI, due to a third party delay in both cases.

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

5.0 Customer Services

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

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

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

5.3 There are a number of employees who are new to their role on the Customer Services team and training and knowledge on the team has been a priority over the quarter, to increase capacity. To further support ongoing employee development and customer services, a "Knowledge Hub" has been developed for easy access to scheme information and member support material.

5.4 Calls have remained stable throughout the quarter and written query volumes have been lower than anticipated, allowing the team to focus on training. As a result, more employees are handling a more varied range of queries and the team is already seeing an improved call handling rate and reduced wait times in both written queries and calls. We have continued to work closely with Member Services to stagger mailings sent to members, with annual benefit statements being sent within this period. Staggering mailings smooths the impact on the contact centre and reduces call queues/written response times, allowing us to better serve our customers and reduce the number of chaser requests received.

6.0 Complaints

6.1 The Fund has a complaint monitoring framework, which enables regular monitoring and review of trends impacting performance. Where a complaint highlights an improvement area, this is investigated and monitored to help shape future services and improve overall customer satisfaction going forward. This mirrors the process undertaken for general customer feedback as outlined within the Customer Engagement Update.

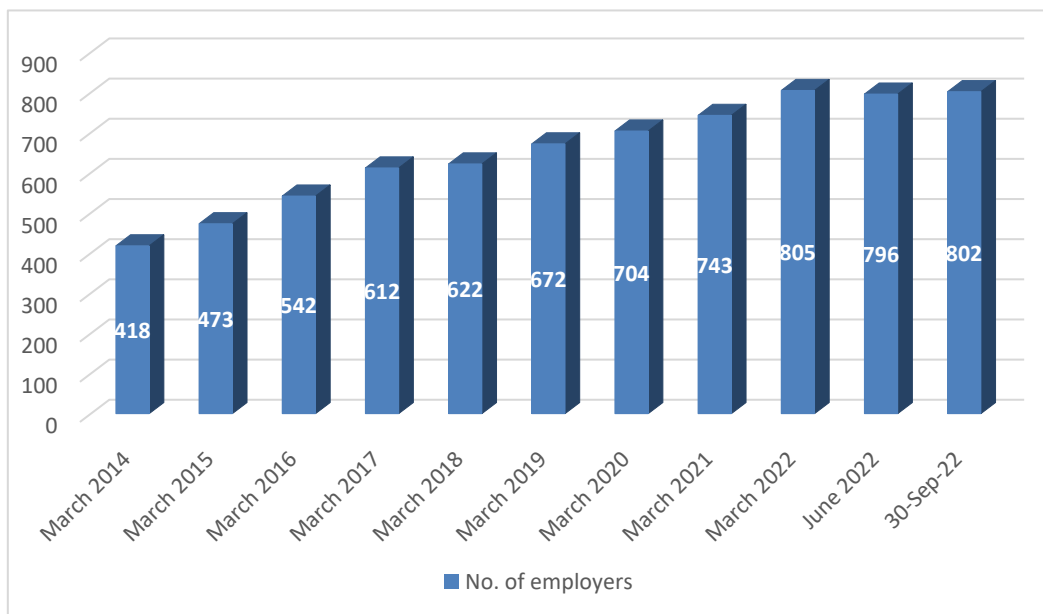
6.2 Complaint numbers were lower than average during the last quarter. Overall, the number of complaints received by the Fund is proportionally low compared to the number of scheme members, with 33 complaints received for the last quarter. Of those complaints, 49% were upheld and lessons learned incorporated in training and process development.

7.0 Internal Dispute Resolution Procedure (IDRP) Casework

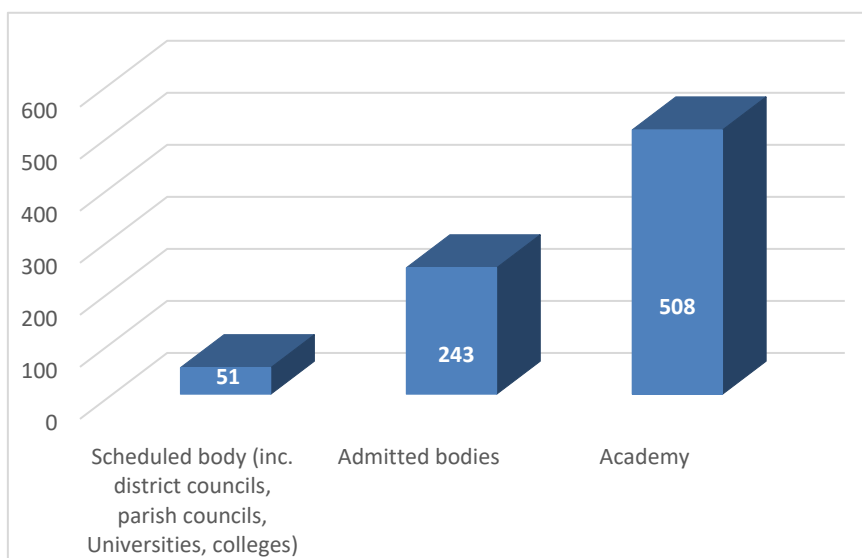
7.1 Year to date for 2022/2023, two cases have been referred to Stage 1 which were not upheld. Seven cases have been referred to Stage 2 of the procedure on appeal against the Fund, five of which have not been upheld and two currently under investigation.

8.0 Employer Membership

8.1 During the period, the Fund has seen an increase in employer numbers, with the overall number of employers registered with the Fund increasing to 802 at 30 September 2022. Overall there has been a 92% increase since March 2014 as shown in the graph below, however, the 2022/23 year to date increase has been lower than previous years, and it is anticipated that a more moderate increase will be observed over this year.



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



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

- 59 admission agreements
- 11 academies
- 65 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 Executive Director of Pensions in consultation with the Chair or Vice Chair of Pensions Committee.

9.2 There are 17 approvals requested from Committee in regard to applications for admission to the West Midlands Pension Fund, these are detailed in Appendix E.

10.0 Pensions in Payment

10.1 The gross annual value of pensions in payment to September 2022 was £579.6m, £15.8m of which (£8.7m for pensions increase and £7.1m 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 (£)
July 2022	91,764	42,460,414
August 2022	92,045	42,608,024
September 2022	103,249	43,598,308

The September figure includes pensioners paid on a quarterly basis.

10.3 Pensions are increased each April, in line with the Consumer Price Index (CPI), with uplift calculation based on September CPI in the previous year. An increase rate in excess of 10% is expected to be applied from April 2023 (and will be confirmed when the treasury order is released, which is usually in late January/early February), following rising inflation over the last year.

11.0 Transfer Out – all casework

11.1 A total of 213 individual transfer payments were made during the period 1 July 2022 to 30 September 2022, resulting in a total amount transferred of **£9,449,210**. This is broken down into the following categories:

Type of transfer	Number of transfer payments	Value of Transfer Payments (£000s)
Non LGPS	33	£1,285,971
Interfund (LGPS fund)	171	£7,950,746
Additional Voluntary Contributions	9	£212,494

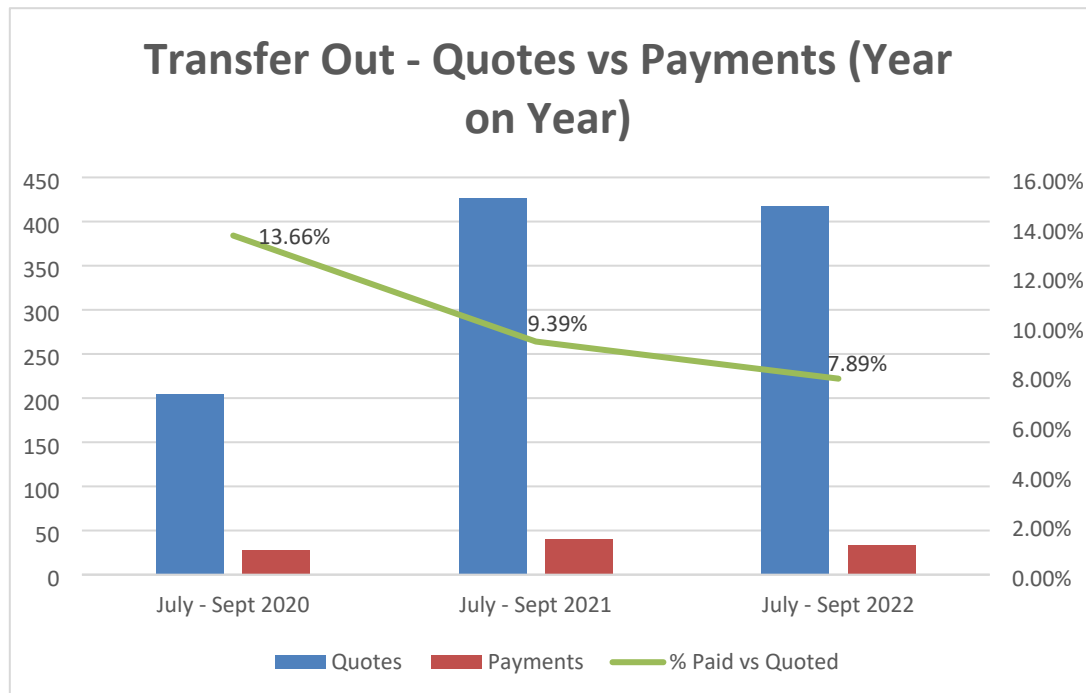
11.2 Non LGPS Transfers

11.2.1 During the period 1 July 2022 to 30 September 2022, 418 transfer value quotations were issued to members considering transferring their benefits out of the scheme (in the prior year 1 July 2021 to 30 September 2021, 426 transfer value quotations were issued to members). The Fund continues to monitor any trends and increases in demands, as part of its programme of work to protect members from potential pension scams.

11.2.2 In total, 33 transfer payments were made during the period 1 July 2022 to 30 September 2022 (15 of these were to non public sector schemes) resulting in a total amount transferred of £1,285,971 (in the prior year 1 July 2021 to 30 September 2021 a total of 42 transfer payments were made totalling £3,978,188). The payments by volume and value break down are as follows:

Value of Transfer Payments	Number of Transfer Payments	
	Other Public Sector Scheme	Non Public sector scheme
0 to £30,000	17	13
£30,001 to £100,000	1	0
£100,001 to £200,000	0	0
£200,001 to £300,000	0	1
£300,001 to £400,000	0	0
£400,001 to £500,000	0	0
Above £500,001	0	1
Total	18	15

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



11.2.4 Analysis has been undertaken of the Transfer out payments to non-public sector or occupational schemes over the period of July to September 2022 to review the volume and trends. During the period, of the 33 completed, a total of 15 non-public sector or occupational scheme transfer out payments have been processed, to a total of 8 different receiving schemes. There were 12 transfers under £30,000 in value, meaning members were able to transfer these payments without a requirement to take financial advice. The average age of members transferring out was 51 years with the main reasons for members transferring out was either to consolidate their benefits into one provider or release cash/flexible draw down (members over 55).

12.0 Deferred Member Overseas Existence Exercise

12.1 The Fund has in the region of 700 overseas deferred members. Overseas members cannot be traced using the same trace tools as those living in the UK, as the data sets typically used will not show information for an overseas person, even if that person is still a UK national. To ensure we maintain contact and up to date records, the Fund undertakes an annual Life Certification Process for overseas deferred members, writing out to confirm existence and their contact information.

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

12.3 This is the first year the Fund has undertaken this exercise and has seen a positive response rate. The Fund received a 60% verification success rate, given the members are deferred and have less of an incentive than pensioners to respond, this success rate is higher than expected. For those who haven't responded, the Fund will review each case looking at the most recent engagement with the member and will undertake follow up work with the provider if applicable. Of these successful results, there is a general trend towards electronic means of confirmation being more popular for this exercise, with 57% of

members utilising the digital app across 10 different countries. The average age of respondents being 53, with the oldest responder via the app being 68. In addition, a further 31% indicating broad member interest in engaging with the Fund electronically. As part of this exercise the Fund has been able to gather 414 new/updated email addresses and has identified 1 deceased member enabling the processing of any death benefits.

13.0 Financial Implications

- 13.1 The report contains financial information which should be noted.
- 13.2 Employees of organisations who become members of the LGPS will contribute the percentage of their pensionable pay as specified in the Regulations.

14.0 Legal Implications

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

15.0 Equalities Implications

- 15.1 There are no direct equalities implications.

16.0 All Other Implications

- 16.1 There are no other potential implications.

17.0 Schedule of Background Papers

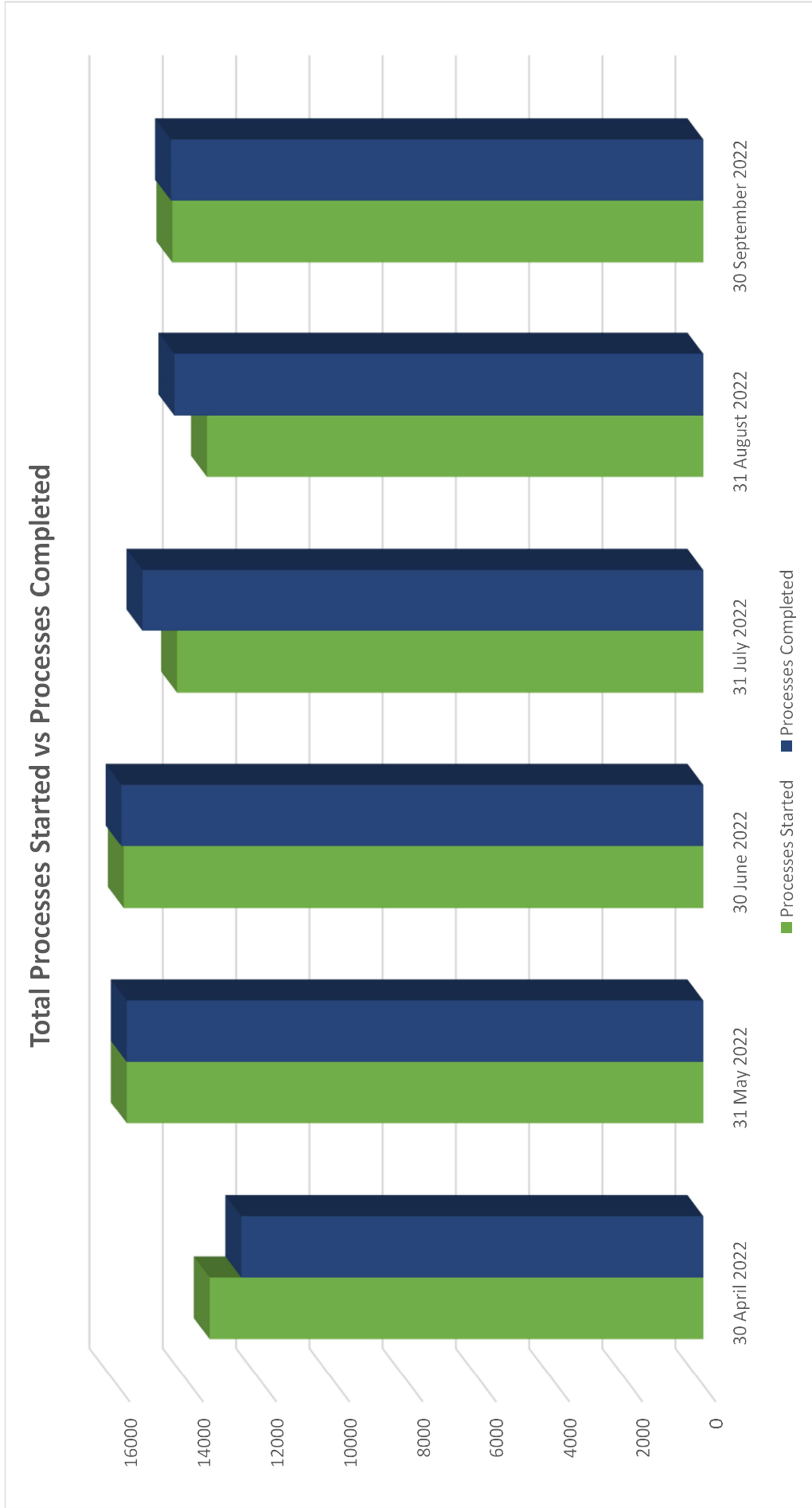
- 17.1 None.

18.0 Schedule of Appendices

- 18.1 Appendix A: Workflow Summary
- 18.2 Appendix B: Detailed Process Analysis
- 18.3 Appendix C: Key Performance Indicators (KPIs)
- 18.4 Appendix D: Customer Service Statistics
- 18.5 Appendix E: Admitted Body Applications

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Appendix A



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Pension Committee Statistical Report
Detailed Process Analysis

Appendix B

Appendix B

2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	April	May	June	July	August	September	YTD
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Active & Deferred members

Process type	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	April	May	June	July	August	September	YTD
Joiners and Rejoiners (Bulk)	9,816	16,688	20,227	17,755	25,509	19,939	17,479	16,533	1,773	1,211	1,168	1,713	1,258	1,885	9,008
Changes in circumstances eg change in hours	6,391	8,752	6,370	5,386	5,725	6,658	5,161	4,542	299	366	420	466	427	447	2,425
Deferments	5,664	8,340	8,178	8,629	15,934	11,994	9,444	10,950	946	1,048	1,155	1,104	932	967	6,152
Active Retirements (Employer retirements)	2,351	2,775	2,593	2,676	2,280	2,112	1,908	2,198	201	237	173	247	252	226	1,336
Deferred Retirements	2,301	3,421	3,552	4,429	48,14	50,71	48,44	55,07	493	486	421	449	479	474	2,802
Deaths of members	230	379	399	470	429	441	570	452	30	52	31	38	42	34	227
Refund						68,77	44,99	50,36	449	412	582	617	513	539	3,112
Opt Outs						35,85	12,28	12,28	57	87	55	78	67	32	376
Amalgamations						11,628	8,841	8,098	637	905	1,189	1,960	914	960	6,565

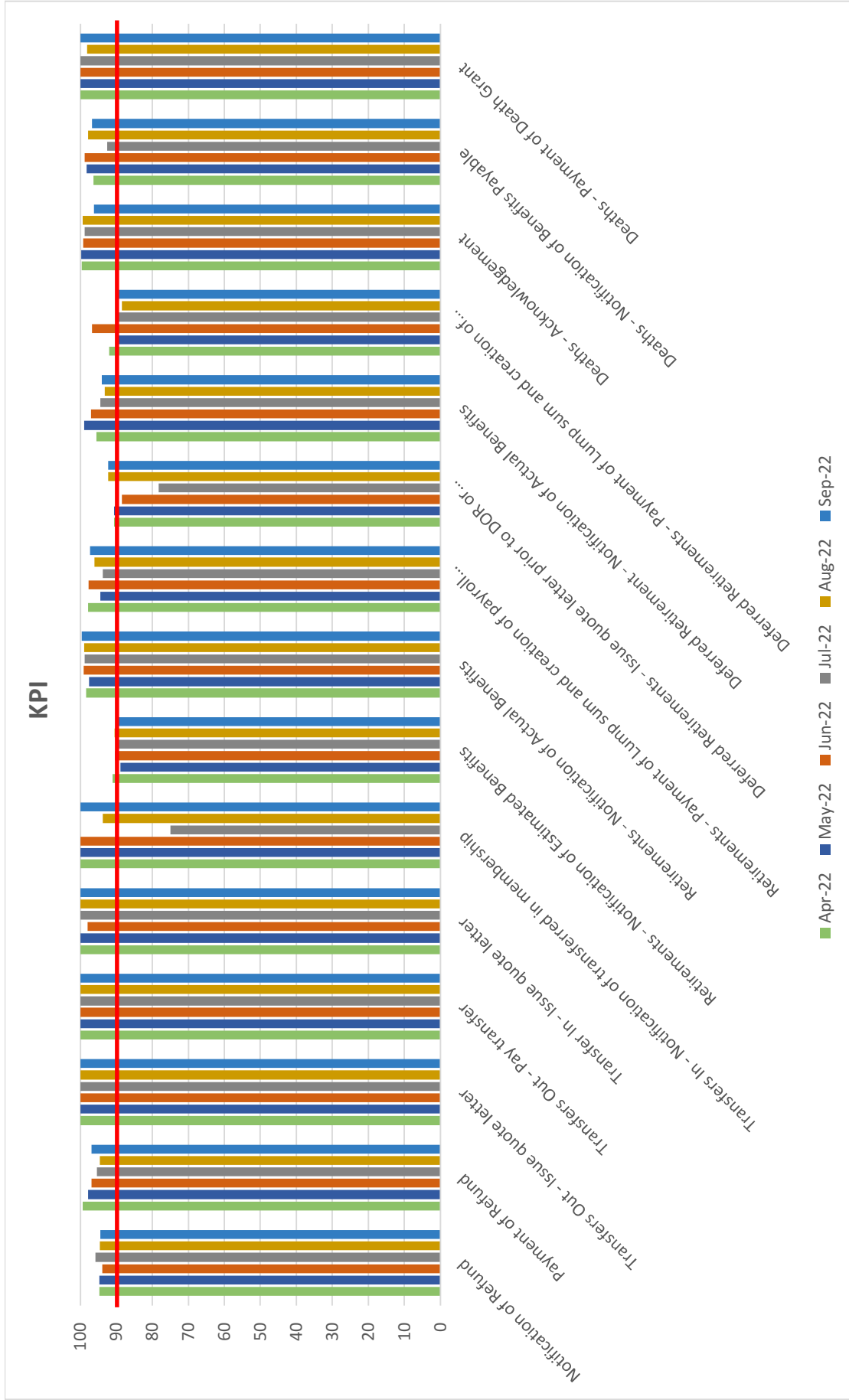
Pensioner members

Process type	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	April	May	June	July	August	September	YTD
Changes in circumstances:-															
Data eg Passwords, NI Numbers	2,604	4,548	2,427	3,105	2,694	1,953	1,761	2,457	175	188	175	139	183	172	1,032
Changes of Address	1,733	2,237	2,589	3,004	2,628	2,423	2,448	2,886	287	442	227	250	209	211	1,626
Changes of Bank	3,281	1,573	2,272	2,214	1,957	1,874	1,539	2,057	153	196	130	163	165	180	987
Deaths of pensioners	2,454	1,702	2,813	2,919	2,793	2,650	3,886	3,226	272	315	303	319	239	241	1,689

Payroll	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	April	May	June	July	August	September	YTD
Actual number paid	913,864	888,954	915,275	945,196	979,819	1,019,295	1,093,949	1,105,423	90,952	91,223	102,207	91,764	92,045	103,249	571,440

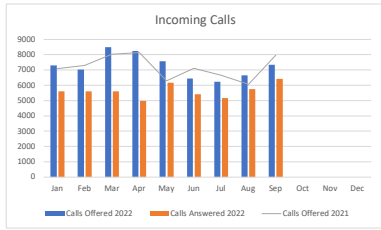
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Appendix C



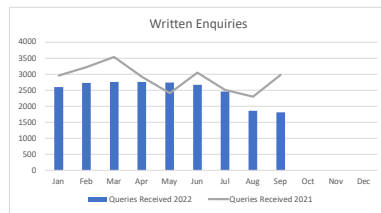
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Appendix D: Customer Services Statistics
July - September 2022



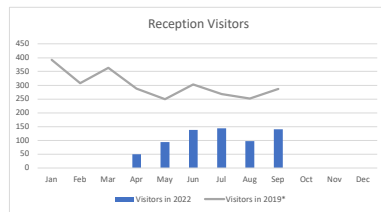
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Calls Offered 2022	7291	7021	8483	8231	7560	6432	6217	6647	7338			
Calls Answered 2022	5609	5609	5609	4968	6171	5419	5166	5743	6414			
Calls Offered 2021	7094	7293	8027	8142	6299	7114	6643	6063	7968			
Answer Rate (Target 85%)	76.93%	79.89%	66.12%	60.36%	81.63%	84.25%	83.09%	86.40%	87.41%			

Appendix D: Customer Services Statistics



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Queries Received 2022	2597	2731	2754	2761	2741	2665	2460	1860	1807			
Queries Received 2021	2953	3217	3541	2921	2406	3043	2502	2299	2980			

Appendix D: Customer Services Statistics



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Visitors in 2022	0	0	0	50	94	138	144	97	140			
Visitors in 2019* pre COVID	393	307	364	288	250	303	268	252	287	294	315	243

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Appendix E Application for admission body status

Employer name	Guarantee Status (Agreement)	No. of employees (Scheme members) Agreement type	Status (Approved/pending approval)
Our Learning Cloud Ltd (The Mercian Trust)	The Mercian Trust	5 (5) Closed	Pending approval
ABM Catering Ltd (Rednal Hill J&I Schools)	Birmingham CC	4 (4) Closed	Pending approval
Compass Contract Services (Victoria Academies Trust)	Victoria Academies Trust	4 (5) Closed	Pending approval
Caterlink Ltd (S4S Cluster)	Wolverhampton CC	4 (4) Closed	Pending approval
Atalian Servest Food Co Ltd (Holy Cross MAC)	Holy Cross MAC	7 (7) Closed	Pending approval
Dodd Group (Midlands) Ltd (Birmingham CC)	Birmingham CC	4 (4) Closed	Pending approval
Aspens Services Ltd (Central RSA)	Central RSA	5 (13) Closed	Pending approval
Miquill Catering Ltd (Ryder Hayes Academy)	Ryder Hayes Academy Trust	1 (1) Closed	Pending approval
Barnados (Sandwell MBC)	Sandwell MBC	6 (6) Closed	Pending approval
Caterlink Ltd (Summit Learning Trust)	Summit Learning Trust	12 (12) Closed	Pending approval
Caterlink Ltd (St Martin's MAT)	St Martin's MAT	6 (6) Closed	Pending approval

Coombs Catering Partnership Ltd (Uffculme School)	Birmingham CC	2 (2) Closed	Pending approval
Atalian Servest Food Co Ltd (Inspire Education Trust)	Inspire Education Trust	1 (4) Closed	Pending approval
Vertas Group Ltd (ATT Schools)	Academy Transformation Trust	15 (15) Closed	Pending approval
Sips Education Limited (Water Mill Primary School)	Birmingham CC	3 (3) Open	Pending approval
Vertas Group Ltd (Ormiston Shelfield Community Academy)	Ormiston Academies Trust	5 (6) Closed	Pending approval
ECO Clean and Maintenance Ltd (Earlsdon Primary School)	Coventry CC	1 (1) Closed	Pending approval

There was 1 approval approved by the Chair during the period in regard to an application for admission to the West Midlands Pension Fund.

Miquill Catering Ltd (Blue Coat CE Academy)	Blue Coat CE Academy	3 (3) Closed	Approved
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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	Executive Director of Pensions
	Tel	01902 551715
	Email	Rachel.brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Pensions Committee is asked to note:

1. The engagement activity and informed service development.

1.0 Purpose

- 1.1 To provide Committee with an update of the Fund's customer engagement activity from 1st July 2022 to 30th September 2022 and to cover future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy.

2.0 Background

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

3.0 Member Engagement & Communication

- 3.1 The Member Services Team continues to deliver member support via hybrid channels including member webinars, face to face presentation and followed up with individual consultations as required. During this reporting period **1,209** members attended our presentations, webinars and workshops. These were followed by **315** individual member consultations. Our events are delivered at various times throughout the day to accommodate attendance around member and work commitments. This delivery and the associated feedback are summarised in Appendix A.
- 3.2 During this reporting period the Member Services Team targeted leisure centres and LEA schools and provided **13** satellite support events to **150** 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 **2,621**, bringing the total pension portal registrations to **124,297** at the end of September 2022.
- 3.4 The Fund continues to promote aspects of our work via the social media platform [LinkedIn](#). Since the last reporting period a further **7,685** people have interacted with our variety of articles from sharing award success, pension awareness campaign, promoting Annual Benefits Statements and advertising our Pension Roadshow events. Over this reporting period we have seen an additional **5,399** views when compared to the previous reporting period.
- 3.5 The West Midland Pension Fund roadshow bus is now back on the road, providing face to face support across the region. The focus from July to September was providing roadshow support to schools and academies. **8** roadshow events were delivered which provided **379** members with face to face pension support on the bus. Feedback from these events was **85%** rated the events as excellent and **15%** rated them as very good.

- 3.6 “Planning your retirement” workshops are still proving to be popular with members who are over the age of 55. In this quarter the Member Services Team delivered **8** workshops to active members which helped **136** attendees with their retirement planning.
- 3.7 The Fund continues to target active and deferred members who do not hold a valid nomination form through our nomination form campaign, the focus over this period was contacting members who work in the education sector, targeting multi-academy trusts.
- 3.8 Annually, the Fund aims to produce as many Annual Benefits Statements as possible, this year the Fund has produced **90,074** active statements, and this was followed up with **58,000** emails and **23,000** text messages to members, where we hold a valid email address and mobile number, to notify members that their statement is available on the portal.
- 3.9 In line with Pension Awareness week, the Fund designed a pension awareness campaign bespoke to the Local Government Pension Scheme (LGPS). This was a bulk email which signposted a host of events from webinars, workshops, our roadshow events and notifying members that their Annual Statement is available online. **131,125** emails were sent to our active and deferred members offering different support depending on their membership category.
- 3.10 Following changes to regulations (“Stronger Nudge to pensions guidance”) in regard to members who are, or who have previously paid Additional Voluntary Contributions (AVCs), in August 2022 the Fund wrote to **2,703** members to disclose these changes and explain the guidance that they will be required to take from Pension Wise in regard to the options available to them when claiming their AVC.
- 3.11 Website content continues to be updated and there have been **323,000** web page views in this quarter.
- 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. Following a review of our ‘Post Event’ surveys to scheme members and the creation of a customer feedback dashboard, post-event surveys are now being issued to members regularly. The overall customer feedback Key Performance Indicator (KPI) for this quarter is **89%**.

4.0 Employer Engagement

4.1 Employer Peer Group

- 4.1.1 The second session of the Funds Employer Peer Group cycle for 2022/23 took place in September with 13 out of the 18 registered employer representatives present. The content for the meeting included:
- Transition to the new Pension Administration System (PAS) – update on testing progress and request for employer assistance.

- The 2022 Actuarial Valuation – road-testing planned engagement and supporting information.
- New Fund website demonstration and discussion.
- Employer Best Practice discussions – employer attendee led.
- Technical Q&A session.

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 11 virtual sessions delivered to 71 attendees representing 34 organisations. The sessions are free to attend and provide a useful refresher for existing staff or as an introduction to processes for those who are new to Fund administration.

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

- Understanding your Accounting Disclosure (FRS102) Report
- Transfer of Undertakings (Protection of Employment) (TUPEs), Tenders & Pass-through Admission Agreements
- Understanding Pay and Service in the LGPS
- Assumed Pensionable Pay
- WMPF Retirements and Notification
- Producing Estimates in Employer Hub
- Estimates and Early Retirement Costs
- All About Ill-health Retirement
- Submission of your Monthly Data File
- The Pensions Administration Strategy: your role and responsibilities

4.2.3 A full suite of webinars specific to the roll out of the new PAS and Employer Self Service functionality will become available in the coming months. Additionally, plans have been made to re-commence face to face coaching sessions at i9 within the next quarter.

4.3 Employer Engagement and Performance

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

4.3.2 During the period the Fund held 23 feedback and performance meetings with 15 organisations and 2 third-party payroll providers (note some employers were met with on multiple occasions during the period). Collectively these employers and payroll service providers are responsible for submitting for 125 organisations, servicing over 14,000 members.

- 4.3.3 The continued employer engagement, in collaboration with colleagues from the Fund's finance, data and operation teams, ensures data positions are reviewed and cleansed for accuracy. Ahead of the move to the new software provider from next April, the Fund's employer and data teams are working closely to target the resolution of historic data queries to aid a smoother transition. Additional engagement is also underway with employers where Annual Benefit Statement production rates could be improved.
- 4.3.4 The results of the 2022 Employer Health Check have now been reviewed and processed. In total 244 individual responses were received covering 484 employers and over 85,000 scheme members, representing close to 80% of the membership in scope.
- 4.3.5 The responses from the check confirmed an additional 883 members had left, but where the Fund had not been notified by the employer, 875 contact changes were made to employer records, and 17 Employer Hub users had access revoked.

4.4 McCloud: Employer Support

- 4.4.1 The Employer Services Team continues to offer targeted 1:1 meetings to help employers meet the McCloud data collation and submission requirements. During the period, 31 meetings were held, reaching across 59 employers who had to date not submitted the required data. Over the same period an additional 22 files were fully completed and submitted covering over 1,500 members.
- 4.4.2 In addition, email and telephone support continues to be offered to employers with a target date for submission of the end of November 2022.
- 4.4.3 An advisory note has now been issued to 91 organisations (representing 1.5% of the total membership) who have been unresponsive to the Fund's communications regarding McCloud, aligned to the Fund's Escalation Policy. The note clearly sets out the implications of non-compliance, with particular reference to the potential impact on member benefits.

5.0 Future Engagement

- 5.1 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 October to December 2022 the Member Services Team will be focusing on targeting members who work in Adult Services, libraries and parish councils.
- 5.2 Each autumn the Fund provides deferred and active members with a newsletter which covers a variety of updates across the Fund, various important member information and covers topical issues in the LGPS. In October **59,499** Deferred Pension Smart newsletters were sent out via email followed by **71,716** Active Pension Smart newsletters which were emailed out in November.
- 5.3 The Pension Roadshow vehicle was back out delivering roadshow events at the **7** district locations across the West Midlands throughout October and November. Each location has seen over **100** members attend with pension queries. Due to the high footfall, plans

are being made to increase the amount of district roadshow events to provide members with more opportunities to attend. We are also anticipating a higher footfall next year following changes to the member Annual Benefit Statements as a result of the PAS transition. We will continue to review attendance of these events and alternative ways of engaging with our members around these statements.

- 5.4 A total of **352** Pension Saving Statements were sent to members ahead of the 5 October 2022 statutory deadline, where Fund records indicate their savings had exceeded the annual allowance threshold and may be liable for additional tax charges. The Member Services Team followed up on issue of these statements by offering the chance to book on **7** Pension Tax webinars which **131** members registered for.
- 5.5 The Fund's first face to face Pensioner Engagement Forum since the pandemic took place on the 7 October 2022. This forum was designed for pensioner members to provide their feedback and thoughts to enhance a member's retirement journey in the future. A guest speaker from the Alzheimer's Society attended to talk about the support and information which is available through their organisation. The group reviewed the feedback from the "Tea & Teach" sessions which was delivered in summer 2022, reviewed the newsletter and pensioner member communications and also provided feedback on the Fund's new website and new pensions portal which will be launched early next year. The feedback and actions from this event will be published in the "You said, we did" part of the 2023 pensioner newsletter.
- 5.6 Noting the importance of cleansing data, the Fund will be writing out to members shortly who we believe may have changed their email address. We will be asking them to update it on the Pensions Portal.

6.0 Large Fund Events

- 6.1 At time of writing, preparations are underway to plan for the Funds Annual General Meeting (**AGM**) on the **6 December 2022**. The event will cover a variety of important update for employers and two workshops.

7.0 Financial Implications

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

8.0 Legal Implications

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

9.0 Equalities Implications

- 9.1 The report contains no direct equalities implications.

10.0 Environmental Implications

- 10.1 The report contains no direct environmental implications.

11.0 Human Resources Implications

11.1 This report contains no direct human resources implications.

12.0 Corporate Landlord Implications

12.1 The report contains no direct corporate landlord implications.

13.0 Schedule of Background Papers

13.1 There are no background papers within this report.

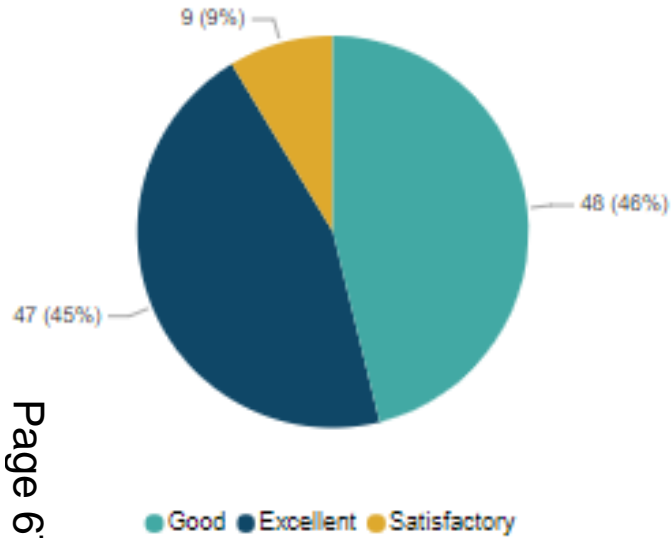
14.0 Schedule of Appendices

14.1 Appendix A - Summary feedback from member presentations and individual consultations

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Appendix A: Member Service Team Presentation Feedback - 1st July 2022- 30th September 2022

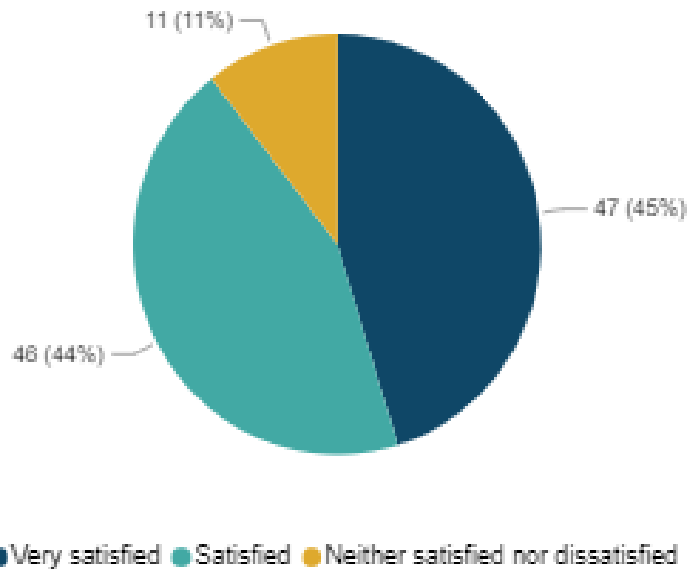
Event Rating



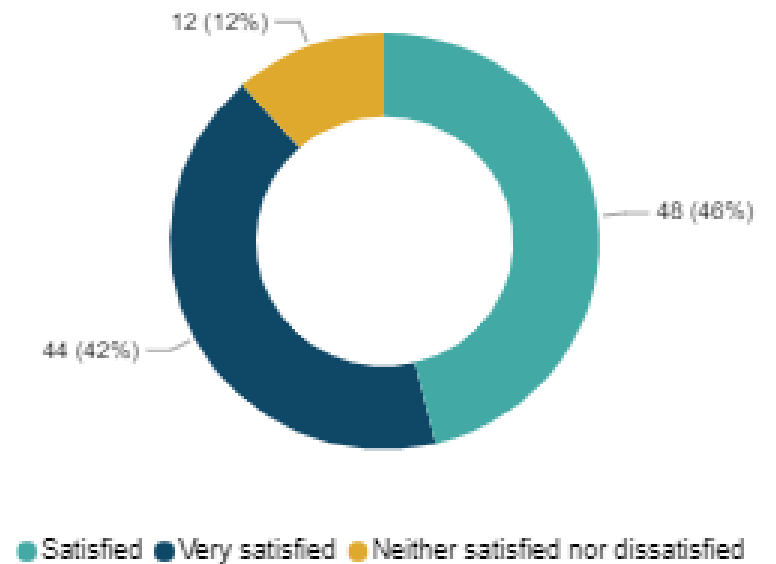
Presenter Rating



Interaction Rating



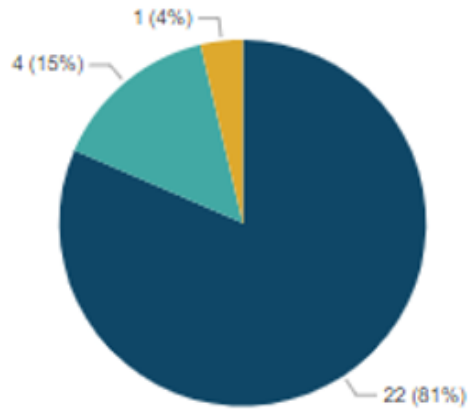
Service Rating



Member Service Team Feedback - 1st July 2022 – 30th September 2022

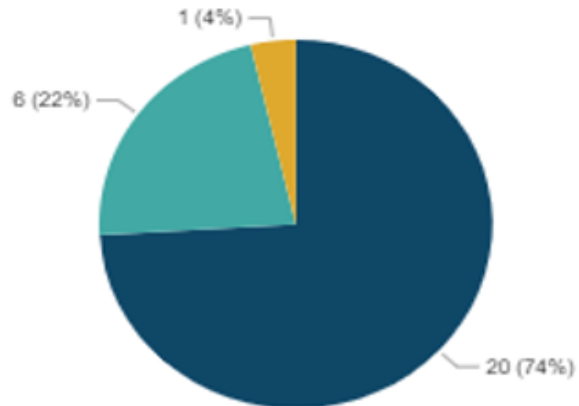
Individual Pension Consultations

Event Rating

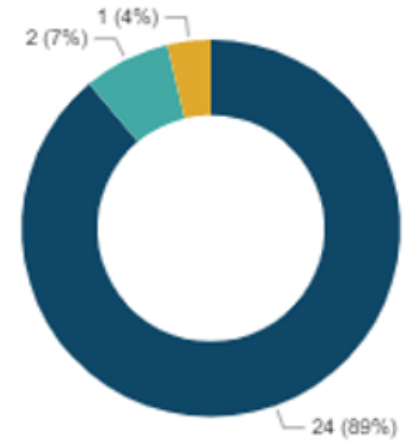


● Excellent ● Good ● Satisfactory

Interaction Rating

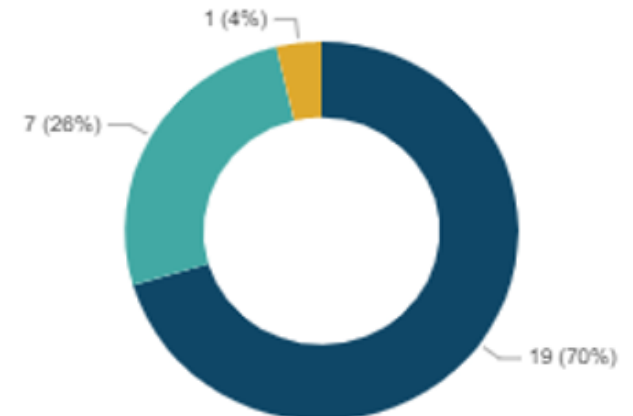


Presenter Rating



● Excellent ● Good ● Satisfactory

Service Rating



CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 14 December 2022
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Report title	Compliance and Assurance	
Originating service	Pension Services	
Accountable employee	Rachel Howe	Head of Governance, Risk and Assurance
	Tel	01902 55 2091
	Email	Rachel.Howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Executive Director of Pensions
	Tel	01902 55 1715
	Email	Rachel.Brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Pensions Committee is asked to note:

1. The latest Strategic Risk Register and areas being closely monitored in the current environment.
2. The Fund's Key Performance Indicators (KPI) and action taken to support service delivery.
3. The compliance monitoring activity undertaken during the quarter.
4. The Fund's Annual Report and Accounts which have been published on the Fund's website in accordance with the statutory deadline of 1 December 2022.

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 Risk Register

- 2.1 Attached at Appendix A is the Strategic Risk Register for this quarter, which is showing movement in the focus of risks for the organisation.
- 2.2 The Risk Register captures the potential for impact in the Fund's service delivery as a forward-looking review, together with horizon scanning for changes which may impact or require change to the Fund's processes and delivery model. As such the risks are refreshed each quarter. This quarter, there are changes to the areas of focus and the directional arrows therefore reflect the trend on the risk assessment (as opposed to quarter-by-quarter comparison).
- 2.3 This quarter, we continue to anticipate the potential impact created by the current economic environment. While there are no early signs of changing member behaviour, we continue to see volatility in the investment market together with emerging pressures and uncertainty on employer finances. The Fund remains focused on long-term initiatives that it has control over, which will drive value and ensure it is well positioned to manage both services and payments to its members.
- 2.4 This trend follows through in the next risk theme. The Fund is still awaiting the publication of a number of regulatory guidance with the ongoing increasing complexity in the scheme, all of which are external drivers over which the Fund has little control. The ability of the Fund to keep pace with change and deliver Business as Usual has the potential to result in conflicting priorities where technical and specialist knowledge and capabilities are being used to support across a number of deliverables. These changes will lead to a review of internal controls, the development of which will continue beyond the implementation of planned development and change.
- 2.5 In line with all risks identified, the Fund continues to engage with external regulatory bodies and feed into consultations which shape outcomes for the Local Government Pension Scheme (LGPS) and wider pensions industry.

3.0 Key Performance Indicators

- 3.1 Attached at Appendix B are the Fund's KPIs as at quarter one.
- 3.2 Further details with regards to the Fund's Operational KPIs is covered in the Pension Administration Report. The team continues to flex resource to meet demands.
- 3.3 Engagement with the Fund from our customer base continues to be high, this is demonstrated by the high volume of communications (calls and emails) received into the

Fund's contact centre, which alongside capacity constraints, have impacted the Fund's ability to meet KPIs in responding to those customer contacts.

4.0 Compliance Monitoring

4.1 Data Protection

4.1.1 This quarter the Fund are reporting seven data breaches, an increase of two from the previous quarter, as per previous quarters all breaches continue to be minor and involved minimal amounts of low-risk data.

4.1.2 The Governance Team continue to monitor breaches and identify actions to improve controls. The Fund hasn't identified any systemic issues in the management of its data and continues to work with service areas to implement ongoing enhancements in systems and individual knowledge. Information management training has been scheduled for January 2023 for all Fund staff to remind employees of their responsibilities with regards to the handling and security of personal data.

4.2 Freedom of Information (FOI) Requests

4.2.1 The Fund received two FOI requests during the quarter, both relating to investment holdings. Both requests were responded to in accordance with the set deadlines.

4.3 Subject Access Requests (SARs)

4.3.1 The number of SAR requests received continued to increase steadily during the quarter, with five requests received in total. As reported previously, the majority of these requests continue to be from third parties seeking information in connection with a member's decision to transfer their pension out of the LGPS. Authority from the member is always sought prior to providing information to third parties. All requests were responded to in accordance with the set deadlines.

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

5.0 Annual Report and Accounts

5.1 In accordance with the statutory deadline of 1 December 2022, the Fund's Annual Report and Accounts have been placed on the Fund's website, a link to which is included within the background papers of this report.

5.2 As well as being published in the Fund's own Annual Report, the Fund's accounts are included in the Statement of Accounts of the City of Wolverhampton Council (CWC). The Fund's accounts will be certified by the external auditor, Grant Thornton, at the same time as CWC's accounts. As previously reported to the Committee and discussed at the meeting of CWC's Audit and Risk Committee on 28 November 2022, the sign-off of

CWC's annual accounts has been delayed pending the introduction of a Statutory Instrument in respect of infrastructure assets which is due to take effect on 25 December 2022. This is a national issue outside of the Fund's control, it should be noted that the audit of The Fund's accounts has been completed and the external auditor has indicated that an unmodified audit opinion will be issued, a note to this effect has been published on the Fund's website alongside the Annual Report pending receipt of the formal audit opinion upon the sign-off of CWC's accounts.

6.0 Financial Implications

- 6.1 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.
- 6.2 Failure by the Fund to meet statutory requirements of effective governance and administration could result in fines imposed by the Pensions Regulator (tPR).

7.0 Legal Implications

- 7.1 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.

8.0 Equalities Implications

- 8.1 There are no direct equalities implications.

9.0 Other Potential Implications

- 9.1 There are no other potential implications.

10.0 Schedule of Background Papers

- 10.1 WMPF Annual Report and Accounts 2022
<http://www.wmpfonline.com/annualreports>.
- 10.2 Report to Pensions Committee: Annual Report and Accounts 2021/22
[Annual Report and Accounts 2021-22.pdf \(modern.gov.co.uk\)](#)

11.0 Schedule of Appendices

- 11.1 Appendix A: Risk Register
- 11.2 Appendix B: Key Performance Indicators

APPENDIX A: West Midlands Pension Fund – Strategic Risk Register

December 2022

Risk Ref	Risk Theme	Risk Title	Current Drivers	Corporate Priority	Pre-control Risk Assessment	Post Control Risk Assessment	Risk Outcome post control	Reason for concern and actions underway to mitigate risk	Officer responsible for Action
1	Economic Environment	Market Volatility	Global markets reacting to geopolitical issues and short-term volatility impacting longer term outlook	Investment implementation Operational Resilience Stewardship				<p>The Fund is a long-term investor taking a strategic approach to asset performance building in resilience to its overall allocation strategy with the aim of withstanding short term market impacts.</p> <p>The Fund actively monitors and is engaged in global market and industry reaction to the current environment which has seen some steadying over this last quarter.</p>	ADI
		Member behaviours	Financial constraints and the increasing cost of living have the potential to drive change in Fund member behaviour, including the potential for increased transfer out requests/opt outs and safeguarding concerns	People and Customers Corporate responsibility				<p>The Fund has a proactive member engagement strategy which seeks to support members with their pension choices and wider financial support, including signposting to government initiatives such as Money Advice services.</p> <p>The Fund continues to monitor workload trends in member-led processes which will feed into and shape member engagement activity.</p> <p>This quarter the Fund hasn't seen an increased change in member behaviour.</p>	ADP
		Employer funding and budget stretch	Pressure on employer covenant being driven by rising inflation and costs leading to the need to balance the setting of contributions against a backdrop of budget constraints and reduced income sources.	People and Customers Corporate Responsibility Operational Resilience Corporate Communications				<p>The Fund is sensitive to the issues facing employers and is undertaking a broad engagement program as part of the 2022 actuarial valuation.</p> <p>The Fund is currently engaging with employers on the outcome of the valuation and future contribution requirements.</p>	ADP



Risk Ref	Risk Theme	Risk Title	Current Drivers	Corporate Priority	Pre-control Risk Assessment	Post Control Risk Assessment	Risk Outcome post control	Reason for concern and actions underway to mitigate risk	Officer responsible for Action
								<p>The Fund's investment strategy is being reviewed alongside the funding strategy over 2022/23.</p> <p>The Fund undertakes early engagement with suppliers to identify potential increases in costs as part of its budget planning process.</p> <p>The Fund has a contract management process supported by CWC procurement which provides consistency in contract terms and management.</p>	HOF
2	Keeping pace with change	<p>Rising costs and inflation on goods and services received</p> <p>Resourcing</p> <p>Specialist/Technical knowledge capabilities</p>	<p>Annual inflation uplift on contracted goods and services may see an additional increase in Fund costs and budget into next year</p> <p>The scale of undertaking multiple business change initiatives (driven by regulatory and service development needs), results in conflicting priorities for internal resource and the need to compromise with short term Business As Usual activities.</p> <p>Third party contractors as project reliant resource and the Fund's ability to maintain delivery in line with project scope and timeline.</p> <p>Increasing complexity and reporting demands across the scheme and pensions industry is bringing a step change in capacity, knowledge and skill requirements in both the Fund and its stakeholders/service delivery partners.</p>	<p>Operational Resilience</p> <p>People and Customers</p> <p>People and Customers</p> <p>Compliance and Risk</p> <p>Operational Resilience</p> <p>People and Customers</p> <p>Compliance and Risk</p> <p>Operational Resilience</p>				<p>The Fund continues to review its resource requirements recruiting temporary and project resource where required to support delivery.</p> <p>Progress with all major projects is monitored and reported to Project leads and steering committees, escalating risks and issues as these emerge.</p> <p>The Fund continues to develop its knowledge and development framework supporting upskilling of colleagues where change occurs.</p>	All Senior Managers



Risk Ref	Risk Theme	Risk Title	Current Drivers	Corporate Priority	Pre-control Risk Assessment	Post Control Risk Assessment	Risk Outcome post control	Reason for concern and actions underway to mitigate risk	Officer responsible for Action
3	Assurance and Internal Controls	Evolving standards for governance and reporting requirements	The Fund continues to wait for delayed regulatory guidance on areas such as Governance and Investment however there is a general shift to increased reporting with a focus on Management Information to support trend monitoring and performance.	Compliance and Risk Operational Resilience				The Fund is reliant on guidance from Regulatory bodies and has engaged in consultations to inform and shape outcomes. However the final outcomes are an unknown at this time. During the most recent quarter the Fund has responded to the DLUHC consultation on Climate Risk Governance and Reporting	HGRA
		Process inefficiencies and manual intervention	As the Fund transitions to the new Pension Admin System, there is a risk that there will be increased reliance on manual processing as the system transitions and embeds across all service areas.	Operational Resilience				The Fund continues to work with the software supplier to mitigate impact on workload and processing with the aim of reducing the risk and reliance for manual processing.	HOPs
4	Data Information and Reporting	Increased demands for data and data review and the ability of the Fund to meet statutory and reporting requirements	Number of key projects reliant on data management and rectification (including system transition)	Operational Resilience Compliance and Risk People and Customers				The Fund continues to enhance its reporting on data quality with ongoing focused resource to achieve key data targets, and support with data focussed projects such as McCloud.	HGRA ADP HOPs
5	Cyber Risk	The Fund is unable to perform its functions due to internal and external vulnerabilities to its operating systems.	Global concern on increasing Cyber risk and evolving practices required to mitigate in light of ongoing development of cyber risks	Operational Resilience People and Customers				The Fund continues to develop its cyber resilience through annual review and external assessment of its cyber strategy. Employee refresher training has been provided in the last quarter to increase awareness of potential risk areas together with highlighting individual responsibility to protect data. Supplier assurance questionnaires have been developed and issued and responses are being analysed.	HOPs

Officers Responsible for Action

EDOP	Executive Director of Pensions
ADI	Assistant Director Investments
ADP	Assistant Director Pensions
HOPs	Head of Operations
HGRA	Head of Governance, Risk and Assurance
HOF	Head of Finance

West Midlands Pension Fund - Key Performance Indicators (KPIs)



Benefit Operations Processes	KPI Summary	KPI Description	Reporting Frequency	Target Summary	22/23 Q1	22/23 Q2	22/23 Total
	Refund Notification	Notify member of Refund within 10 days of receiving required information	Monthly	R < 80% A < 90% G ≥ 90%	94%	95%	95%
Refund Payment	Refund payments processed within 5 days of receiving required information	Monthly	R < 80% A < 90% G ≥ 90%	98%	96%	97%	
Transfer In Payment	Transfer notification of transferred in membership to be notified to the scheme member within 10 days of receiving payment	Monthly	R < 80% A < 90% G ≥ 90%	100%	93%	96%	
Transfer In Quote	Transfer in quotations processed within 10 days of receiving all the required information	Monthly	R < 80% A < 90% G ≥ 90%	99%	100%	99%	
Transfer Out Payment	Transfer out payments processed within 20 days of receiving required information	Monthly	R < 80% A < 90% G ≥ 90%	100%	100%	100%	
Transfer Out Quote	Transfer out quotations processed within 20 days of receiving required information	Monthly	R < 80% A < 90% G ≥ 90%	100%	100%	100%	
Retirement Notification	Notification of the actual benefits within 5 days of receiving member option form (Retirement Notification)	Monthly	R < 80% A < 90% G ≥ 90%	89%	89%	89%	
Retirement Payment	Payment of lump sum and creation of payroll record within 5 days of receiving election form (Retirement)	Monthly	R < 80% A < 90% G ≥ 90%	97%	96%	96%	
Retirement Quote	Notification of Estimated Benefits within 15 days of retirement date	Monthly	R < 80% A < 90% G ≥ 90%	98%	99%	99%	
Deferred Retirement Notification	Notification of the actual benefits within 5 days of receiving member option form (Deferred Retirement Notification)	Monthly	R < 80% A < 90% G ≥ 90%	98%	94%	95%	
Deferred Retirement Payment	Payment of lump sum and creation of payroll record within 5 days of receiving election form (Deferred Retirement)	Monthly	R < 80% A < 90% G ≥ 90%	94%	89%	91%	
Deferred Retirement Quote	Issue quote letter within 30 days of the members eligible payment date or receipt of request from member	Monthly	R < 80% A < 90% G ≥ 90%	92%	88%	90%	
Deaths Acknowledgement	Acknowledgement of a death within 5 days of receiving the notification	Monthly	R < 80% A < 90% G ≥ 90%	97%	98%	98%	
Deaths Notification of Benefits Payable	Notification of benefits payable to dependents will be issued within 5 days of receiving the required information	Monthly	R < 80% A < 90% G ≥ 90%	99%	96%	98%	
Deaths Payment	Payment of death lump sum will be made within 10 days of receipt of all the required information	Monthly	R < 80% A < 90% G ≥ 90%	94%	99%	96%	

Customer Engagement and Communication	KPI Summary	KPI Description	Reporting Frequency	Target Summary	22/23 Q1	22/23 Q2	22/23 Total
	Customer Services Calls	In accordance with PAS >85% of calls to received to the Customer helpline to be answered	Monthly	R < 85% A < 85% G ≥ 85%	75%	85%	80%
Employer Services Calls	In accordance with PAS >85% of calls to received to the Customer helpline to be answered	Monthly	R < 85% A < 85% G ≥ 85%	97%	97%	97%	

Customer Engagement and Communication	KPI Summary	KPI Description	Reporting Frequency	Target Summary	22/23 Q1	22/23 Q2	22/23 Total
	Customer Satisfaction	Customer satisfaction - feedback from events and interaction with members	Quarterly	R < 80% A < 90% G ≥ 90%	99%	89%	94%

Customer Engagement and Communication	KPI Summary	KPI Description	Reporting Frequency	Target Summary	22/23 Q1	22/23 Q2	22/23 Total
	Member Complaints	In accordance with the PAS all member complaints to be responded to within 20 working days of receipt	Monthly	R < 80% A < 90% G ≥ 90%	91%	78%	86%
Employer Complaints	In accordance with the PAS all employer complaints to be responded to within 20 working days of receipt	Monthly	R < 80% A < 90% G ≥ 90%	N/A	100%	100%	

Customer Engagement and Communication	KPI Summary	KPI Description	Reporting Frequency	Target Summary	22/23 Q1	22/23 Q2	22/23 Total
	Employer Portal Availability	Employer Portal to be available 95% of the time (based on working hours as monitored)	Monthly	R < 95% A < 95% G ≥ 95%	100%	100%	100%
Web Portal Availability	Pensions Portal to be available 95% of the time (based on working hours as monitored)	Monthly	R < 85% A < 85% G ≥ 85%	100%	100%	100%	

Governance and Risk	KPI Summary	KPI Description	Reporting Frequency	Target Summary	22/23 Q1	22/23 Q2	22/23 Total
	Statutory Timeliness - Data Breaches	All Fund reports to be submitted in line with service standard set to CWC	Monthly	R < 80% A < 90% G ≥ 90%	100%	80%	89%
Statutory Timeliness - FOI's	All Fund responses to be submitted in line with service standard set to CWC	Monthly	R < 80% A < 90% G ≥ 90%	100%	100%	100%	
Statutory Timeliness - SAR's	All Fund responses to be submitted in line with service standard set to CWC	Monthly	R < 80% A < 90% G ≥ 90%	100%	100%	100%	

Data Management and Reporting	KPI Summary	KPI Description	Reporting Frequency	Target Summary	22/23 Q1	22/23 Q2	22/23 Total
	Common Data	Common Data	Monthly	R < 80% A < 90% G ≥ 90%	98%	98%	98%

Data Management and Reporting	KPI Summary	KPI Description	Reporting Frequency	Target Summary	22/23	22/23	22/23 Total
	ABS	ABS produced for 100% of eligible active member records	Annually	R < 80% A < 90% G ≥ 90%	91%		
DBS	DBS produced for 100% of eligible deferred member records	Annually	R < 80% A < 90% G ≥ 90%	100%			

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 14 December 2022
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Report title	Delivering our Corporate Plan	
Originating service	Pension Services	
Accountable employee	Rachel Howe	Head of Governance, Risk and Assurance
	Tel	01902 55 2091
	Email	Rachel.Howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Executive Director of Pensions
	Tel	01902 55 1715
	Email	Rachel.Brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Pensions Committee is asked to note:

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

1.0 Purpose

- 1.1 To provide Committee with an update on the work of the Fund in achieving its deliverables and targets set out in the Corporate Plan.

2.0 Corporate Plan 2022 – 2027

- 2.1 The Fund adopted its corporate plan in March 2022 following a period of engagement with our Governing Bodies, employees, and customers which helped shape the focus of our service delivery and goals and ambitions for the next five years including;

- People and Customers – providing an inclusive and supportive environment for individuals to develop knowledge and become engaged in pensions.
- Corporate Communications – building on the Fund’s strong customer services proposition to deliver on our ambition to increase accessibility and engage stakeholders.
- Compliance and Risk – building and maintaining integrated assurance, instilling confidence in outcomes.
- Operational Resilience – enhancing the Fund’s ability to flex, adapt and respond to change both through service delivery and developing our people.
- Investment Implementation – reviewing opportunities and changes which support in working towards the longer-term Strategy Asset Allocation Benchmark, align with responsible investment and climate change objectives and aim to build resilience within strategy to deliver the returns required over the long-term.
- Stewardship – engaging to protect and enhance investment outcomes.
- Corporate Responsibility – ensuring we manage our social impact, add social value and continue to support our employees and local community.

- 2.2 During the first quarter of 2022 the Fund remained committed to supporting our people as the final stages of lockdown easing came into effect and the Fund moved to its new offices in I9. This delivered on a number of priorities for the Fund, as it created a welcoming and inclusive environment for our customer base together with enhanced development and learning opportunities for our people with bespoke training facilities as we look to develop our offering to our people and customers. The move to the new office space has also supported our aim of Corporate Responsibility in creating a space that lives up to the standards we seek of our invested assets and supply chain, achieving a Building Research Establishment Environmental Assessment Method (BREEAM) rating of very good in its fit out.

- 2.3 The Fund is committed to act to champion and develop initiatives to support employee wellbeing and inclusion. As a member of the Employer Network for Equality and Inclusion and through involvement in the Diversity Project, focused on the investment and pension saving industry, West Midlands Pension Fund (WMPF) initiatives are currently focused on social mobility (including through apprentice, trainee and graduate opportunities) and neurodiversity (including through dyslexia champions and support), with the Fund welcoming the opportunity to support these dimensions through the nature of its work with both its people and its customers.

- 2.4 Following the period of office closures and online support services through 2020 and 2021, the Fund was able to open its doors once more and visit customers across the region, offering face-to-face engagement to assist members with their pension benefits. Year to date, the Fund has offered face-to-face engagement and training events, alongside online and hybrid support, with feedback continuing to rate very good and excellent. Supporting members with retirement planning and ensuring they are equipped and supported in their decision making has been a key focus and demand for this remains strong as demonstrated by the c2,000 served through the regional roadshows during October/November. As cost-of-living pressures take hold, focus has shifted to supporting members in finding pension savings and increasing awareness of alternatives to opt-out, such as the 50/50 option within the Local Government Pension Scheme (LGPS).
- 2.5 In response, the Fund focussed its delivery on providing an inclusive and supporting environment. Building on the success of last year's active member campaign, the Fund's Member Services Team have been recognised for the retirement planning campaign for deferred members, achieving Pensions Communication Initiative of the Year from Professional Pensions, competing against large, private schemes to win the award.
- 2.6 Building on our Operational Resilience, the Fund continues to enhance its service delivery and this year launched a review of its Pension Administration System (PAS) engaging with a new provider to deliver the benefit calculation and member processing system as well as new member and employer portals. The PAS will play a material role in the delivery of core functions, looking to enhance efficiency and provide further development for customer self-service.
- 2.7 In 2021, the Fund was within the first group of UK asset owners and LGPS Funds to report and publish its 2021 Stewardship Code, receiving signatory status from the Financial Reporting Council and the Fund has now achieved renewed signatory status for 2022. In addition, the Fund has completed its initial target disclosures and submitted these to the International Investor Group on Climate Change as progress continues to build from the 2021 Climate Change Framework and Strategy, including the Fund's commitment to Net Zero.

3.0 Looking Ahead

- 3.1 The LGPS, and pension industry generally, continues to be an industry in the spotlight, noting the recent reaction to the market volatility and increased oversight and reporting requirements on LGPS Funds. In addition, the Fund continues to await regulatory guidance on the McCloud remedy and pension dashboard implementation which will require timely and targeted work to implement.
- 3.2 Over the next 6 months the Fund anticipates the outcomes from a number of key statutory consultations, including the Consultation on Governance and Reporting of Climate Change Risks.

3.3 Over the next quarter, focus remains on supporting our people, acknowledging the ongoing competition in the recruitment market as we look to develop our offering as a people development champion, seeking reaccreditation of our Investor in People status, as well as building and enhancing our employee inclusion approach through soft skill development, including broadening of training opportunities for Mental Health First Aiders. Recruitment and retention of the skills and experience required to deliver the wide range of Fund core functions to the standard aspired and expected by Fund stakeholders and regulators remains the greatest delivery risk at this time.

3.4 Triennial funding and investment strategy reviews have been developing over the year and have evolved to reflect the changing market conditions and longer-term outlook. These will move to formal consultation of key policy statements and employer contribution outcomes over the coming weeks, concluding ahead of the statutory deadline of 31 March 2023.

4.0 Financial Implications

4.1 The Fund's delivery of its Corporate Plan and the initiatives developed to support are included in the Fund's budget for 2022/27, an update is provided in the Budget report.

5.0 Legal Implications

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

6.0 Equalities Implications

6.1 The Fund undertakes Equality Impact Assessments for all new initiatives with considerations given to Equality and Inclusion in line with guidance from the Employers Network for Equality and Inclusion (ENEI). There are no implications.

7.0 Other Potential Implications

7.1 There are no other implications in this report.

8.0 Schedule of Background Papers

8.1 [Corporate Plan 2022 - 2027](#)

9.0 Schedule of Appendices

9.1 None.

CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 14 December 2022
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Report title	Budget Monitoring 2022/23 and Quarterly Accounts to 30 September 2022	
Originating service	Pension Services	
Accountable employee	Chris Manning Email	Head of Finance christopher.manning@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel Email	Executive Director of Pensions 01902 551715 rachel.brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Pensions Committee is asked to note:

1. The value of the net assets of the West Midlands Pension Fund at the end of quarter ended 30 September 2022 was £19.0 billion.
2. As at the 30 September 2022, West Midlands Pension Fund forecasts an underspend of £6.3m at year end attributable to £5.7m forecast underspend on investment management expenses offset by £0.6m forecast underspend on operational costs, primarily related to lower employee costs.

1.0 Purpose

- 1.1 The purpose of this report is to update Pensions Committee on the year end forecast at the end of the quarter (six months) ended 30 September 2022 and provide an update on the value of the net assets of the West Midlands Pension Fund at the end of the same quarter.
- 1.2 The operating budget for the year to 31 March 2023 was approved by Committee on 31 March 2022.

2.0 Forecast Out-turn against Operating Budget 2022/23

- 2.1 The following table sets out the year end forecast as at the end of the second quarter, 30 September 2022, compared with the Fund's full year operating budget:

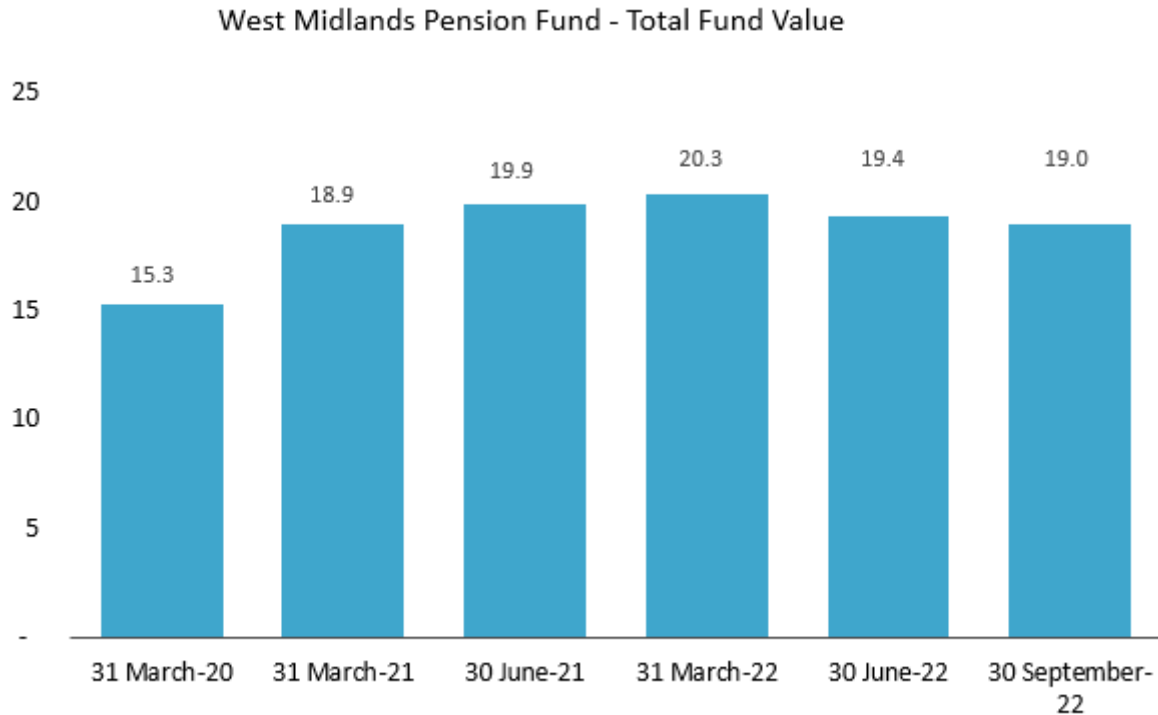
	Actual 2021/22	Budget 2022/23	Forecast 2022/23	Variance Out-turn
	£000	£000	£000	£000
Employees	7,859	10,426	9,460	(966)
Premises	474	698	793	95
Transport	2	25	28	3
Other Supplies and Services	366	411	398	(13)
Service Development	423	1,412	1,396	(16)
Professional Fees	1,170	1,764	2,115	351
Communications and Computing	561	780	829	49
Support Services	697	773	686	(87)
Miscellaneous Income	(557)	(600)	(599)	1
Net Expenditure	10,995	15,689	15,106	(583)
External Investment Management Costs	102,402	95,397	89,738	(5,659)
LGPS Central Charges	4,356	4,768	4,723	(45)
Total External Investment Costs	106,758	100,165	94,461	(5,704)
Total	117,753	115,854	109,567	(6,287)

- 2.2 Forecasts have been made using a combination of reviewing spend to date and taking into account plans for the remainder of the financial year. At this midway stage, it is anticipated there is likely to be an underspend on employees (£966,000) as the recruitment to newly budgeted positions are ongoing but taking longer than usual due to low level of unemployment across the country and the specialist nature of many of the roles within the Fund. These external factors are affecting the Funds ability to recruit as part of the normal turnover of employees, creating further in year vacancies, which are also contributing to the underspend.

- 2.3 The overall underspend is partially offset by increases in premises costs. These relate to some uncertainty over the costs of the new premises at the time of setting the budget alongside the increased utility costs impacting nationally. There is also a provision within the forecast for final costs relating to the relocation of the fund operations. The premises forecast is presented as a worst-case value at this time and improvements are anticipated through the remainder of the year.
- 2.4 Similarly the forecast increase in professional fees further offset the forecast underspends in employees. The majority of the increase in forecast relates to an addition to the scope of work carried out relating to funding and investment strategy review. This is in response to unforeseen changes and events during the year requiring additional in-depth review of the Fund's approach and response.
- 2.5 The forecast for investment management expenses is anticipated to be an underspend of £5.7m. Investment management costs are heavily influenced by market movements and investment performance and are therefore expected to fluctuate during the year. The Fund will continue to take a transparent approach to reporting investment management costs, including recognition of previously 'hidden' charges and recording of transaction costs associated with turnover within individual portfolios but now increasingly captured in the cost transparency initiatives being commissioned through an external benchmarking company. These are analysed in depth on an annual basis with in-year forecasts being revised in light of the changes in value, and nature of Assets under Management and new information as it is received.
- 2.6 Following each year end, the Fund obtains, scrutinises and reconciles cost transparency reports from managers as part of its annual Statement of Accounts preparation and audit processes to be able to present the final position to Committee more accurately in its Out-turn 2022/23 reporting. This information will in turn be used to refine the forecasting mechanisms during the 2023/24 year.
- 2.7 Investment costs remain a key consideration throughout the Fund's investment decision making and the Fund continues to review and seek opportunities for cost reduction where these can be achieved on implementation without impacting risk or expected return.

3.0 Net Assets – West Midlands Pension Fund

- 3.1 The chart below provides a summary of the Net Assets Statement.
- 3.2 The Net Assets Statement estimates a value of £19.0 billion for the Fund at 30 September 2022 (£20.3 billion at 31 March 2022). This represents a 6.6% decrease since 31 March 2022 and is largely attributable to the movement in equity markets during the same period which saw FTSE 100 index decrease by 8.3%.



4.0 Financial implications

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

5.0 Legal implications

5.1 This report contains no direct legal implications for the authority.

6.0 Equalities implications

6.1 This report has no equalities implications.

7.0 Other implications

7.1 There are no other implications.

8.0 Schedule of background papers

8.1 Budget 2022/23 and Financial Plan to 2026/27, Report to Pensions Committee, 30 March 2022.

9.0 Schedule of appendices

9.1 None.

CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 14 December 2022
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Report title	Quarterly Investment Report to 30 September 2022	
Originating service	Pension Services	
Accountable employee	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	Executive 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 Separate 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 West Midlands Pension Fund (Main Fund and Admitted Body Separate 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 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 30 September 2022, the West Midlands Pension Fund's market value was £18.8 billion (incl. WMTL and PB ABSF). Stock markets and fixed income generally fell over the quarter (in local currency terms), although performance varied by region and sector.
- 3.2 The Main Fund decreased by 0.9% over the quarter outperforming its benchmark by 0.4%. Over the 1 bvcbyear the Fund decreased by 4.2% outperforming the benchmark by 0.4%. Performance has trailed the benchmark over longer time periods.
- 3.3 The ABSFs experienced significant negative performance over the quarter and 1 year to 30 September 2022 which has impacted longer-term performance numbers. Negative performance was predominantly driven by the Liability Driven Investment (LDI) and corporate bond allocations. The LDI portfolios are designed to move in a similar fashion

to the expected change in the value of the ABSFs' liabilities in response to changes in interest rates and inflation expectations.

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 30 September 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:

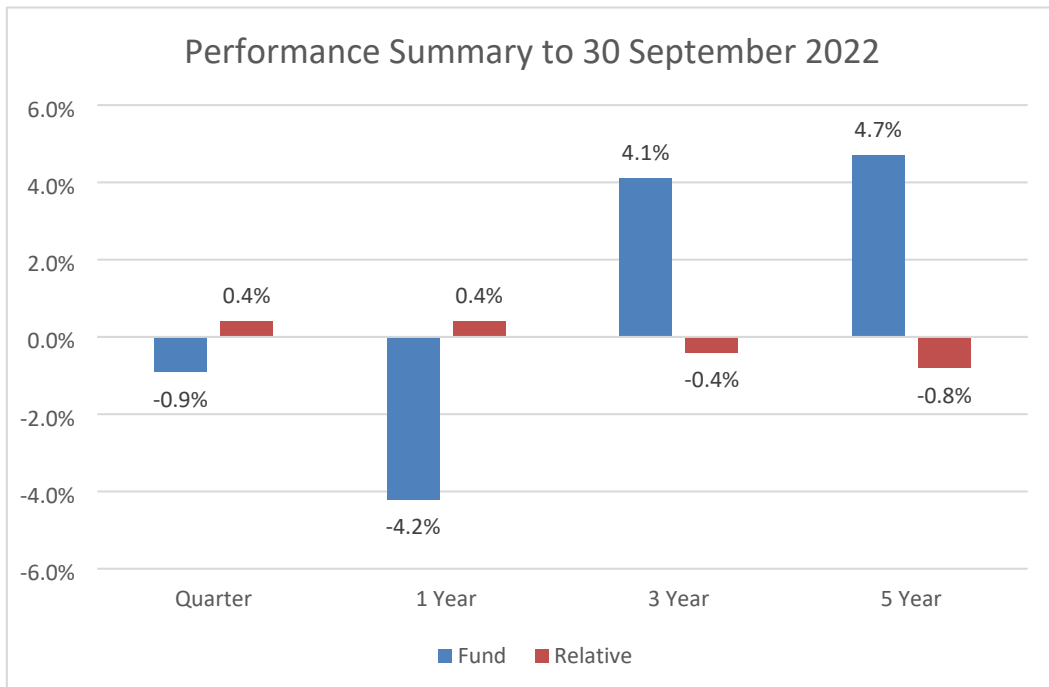
Total Return (£)	<u>Quarter</u>	<u>12 months</u>
Global Equity (MSCI World)	2.1%	-2.9%
US Equity (S&P 500)	3.5%	2.1%
Emerging Markets (MSCI Emerging Markets)	-3.8%	-13.2%
UK Equity (FTSE All Share)	-3.5%	-4.0%
Gilts (GBI UK All Mats)	-13.2%	-24.0%
Corporate Bonds (BofA ML Non-Gilts)	-11.6%	-22.2%
High Yield (BofA ML Global High Yield)	6.0%	-2.8%

4.3 Over the quarter the US Dollar strengthened significantly against GBP. Towards the end of the quarter there was significant volatility experienced in the UK gilt market resulting in a sharp increase in yields and negative returns.

5.0 West Midlands Pension Fund

Main Fund Performance Summary

- 5.1 The Main Fund delivered a return of -0.9% over the quarter outperforming the benchmark return by 0.4%. 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 September. 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 The Fund's combined global equity portfolio and Infrastructure allocation continue to be negative contributors to relative performance over longer time periods.
- 5.4 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.
- 5.5 The Fund remained overweight in growth assets versus previous policy targets, as a result of existing equity positions and the strong absolute performance from these asset types over longer time periods.

	Weight @ 30/09/22	Final ISS target	Interim Benchmark
Total Equity	52%	42%	48%
Private Equity	8%	6%	6%
Opportunistic	2%	2%	2%
TOTAL GROWTH	62%	50%	56%
Corporate Bonds	4%	4%	4%
Multi-Asset Credit/Specialist	3%	6%	6%
Emerging Market Debt	4%	5%	5%
Private Debt	2%	6%	1%
Infrastructure	5%	9%	7%
Property	8%	9%	9%
TOTAL INCOME	27%	38%	31%
Gilts	1%	2%	2%
ILG	4%	3%	5%
Low risk strategy (orphan liabilities)	1%	5%	4%
Cash	5%	2%	2%
TOTAL STABILISING (incl. low risk)	11%	12%	13%
TOTAL	100.0%	100.0%	100.0%

- 5.6 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 and private market assets, with steps being taken to move towards new target weights in multi-asset credit, emerging market debt, private debt and infrastructure in particular, with equity holdings expected to be trimmed over the coming quarters.
- 5.7 The most recent quarter has seen an increase in capital calls in relation to commitments made to Infrastructure and Private Debt Funds and an increase in the cash holding at the quarter end, pending a review of the allocation.

6.0 West Midlands Pension Fund

Detailed Performance Commentary

Growth Assets

- 6.1 The total combined equity fund delivered negative returns during the quarter, 1 year and 3 year periods but has produced positive returns over longer time periods to 30 September 2022.
- 6.2 The Main Fund's passive equity assets are now almost exclusively managed by the investment pool company, LGPS 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, however, there was divergence between region and strategy as shown below.

	Quarter	12 months
LGPSC UK (FTSE All Share)	-3.5%	-4.3%
LGPSC Global ex UK	0.1%	-7.7%
LGPSC Dividend Growth (Blended)	-2.4%	-2.2%
LGPSC Climate Multi-Factor	1.2%	-1.3%

- 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 underperformed the benchmark over the quarter and 1 year period, however, has outperformed the benchmark over the 3 year period. 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	1.5%	16.1%	20.8%
FTSE All World +1% (3m lagged)	-8.0%	-2.6%	9.4%

Income Assets

- 6.7 The Fund's income segment has underperformed its respective benchmark over the quarter and longer time periods. The aggregate property portfolio provided negative returns over the quarter but has delivered strong absolute returns over the 1 year and longer time periods.
- 6.8 The infrastructure portfolio delivered has delivered strong positive returns over the quarter and 1 year, outperforming its return objective (CPI +4%), however, the portfolio has underperformed against its return objective over longer time periods.

	Quarter		1 Year		3 Year	
	Return	Relative	Return	Relative	Return	Relative
Infrastructure Portfolio	4.1%	1.6%	17.5%	4.7%	4.8%	-3.2%
Property Portfolio	-3.4%	-1.2%	9.6%	-3.4%	7.1%	-1.0%

- 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 and multi asset credit holdings underperformed their respective benchmarks over the quarter, 1 year and 3 year time period.

	Quarter		1 Year		3 Year	
	Return	Relative	Return	Relative	Return	Relative
Corporate Bonds	-8.0%	3.0%	-17.8%	4.1%	-4.1%	2.7%
Multi Asset Credit	-1.9%	-3.6%	-12.0%	-6.6%	-1.6%	-2.7%
Emerging Market Debt	1.2%	-2.6%	-13.6%	-7.2%	-4.2%	-0.2%

Stabilising Assets

- 6.10 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.

7.0 Admitted Body Separate Funds (ABSFs)

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

WMTL asset allocation (excluding buy-in policy):

Asset Class	Value @30/09/2022	Target %	Current %
Total Equities	£ 86,293,937		43%
UK Equities	£ 6,226,292		3%
North America Equity Index	£ 34,963,224		17%
Europe (ex UK) Equity Index	£ 19,693,076		10%
Japan Equity Index	£ 7,085,431		4%
Asia Pac exJap Dev Equ Ind	£ 7,190,164		4%
World Emerging Markets Equ Ind	£ 11,135,751		6%
Newton Real Return	£ 21,239,142		11%
Baillie Gifford DGF	£ 11,074,558		6%
Total Equities & DGF	£ 118,607,637	16%	59%
Corporate Bonds	£ 7,929,146		4%
Multi Asset Credit	£ 47,318,873		24%
Private Debt	£ 13,168,925		7%
LDI	£ 12,626,296		6%
Total Credit & Ldi	£ 81,043,241	84%	41%
Cash	£ 210,595	0%	0%
Total	£ 199,861,472	100%	100%

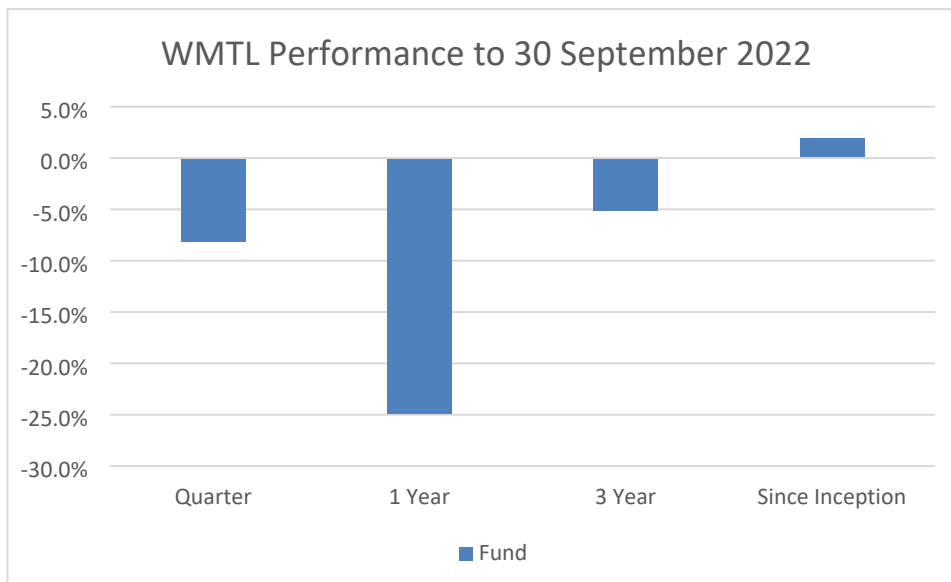
The allocation to private debt is expected to increase over time. Commitments have been made in this area, however, given the private nature of these assets, these commitments will draw down from the growth portfolio over a period of time, moving the allocation towards the target.

PB asset allocation:

Asset Class	Value @30/09/2022	Target %	Current %
Total Equities	£ 2,618,600	15%	20%
UK Equities	£ 217,530		2%
North America Equity Index	£ 1,145,384		9%
Europe (ex UK) Equity Index	£ 347,572		3%
Japan Equity Index	£ 296,253		2%
Asia Pac exJap Dev Equ Ind	£ 202,741		2%
World Emerging Markets Equ Ind	£ 409,120		3%
Multi Asset Credit	£ 3,834,023		29%
Corporate Bonds	£ 2,334,400		18%
LDI	£ 2,051,513		16%
Cash	£ 2,203,638		17%
Total Fixed Interest, LDI & Cash	£ 10,423,574	85%	80%
Total	£ 13,042,173.26		100%

WMTL

- 7.2 The Fund has produced significant negative returns over the quarter and 1 year to 30 September 2022. All assets have contributed to negative performance, however, the Fund's fixed interest holdings have been the most impacted due to the increasing interest rate environment. The diversified growth funds and the multi-asset credit allocation continued to underperform their 'base rate plus' target performance.
- 7.3 Large falls in the value of the Liability Driven Investment (LDI) portfolio were experienced particularly towards the end of the quarter due to sharp increases in UK gilt yields. Whilst this resulted in negative asset returns for the LDI portfolio, the Fund's liabilities are expected to have decreased by a greater extent than the fall in the LDI portfolio.
- 7.4 A review of the Fund's benchmark is currently being undertaken and therefore only absolute Fund returns have been shown below.



Fixed Income

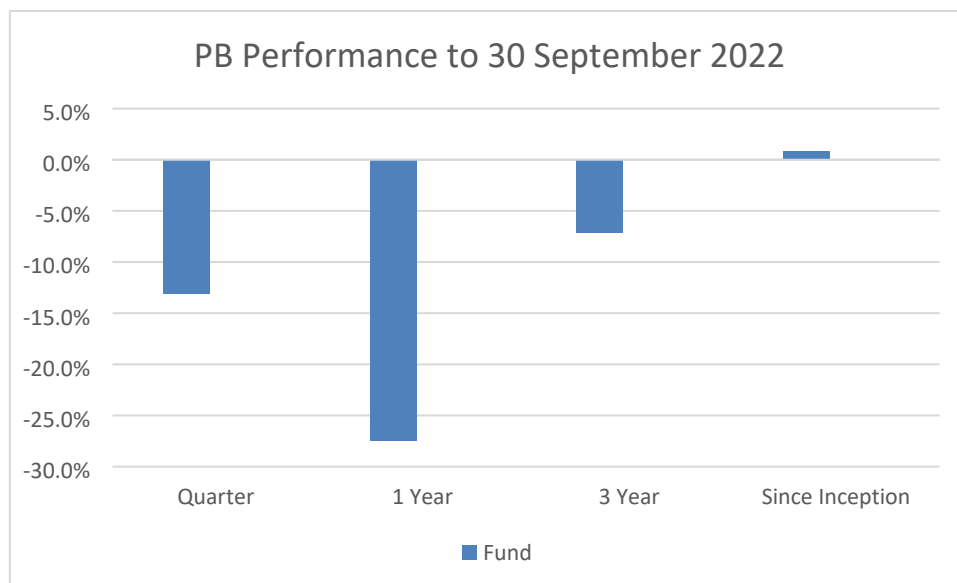
- 7.5 Alongside the multi-asset credit holding in the bond portfolio, the corporate bond mandate underperformed its benchmark over the quarter and 1 year period.

Diversified Growth Funds

- 7.6 Both Diversified Growth Fund holdings delivered negative absolute and relative performance over the quarter and 1 year period.

PB Performance Summary

- 7.7 PB performance is summarised below. Similar to WMTL, the Fund produced significant negative returns over the quarter and 1 year to 30 September 2022 with recent performance impacting longer-term numbers.
- 7.8 The majority of negative performance was driven by the fixed interest holdings, in particular the LDI portfolio given the sharp increase in UK gilt yields experienced over the quarter and 1 year period. The LDI mandate is designed to move in a similar manner to the Fund's liabilities in response to changes in interest rates and inflation expectations.
- 7.9 A review of the Fund's benchmark is currently being undertaken and therefore only absolute Fund returns have been shown below.



8.0 Investment Pooling

- 8.1 The Fund continues to work closely with its investment pool company LGPS Central Ltd (LGPSC) to review the ongoing suitability of investment products and look for opportunities to transition assets to the pool.

9.0 Financial Implications

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

10.0 Legal Implications

- 10.1 This report contains no direct legal implications.

11.0 Equalities Implications

- 11.1 This report contains no direct equal opportunities implications.

12.0 Other Implications

12.1 There are no other implications.

13.0 Schedule of Background Papers

13.1 None.

14.0 Schedule of Appendices

14.1 Appendix A – Redington Economic and Market Update

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YOUR MARKET AND INVESTMENT UPDATE

Q3 2022

Private and Confidential



WHAT HAPPENED DURING THE QUARTER



Philip Rose
(CIO, Strategy
& Risk)

Market Summary

The combination of central banks hiking rates to combat inflation and market expectations that they will be successful in reducing inflation has led to rapid rises in real yields across the world and poor performance from most risk assets. When the UK added a now reversed policy mistake to the mix it led to very high volatility in real yields, with moves in both directions that would normally be observed in several years occurring in just a few days.

This led to vastly increased demand for asset liquidity and the need for Bank of England intervention to ensure an orderly market and to act as a lender of last resort to solvent entities.

Key Points for You

- Expected returns decreased slightly over the quarter from Gilts + 3.4% at 30 June 2022 to Gilts + 3.3% at 30 September 2022. This was largely driven by a lower expected return assumption for property assets.
- Asset-side risk, as measured by VaR 95%, decreased slightly from 16.0% at 30 June 2022 to 15.7% at 30 September 2022.

Market Data

Equity Index	Level	Change since 30-Jun-22	Change since 30-Sep-21
FTSE 100	7046	-2.7%	0.9%
S&P 500	7603	-4.9%	-16.5%
EuroStoxx 50	1487	-3.7%	-15.3%
Nikkei 225	44471	-0.8%	-10.0%
MSCI World	5804	-4.4%	-15.5%
MSCI Emerging Markets	589	-8.2%	-21.5%
FX			
USD vs GBP	1.12	-8.3%	-17.1%
EUR vs GBP	1.14	-1.9%	-2.1%
JPY vs GBP	161.6	-2.2%	7.8%
Credit Spreads			
Sterling Non-Gilt Index	135	8 bps	63 bps
Sterling Non-Gilt 15Y+ Index	188	-7 bps	52 bps
Global Investment Grade	161	6 bps	78 bps
US Investment Grade	183	12 bps	89 bps
Global High Yield	513	-15 bps	179 bps
European High Yield	456	-19 bps	185 bps

Market Data

UK Gilts	Level	Change since 30-Jun-22	Change since 30-Sep-21
10Y	4.19	188 bps	316 bps
30Y	3.71	115 bps	233 bps
UK Nominal Swaps			
10Y	4.65	206 bps	344 bps
30Y	3.71	130 bps	244 bps
Gilt Breakeven Inflation			
10Y	3.99	31 bps	12 bps
30Y	3.74	51 bps	21 bps
UK RPI Swap			
10Y	4.44	39 bps	41 bps
30Y	3.81	45 bps	25 bps
UK Gilt Real Rates			
10Y	0.20	156 bps	303 bps
30Y	-0.02	64 bps	211 bps
US TIPS			
20Y	2.06	71 bps	240 bps
30Y	1.56	67 bps	173 bps

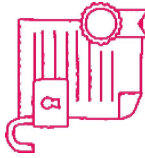

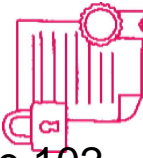

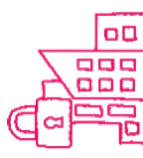

VIEWS FROM THE ASSET CLASS SPECIALISTS



		<p>Kate Mijakowska Government Bonds</p>	<p>In Q3 2022, at the 30-year point, nominal gilts rose by 126bps while breakeven inflation increased by 52bps, leaving 30yr real yields 75bps up on the quarter. In September, following the mini-budget announcement, long-dated gilt yields saw extreme levels of volatility. Over the 3 business days between 23rd and 27th September, 30-year real yields increased by 172bps. On 28th September by midday they had increased by a further 55bps. For context, historically the largest move over a single day since 1996 was 31bps. On 28th September the Bank of England intervened, which led to real yields falling 108bps from the previous close. As expected, where hedges remained in place, liabilities and LDI portfolio values moved in sync, leaving funding levels broadly unchanged. However, many pension schemes saw their LDI collateral buffers decrease at record speed. This posed a challenge, as LDI capital needed to be replenished much faster than would ordinarily be the case.</p>
		<p>Oliver Wayne Liquid Markets (Equities)</p>	<p>Over Q3, global developed markets ('DM') and emerging markets ('EM') both delivered negative absolute returns, somewhat driven by a large sell-off occurring at the end of the quarter. The significant weakening of the pound versus the dollar meant these sell-offs were far less pronounced in GBP terms. Similar to Q2, there were concerns about inflation and rising interest rates, with central banks reiterating their focus on fighting inflation. This was coupled with ongoing fears of recession. From a factor perspective, DM saw Momentum perform positively and Quality underperform. Value was the main laggard over the quarter, materially underperforming the benchmark and having now given up a large portion of its gains accumulated earlier in the year. It was a similar story in EM, with Momentum performing the strongest and Value lagging the index; however, Quality performed better in these markets.</p>
		<p>Tom Wake-Walker Liquid Markets (Multi-Asset)</p>	<p>Q3 offered little respite for broad risk assets used across multi-asset and liquid alternative strategies. Equities, bonds and commodities suffered substantial declines due to heightened concerns about inflation. As a consequence, multi-asset strategies with a long bias generally struggled, while performance across more relative-value-oriented portfolios was more mixed.</p> <p>We saw trend following continue to generate excellent returns, with exposure to USD as well as short bond positioning being particularly profitable. This helped performance for some diversified risk premia strategies, although equity style returns were dependent on relative exposure to the Value factor, which struggled over the quarter. Risk Parity detracted during the period, with returns of -6.27% for the HFRI Risk Parity Index, driven by both fixed income and inflation-sensitive assets. Within event-driven strategies, merger arbitrage performance was negative as spreads widened as a result of risk-off sentiment.</p>

VIEWS FROM THE ASSET CLASS SPECIALISTS

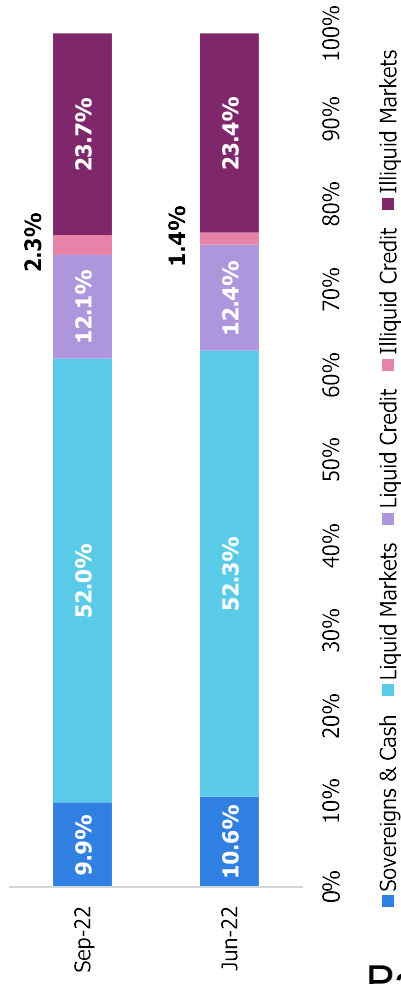


		<p>Chris Bikos Liquid & Semi-Liquid Credit</p> <p>Q3 started with a rally, but July's euphoria did not last long and summer blues hit credit markets by mid-August. Developed market central banks continued tightening their economic policies as inflation figures remained higher than expected and energy costs continued their climb higher, especially in Europe. Sterling investment grade and high yield ("HY") were the worst performers. US and European investment-grade credit fared better, with returns still negative as spreads and rates moved higher. HY markets (especially BBs & Bs) witnessed very little in the way of spread dispersion. European HY excess returns (versus equivalent government debt) were positive as credit spreads tightened over the period, but not enough to offset the impact of rate movements. The picture was similar in US HY. Across both sides of the Atlantic, leveraged loan prices declined as a combination of the asset class' unprecedented outperformance and recession concerns outweighed the benefits of a surge in interest rate expectations. US dollar strength and rising US treasury yields continued to put pressure on emerging market bonds, both hard and local currency. Attention has shifted towards corporate health as we enter the corporate reporting season, while UK politics remains a source of volatility in sterling credit and gilt markets.</p>
		<p>Tricia Ward Illiquid Credit</p> <p>Amidst widespread volatility, private credit remained robust over Q3. With continued bank finance retrenchment and a 73% decline in IPO values for H1 2022 (Dealogic), private companies are increasingly turning to private credit partners. Elevated demand translated into a further 25-75 bps spread increase vs Q2 and improved issuance discounts, accompanying the natural yield pick-up from the floating reference rates. Downside protection remains the focus. Alongside tighter covenants, loan-to-value ratios were increasingly conservative. Importantly, interest coverage ratios for direct loans remained healthy at approximately 2.6x (Fitch) vs typical 3.0x targets, highlighting the relatively marginal effect to the borrower's cost of capital of all-in rate increases. Private credit secondary transactions offer limited partners a means of rebalancing exposures, while also providing visibility and shorter duration of underlying portfolios (typically 2-3 years) versus primary investments. In H1 2022, recently deployed vintages typically traded at 0-5% discounts. Indications for Q3 bid-offer spreads were 5-10 bps wider, but volumes were thin.</p>
		<p>Sarah Miller Illiquid Markets</p> <p>The general expectation of 25-50 bps yield softening in UK real estate going into Q3 occurred, driven by rate rises, with the increased cost of debt impacting commercial developers and private homeowners. With the surge in gilt yields in the last week of September, there was significant upward pressure on property yields and downward pressure on valuations. Price softening will vary; however, with transaction volumes having slowed significantly from the summer onwards, there was limited evidence off which to base changes to valuations in Q3 NAVs – or to generate liquidity. From a fundamental perspective, the flight to quality was underway well before Q3, with investors focused on low vacancy rates, robust rental growth and strong ESG footprints. Residential real estate, particularly in rental, is expected to be one of the most resilient subsectors, supported by the ongoing structural housing supply shortfall, increased demand of post-COVID empty nesters and reduced mortgage availability and affordability.</p>

YOUR ASSET ALLOCATION AND EXPOSURE



Asset Allocation Change

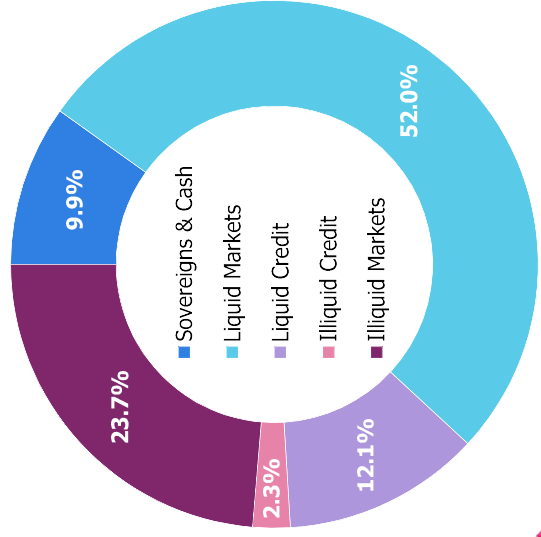


Expected Return Contribution Change (over gilts)



Note, asset class expected returns are in the appendix.

Detailed Asset Allocation

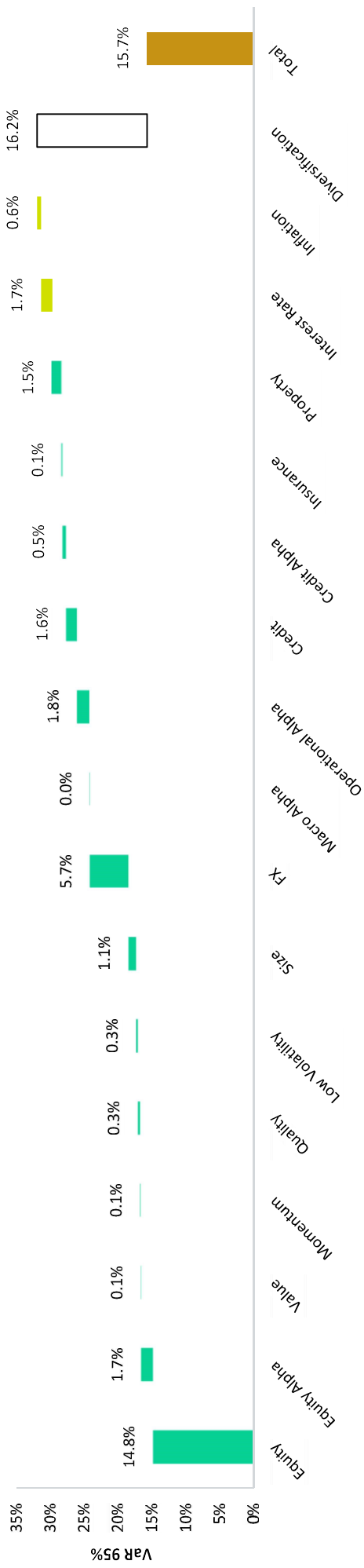


- 4.5% Cash
- 4.1% Index-Linked Gilts
- 0.7% Nominal Gilts
- 0.5% LGIM Overseas Bond Fund
- 6.0% ACS LGPS UK Equity Passive Fund
- 13.6% ACS LGPS Global Ex UK Passive Equity Fund
- 3.1% ACS LGPS Global Equity Dividend Growth Factor Fund
- 10.9% ACS LGPS All World Equity Climate Multi Factor Fund
- 6.0% LGPS Central Global Equity Multi Manager Fund
- 0.3% LGIM UK All Share
- 0.3% 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
- 2.3% Emerging Markets Equities - AGF
- 2.6% Emerging Markets Equities - CTI
- 1.7% Emerging Markets Equities - Mondrian
- 1.5% Aegon Short Dated Investment Grade Bond Fund
- 2.7% UK Corporate Bonds
- 0.9% LGPS Central Global Active IG Corporate Bond Fund
- 3.4% Multi-Class Credit
- 3.7% Emerging Market Debt Funds
- 2.3% Schroders FOCUS II / LGPSC Private Credit
- 5.1% Infrastructure
- 8.4% Property
- 2.0% Opportunistic Funds
- 8.1% Private Equity

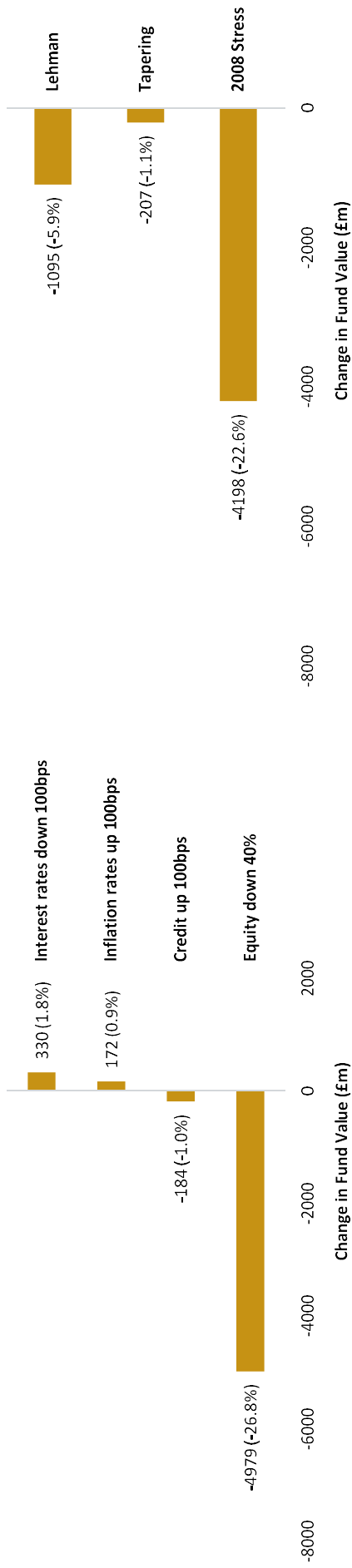
HELPING YOU UNDERSTAND YOUR RISK



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



Scenario Analysis





APPENDICES



REDINGTON'S EXPECTED RETURNS – SEPTEMBER 2022

Asset Class	Expected Return (Gilts +)	Volatility	Expected Fees (p.a.)
Equity			
Developed Market Equities	3.5% ▬	16.9% ▬	0.0%-0.1%
Sustainable Equities	3.8% ▬	15.9% ↑	0.2%-0.4%
Emerging Markets Equities	4.1% ▬	20.3% ↑	0.1%-0.2%
Liquid Credit			
Corporate Debt GBP – Passive	1.8% ↑	6.0% ↑	0.1%-0.2%
Corporate Debt GBP – Active	2.2% ↑	6.1% ↑	0.2%-0.3%
Emerging Market Debt – Corporates	3.2% ↑	7.2% ↓	0.4%-0.6%
Emerging Market Debt – Local Currency Sovereign	4.4% ▬	13.9% ↓	0.5%-0.8%
Emerging Market Debt – Hard Currency Sovereign	3.4% ↑	8.4% ↓	0.5%-0.8%
Multi-Class Credit Global	4.8% ↑	8.4% ↓	0.4%-0.7%
Illiquid Credit			
Diversified Matching Illiquids (Uninvested)	2.3% ↓	7.0% ↓	0.3%-0.5%
Opportunistic Illiquid Credit	5.6% ↓	13.4% ↓	1.0%-1.5% (+ performance fee)
Securitised Opportunities	4.0% ↑	5.9% ↓	0.5%-0.7%
Special Situations	7.8% ↑	16.9% ↓	1.0%-1.5% (+ performance fee)
Illiquid Markets			
Private Equity	4.7% ▬	30.4% ↓	1.0%-1.5% (+ performance fee)
Commercial Property	2.0% ↓	11.8% ▬	0.4%-0.6%
Renewable Infrastructure (Whole Projects)	3.3% ▬	14.5% ▬	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.

CONTACTS

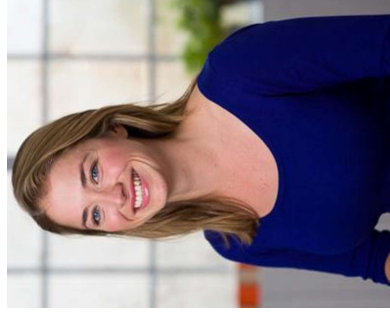


Pete Drewienkiewicz

Chief Investment Officer

Tel: +44(0) 20 3326 7138

Co [ete.drewienkiewicz@redington.co.uk](mailto:pete.drewienkiewicz@redington.co.uk)



Tara Gillespie

Head of Global Assets

Tel: +44(0) 208 132 5753

tara.gillespie@redington.co.uk



Benjamin Blackburn

Senior Vice President

Tel: +44 (0) 20 3463 8064

benjamin.blackburn@redington.co.uk



Charlie Sheridan

Associate

Tel: +44(0) 203 326 7136

charlie.sheridan@redington.co.uk



Ellen Welford

Analyst

Tel: +44(0) 20 3463 8049

ellen.welford@redington.co.uk

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