

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 Tersaim Singh (Lab)

Labour

Cllr Jasbinder Dehar
Cllr Jane Francis
Cllr Carol Hyatt
Cllr Asha Mattu
Cllr Zee Russell
Cllr Harbinder Singh

Conservative

Cllr Paul Appleby
Cllr Paul Singh

District Members

Cllr Bally Singh (Coventry City Council)
Cllr Angus Lees (Dudley MBC)
Cllr Leslie Kaye (Solihull MBC)
Cllr Luke Davies (Sandwell MBC)
Cllr Ray Goodwin (Birmingham City Council)

Trade union observers

Malcolm Cantello
Martin Clift
Ian Smith
Janice Wadrup

Quorum for this meeting is five voting members.

Information for the Public

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

Contact Fabrica Hastings
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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 | Regulatory Update (Pages 13 - 18)
[To provide Committee with an update on the regulatory environment in which the Fund is operating and the work being undertaken to stay informed and prepared for change.] |
| 6 | Corporate Plan Monitoring (Pages 19 - 22)
[To receive an update on the work of the Fund in achieving its deliverables and targets set out in the Corporate Plan.] |
| 7 | Risk and Assurance (Pages 23 - 36)
[To receive an update on the work of the Fund to deliver a well governed scheme.] |
| 8 | Annual Report and Accounts 2022-23 (Pages 37 - 72)
[To update the Committee on the Fund's audit and preparation of the annual report for the year ending 31 March 2023, ahead of publication on the Fund's website.] |
| 9 | Budget Monitoring and Quarterly Accounts to 30 June 2023 (Pages 73 - 80)
[To receive an update on the forecast out-turn against the operating budget and present the quarterly accounts to 30 June 2023.] |
| 10 | Quarterly Investment Report (Pages 81 - 102)
[To receive an update on developments in investment markets, asset allocation and investment performance over the latest quarter in relation to the West Midlands Pension Fund (Main Fund and Admitted Body Sub Funds).] |
| 11 | Responsible Investment Activities (Pages 103 - 116)
[To receive an update on the work undertaken in relation to responsible investment activities.] |
| 12 | Customer Engagement Update (Pages 117 - 140)
[To receive an update of the Fund's customer engagement activity.] |
| 13 | Pensions Administration Report to 30 June 2023 (Pages 141 - 156) |

[To receive a brief update on the routine operational work undertaken by the pensions administration service areas during the period 1 April 2023 to 30 June 2023 and to seek approval of admitted bodies to the Fund.]

14 **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

15 **Pensions Administration System Transition Update**

(Pages 157 - 166)

[To receive an update on the progress of the transition of the pension administration system to the new provider.]

Information relating to the financial or business affairs of any particular person (including the authority holding that information) Para (3)

16 **Employer Covenant Monitoring** (Pages 167 - 178)

[To provide Committee with an update on the findings of the in-house covenant monitoring framework and the individual cases arising from the ongoing monitoring process.]

Information relating to the financial or business affairs of any particular person (including the authority holding that information) Para (3)

17 **Investment Strategy and Activity** (Pages 179 - 184)

[To receive an update on the investment strategy and activity in the WMPF and Admitted Body Sub Funds over the quarter.]

Information relating to the financial or business affairs of any particular person (including the authority holding that information) Para (3)

18 **LGPS Central Pool - Annual Report to DLUHC and Shareholder Matters** (Pages 185 - 190)

[To receive an update on the annual report to the Department of Levelling Up, Housing and Communities, and on matters considered and presented to Shareholders at the LGPS Central Limited General Meeting.]

Information relating to the financial or business affairs of any particular person (including the authority holding that information) Para (3)

Attendance

Members of the Pensions Committee

Cllr Milkinderpal Jaspal (Chair)
Cllr Paul Appleby
Cllr Carol Hyatt
Cllr Paul Singh
Cllr Tersaim Singh (Vice-Chair)
Cllr Jane Francis
Cllr Asha Mattu
Cllr Zee Russell
Cllr Harbinder Singh
Cllr Leslie Kaye

Trade Union Observers

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

Employees

Rachel Howe	Head of Governance, Risk and Assurance
Amy Regler	Head of Operations
Chris Manning	Head of Finance
Laura Parker-Marsden	Governance Support Officer
Paul Nevin	Assistant Director - Investment Strategy
Jennifer Pearce	Senior Auditor
Hayley Reid	Regulatory Governance Manager
Holly Slater	Governance Officer
Simon Taylor	Assistant Director - Pensions
Mark Wilkes	Audit Business Partner
Fabrica Hastings	Democratic Services Officer
Jacob Stokes	Democratic Services Officer

Part 1 – items open to the press and public

Item No. *Title*

- 1 Apologies for absence (if any)**
Apologies were received from Councillor Luke Davies, Councillor Jasbinder Dehar, Councillor Angus Lees, Councillor Bally Singh, Martin Clift and Janice Wadrup.
- 2 Declarations of interests (if any)**
There were no declarations of interest.
- 3 Minutes of the previous meeting**
That the minutes of the meeting held on 21 June 2023 be approved as a correct record.
- 4 Matters arising**

The Chair welcomed new members to the Committee.

Malcom Cantello, Trade Union Representative, requested an update regarding McCloud employer support, in relation to those employers who were yet to submit the required data.

Rachel Howe, Head of Governance, Risk and Assurance advised that the Fund continued to engage with Employers on this issue following the receipt of guidance from the Local Government Association (LGA) on Data Management.

5 **Annual Governance Arrangements**

Hayley Reid, Regulatory Governance Manager, presented the report on the Annual Governance matters of the Pensions Committee,

In response to a query raised by Malcom Cantello, Trade Union Representative, the Committee were informed that the Fund's annual budget was compiled following an assessment of resource need and that a report on the Fund's workforce planning had been brought to the Committee in March alongside the report seeking approval of the annual budget. It was confirmed that the Committee would continue to receive reports on workforce planning.

Following a further question from Cllr Hyatt it was also confirmed that the Committee would continue to receive reports on the Fund's internal controls framework.

Resolved:

1. That the revised Terms of Reference for the Pensions Committee be updated to reflect the points raised during the meeting and approved.
2. That the re-appointment of the Unite and Unison Trade Union representatives for the municipal year 2023/24: be approved.
3. That the following dates and time of the meetings of the Pensions Committee: be noted.
 - 27 September 2023 at 10am
 - 13 December 2023 at 10am
 - 20 March 2024 at 10am

6 **Statement of Accounts 2022-23**

Christopher Manning, Head of Finance, presented the report on the draft Statement of Accounts for the year ending 31 March 2023, seeking approval for delegations to finalise and enable publication of the Statement of Accounts and Annual Report following Committee approval of the draft in September 2023, subject to completion of the external audit.

The Committee were advised that the Fund's accounts were subject to audit by the external auditor, Grant Thornton.

The Head of Finance advised that the position of the accounts was consistent with the performance of the Fund, reported to the Committee over the previous 12 months. A net asset value for the Fund of £19.7 billion as at 31 March 2023 was noted.

In response to questions raised by the members of the committee, it was confirmed by officers that:

- The cashflow for the Fund was reflective of the upfront payments made by employers in line with the triennial valuation.
- The assumed benefits and total liabilities of the Fund were based on actuarial assumptions.
- The likely increase in investment management costs in 2023/24 was linked to assets under management (AUM) and the implementation of the Fund's revised Investment Strategy.

Resolved:

1. That the draft Statements of Accounts for the year ending 31 March 2023 be approved.
2. That the delegation of authority to the Chair of Pensions Committee to approve the final Statement of Accounts once the audit is completed in September be approved.
3. That the delegation of authority to the Chair of Pensions Committee to approve the final publication of the Fund's 2022-2023 Annual Report following approval of the draft by Pensions Committee in September 2023 and ahead of the Local Government Pension Scheme (LGPS) Regulatory requirement to publish the Fund Annual Report and Accounts by 30 September be approved.
4. That the draft accounts have been certified by the Section 151 Officer as required by regulations be noted.
5. That the draft Statement of Accounts (and the Annual Report) for West Midlands Pension Fund will now be subject to audit by the Fund's external auditors, Grant Thornton be noted.

7 **Budget Monitoring and Quarterly Accounts to 31 March 2023**

Christopher Manning, Head of Finance, presented the report on the outturn at the end of the year ended 31 March 2023 and provided an update on the value of the net assets of the West Midlands Pension Fund at the end of the same quarter.

The Committee were asked to note the Fund's final outturn position, an underspend of £5.7 million which was in accordance with the forecast presented at previous meetings.

Resolved:

1. That the value of the net assets of the West Midlands Pension Fund at the end of quarter ended 31 March 2023 was £19.7 billion (£19.4 billion net investment assets) be noted.
2. That as at 31 March 2023, West Midlands Pension Fund delivered an underspend of £5.7m at year end attributable to £4.7m underspend on investment management expenses and £1.0m underspend on operational costs, primarily related to lower employee costs, be noted.

8 **Pensions Administration to 31 March 2023**

Amy Regler, Head of Operations, presented the report on the routine operational work undertaken by the Pensions Administration Service areas during the period 1 January 2023 – 31 March 2023 which included a high-level review of the work undertaken in preparation for the Fund's Pensions Administration System transition.

The Head of Operations noted the flexing of resource and work priorities over the period as the Fund prepared for the new Administration System, confirming the focus and priority was to ensure pension benefits were paid as they fell due.

The Head of Operations provided an overview of the Fund's Administering Authority Statement, outlining the Fund's approach and implementation of statutory discretions in the administration of pension benefits.

The Chair commended the team for the progress in developing the new administration system and the continuing service of Members during this period.

Resolved:

1. That the 5 applications for admission from employers into the Fund as detailed in Section 9 and Appendix E of this report be approved.
2. That the Fund's Administering Authority Policy Statement 2023 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.
5. That the progress of the transition to the new pension administration system be noted.

9 **Customer Engagement Update**

Simon Taylor, Assistant Director – Pensions, presented the Fund's customer engagement activity from 1 January 2023 to 31 March 2023 and covered future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy.

The Committee were presented with an overview of the engagement activity for the period, noting the planned engagement going forward to ensure members and employers were supported during the transition to new administration system.

The Assistant Director – Pensions, confirmed that the Fund had been reaccredited with Customer Services Excellence accreditation for a further 3 years, with 5 areas of compliance plus noted during the assessment, which had taken place in May.

Resolved:

1. That the engagement activity and informed service development be noted.
2. That the initial outcomes of the Customer Service Excellence re-accreditation be noted.

10 **Risk and Assurance**

Rachel Howe, Head of Governance, Risk and Assurance, presented the report on the work of the Fund to deliver a well-governed scheme, highlighting the current areas of focus in the management of risk across the Fund.

The Head of Governance Risk and Assurance advised the Committee of the urgent decisions taken by the Chair following the meeting held on March 2023.

The Head of Governance, Risk and Assurance also highlighted the McCloud Remedy Consultation which had been published on 30 May 2023, which seeks to gain further understanding of the impact of McCloud on LGPS Members. It was confirmed that the Fund are in the process of reviewing the technical clarification provided in the consultation.

In response to a question raised by Malcom Cantello, Trade Union Representative, regarding the year end KPI's and deferred retirement payments, the Head of

Operations provided assurance that on average throughout the year casework had been processed in four days, against a target of five days.

Resolved:

1. That the Urgent Decisions taken by the Chair of the Pensions Committee be noted.
2. That the latest Strategic Risk Register and areas being closely monitored in the current environment be noted.
3. That the Fund's KPIs and action taken to support service delivery be noted.
4. That the compliance monitoring activity undertaken during the quarter be noted.

11 **Local Pensions Board Annual Governance**

Hayley Reid, Regulatory Governance Manager, presented the report on the work undertaken by the Local Pensions Board ("the Board") during the 2022-23 municipal year to meet the legislative requirement for producing an annual report.

Resolved:

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

12 **Internal Audit Plan Annual Report 2022-23**

Mark Wilkes, Audit Business Partner, and Jennifer Pearce, Senior Auditor, presented the report on the outcome of the work programme for internal audit for 2022 – 2023.

The Committee were advised that all internal audit reports had been rated as either substantial or satisfactory and that no significant control issues had been identified. Further, where recommendations had been made, they had been discussed with management and actions agreed. Based on the work undertaken during the year it was confirmed that internal audit had provided reasonable assurance that the Fund had adequate and effective governance, internal control and risk management arrangements in place.

In response to a question from Cllr Kaye, the Head of Finance confirmed that actions to address recommendations made as part of the audit were in the process of being implemented.

Resolved:

1. That the internal audit annual report for 2022 – 2023 be noted.

13 **Responsible Investment Activities**

Racheal Lem, Responsible Investment Officer, presented the report on the work undertaken in relation to responsible investment activities for the period 1 January to 31 March 2023.

In response to a question raised by Cllr Carol Hyatt regarding climate change engagements undertaken, the Responsible Investment Officer provided an overview of engagement methods, advising that engagement was undertaken on a long-term basis.

Resolved:

1. That the publication of the Fund's Annual Stewardship Report 2023 outlining the Fund's stewardship activities during 2022 aligned with the 2020 Stewardship Code [Appendix A – link provided within report] be noted.
2. That the Fund's engagement and voting activity for the three months ending 31st March 2023 [Appendices B and C] be noted.
3. That the issues discussed by LAPFF are set out in the Quarterly Engagement Report, which is available on the LAPFF website: [LAPFF Quarterly Engagement Report](#) for the quarter be noted.
4. That the voting and engagement activity of LGPS Central Ltd, as set out in the Quarterly Stewardship Report, is available on the LGPS Central website: [LGPS Central Quarterly Stewardship Report for the Quarter](#) be noted.
5. That the research and engagement activity undertaken by EOS at Federated Hermes, as set out in the Public Engagement Report, is available on the EOS website: [EOS Public Engagement Report](#) for the quarter be noted.

14 **Quarterly Investment Report to 31 March 2023**

Paul Nevin, Assistant Director – Investment Strategy, presented the report on the developments in investment markets, asset allocation and investment performance over the latest quarter in relation to the West Midlands Pension Fund (Main Fund and Admitted Body Separate Funds).

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 Main Fund and Admitted Body Separate Funds be noted.

15 **Exclusion of press and public**

Resolved:

1. 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.

16 **Investment Strategy and Activity Update**

Paul Nevin, Assistant Director – Investment Strategy presented the report on the investment strategy and activity in the West Midlands Pension Fund (WMPF) and Admitted Body Separate Funds over the quarter.

Resolved:

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

17 **Annual Report on the Investment Advisory Panel**

Paul Nevin, Assistant Director – Investment Strategy presented the annual report on the work of the Investment advisory Panel for 2022-23.

Resolved:

1. That the Pensions Committee is asked to note the report of the Investment Advisory Panel for 2022/23 be noted.

18 **LGPS Central Pooling and Shareholder Update**

Rachel Howe, Head of Governance, Risk and Assurance presented the report on LGPS Central Pooling and Shareholder update.

Resolved:

1. That the Executive Director's update on Shareholder business relating to LGPS Central Limited be noted.

19

CEM Benchmarking

Paul Nevin, Assistant Director investment Strategy and Amy Regler, Head of Operations, presented the report on the CEM Benchmarking activities undertaken for the 2021/22 year.

Resolved:

1. That the results and key outcomes of the independent benchmarking exercises undertaken for the 2021/22 Scheme year for the Fund's Pension Administration Services and Investment Management be noted.

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Development of Fund Resources

Rachel Howe, Head of Governance, Risk and Assurance, presented the report on the Development of the Fund's resources.

Resolved:

1. That the Current Structure of the Organisation be noted.
2. That the Programme of Workforce Planning on-going to build a sustainable and resilient workforce be noted.
3. That the Fund's reaccreditation of Investors In People Gold Standard be noted.
4. That the external industry roles undertaken by the Senior Leadership Team in leading and supporting wider Local Government Pension Scheme (LGPS) development and change be noted.

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 27 September 2023
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Report title	Regulatory Update	
Originating service	Pension Services	
Accountable employee	Rachel Howe Email	Head of Governance, Risk and Assurance Rachel.howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Email	Executive Director of Pensions rachel.brothwood@wolverhampton.gov.uk

Recommendations for action:

The Pensions Committee is asked to note:

1. Developments within the current regulatory environment in which the Fund operates.

1.0 Purpose

- 1.1 To provide members of the Committee with an update on the regulatory environment, potential forthcoming changes across the Local Government Pension Scheme (LGPS) and the wider pensions industry.

2.0 Introduction and Overview

- 2.1 Pension Committee will be aware that the LGPS (and wider pensions industry) has been anticipating a number of regulatory changes and proposed consultations over the last 18 months, all of which have the potential to impact the Fund's operations and resources in not only implementing the changes, but also in relation to the training of employees and providing updated information to members and employers to enable their ability to take appropriate decisions.

- 2.2 At this time, there is still a range of consultations and/or outcomes pending some of which are outlined in more detail in this report. The Fund is aware that the Scheme Advisory Board (SAB) continues to be at the forefront of discussions on behalf of LGPS Funds and the Fund's Senior Officers continue to engage through its position on national discussion groups. Since the Committee met in June, the following has emerged:

- Confirmed delay in Government response and requirements on LGPS Funds following the LGPS climate reporting consultation (Department for Levelling Up, Housing and Communities (DLUHC))
- Publication of economic activity of public bodies (overseas) bill (DLUHC-sponsored)
- The Chancellor's Mansion House speech and related consultations and call for evidence, including to LGPS-specific investment consultation (DLUHC)
- Confirmation that a new and extended longstop date will apply for compliance with the pensions dashboard requirements (pensions minister)
- Consultation on changes to the lifetime allowance (tax threshold) for pensions savings
- Delay in finalisation and publication of the single/general code from the Pensions Regulator
- Publication of regulations relevant to the implementation of the McCloud remedy within the LGPS (DLUHC)

3.0 DLUHC – Next Steps on Investments Consultation

3.1 Background

During the Summer budget in 2015, the Chancellor announced his intention to invite Administering Authorities to bring forward their proposals for pooling investments in the LGPS, with the aim of achieving 4 set criteria:

1. Asset Pools that achieve the benefits of scale
2. Strong Governance and decision making
3. Reduced costs and excellent value for money

4. An improved capacity to invest in infrastructure

- 3.2 Since that time and following the publication of regulations and guidance for the LGPS in 2016, LGPS Central Pool has worked collaboratively to achieve the aims set out by Government; including through the establishment of a pool (Financial Conduct Authority (FCA) regulated) operator company as outlined as a requirement of Government, by the Minister for Communities and Local Government in August 2017.
- 3.3 Five years on (and in the absence of further guidance emerging following the consultation in 2019) it is recognised and accepted that at the outset of pooling, there were differing views across the LGPS on what pooling would mean and deliver for LGPS Funds with a varied approach developing across the eight pools, while recognising local accountability and the overriding objective of the LGPS Administering Authorities in paying pension benefits to members when they fall due to.

4.0 July 2023 Consultation

- 4.1 On the 10th July 2023, the Chancellor set out his Mansion House speech which included the proposed consultation on investment within the LGPS, the consultation being published the following day (with a closing date of 2 October 2023)
- 4.2 In his Speech, the Chancellor noted the desire to “accelerate the consolidation of pension assets by March 2025”, with proposals to increase transparency, cost savings and the scale of LGPS investment pools while noting that Investment Strategy remained a decision of the individual Funds.
- 4.3 The five areas considered within in the consultation are set out below:
- Proposals to accelerate and expand investment pooling, with the aim of increasing the pace of transition, in order to achieve further benefits, improved net returns, more effective governance, increased savings and access to more asset classes.
 - A requirement for Funds to have a plan to invest up to 5% of assets to support levelling up in the UK.
 - To increase investment in high growth companies via unlisted equity.
 - To propose amendments to the LGPS investment regulations which related to the use of investment consultants and including a requirement to set out strategic objectives for those consultants with a formal review every 3 years.
 - To make a technical change to the definition of investments in the LGPS regulations in relation to partnership arrangements so they fall within the definition of investments.

5.0 Next Steps

- 5.1 The consultation was released on 11 July 2023 and contains a number of detailed proposals submitting questions on the proposed amendments and inviting responses. WMPF have considered the proposals and shared key points from the developing response with the Chair of Pensions Committee and Governing Bodies. The response is

being informed by a range of engagement across the industry, stakeholders and peers including the LGPS Central pool.

6.0 'Mansion House Consultations'

- 6.1 On 10 July the Chancellor delivered his annual Mansion House speech outlining reforms to support pension savings and increase investments in UK based business, this included a number of consultations that were issued over the summer period setting out the Governments plans to deal with some of the key issues facing the wider pensions industry.
- 6.2 The speech notes an increasing direction of travel towards (private sector) consolidation noting evidence submitted over the last 2 years that larger funds are better governed. The growing focus on knowledge and skills and those with responsibility for making decisions and managing pension funds is apparent and is reflective of the position taken in numerous regulatory guidance, including the Chartered Institute of Public Finance Accountancy (CIPFA) Knowledge and Skills and the Scheme Advisory Board's Good Governance Review, on which the Fund forms it's Governing Body training policy.
- 6.3 There continues to be a focus on member engagement, knowledge and awareness, building on the objectives set by the pensions dashboards project enabling members' decision making on how best to manage and access their pension benefits as well as member protections. The Committee will recall the Fund is a signatory to the Pension Regulator's pension scam pledge, together with ensuring members are getting value for money from their pension (the Fund is engaging in industry wide benchmarking activity such as CEM to assess its value for money service delivery).
- 6.4 In line with the Pooling consultation, the speech further built on proposals for UK investment and Levelling Up, driving growth in UK economy.
- 6.5 The Fund continues to monitor the proposals and activity noting that the proposals would be subject to wide ranging legislation reforms which would likely require further consultation before being implemented.

7.0 McCloud Regulations

- 7.1 On the 8 September, Government issued its response to the consultation 'McCloud remedy in the LGPS – supplementary issues and scheme regulations' which closed on 30 June 2023. This consultation covered proposals around aggregation, club transfers, flexible retirement, divorce, injury allowances, compensation, interest and excess teacher service and has been anticipated by Funds to confirm how the remedy would be implemented across affected members.

7.2 Overall, the response confirms that the proposals in the consultation will be implemented and where it is required, updated Government Actuary's Department guidance will be issued as soon as possible, in addition to an updated Public Sector Transfer Club memorandum. A national working group has been set up to consider the areas where guidance is needed, and the response sets out some of the areas where guidance will be statutory and where it will be non-statutory. Statutory guidance will be issued where it is necessary to have a consistent approach on areas not already achieved through regulations. This will include the prioritisation of McCloud cases and how to identify which members qualify for McCloud protection where there could be earlier service in another LGPS fund or another public service pension scheme. Other areas will have non-statutory guidance, such as administrative guidance and complex case examples, and how to deal with flexible retirement cases. Where a need for guidance is identified, there will be a technical consultation with selected stakeholders representing those affected. There are still some areas where additional regulations are needed (particularly for dealing with excess teacher service) and a further consultation on these will follow in due course with selected stakeholders.

7.3 The only amendment to the original proposals is in the area of interest, where there is a small change to the way interest will be applied to additional Pension Commencement Lump Sums.

7.4 The implementation of these revised regulations is a major scale project for the Fund, with the requirement to finalise and collect missing and erroneous data, amend the system calculations to enable calculations of the new regulations going forward, and also to undertake rectification calculations on previous casework due to the retrospective application of the regulations. The Fund are working with the new software supplier on the changes required to the pension administration system and considering the wider communications to be issued to our customers.

8.0 Abolition of the Lifetime Allowance

8.1 As part of a package of reforms announced in the Chancellor's March 2023 budget, the Pension Lifetime Allowance, designed to cap tax relief on pension saving, was to be abolished. Government is now seeking to clarify the tax treatment of pension savings and how limits will apply to pension and lump sums from April 2024. The proposals are beneficial to members who may be caught by the tax provisions as their payments will now be taxed on their relevant tax rate (as opposed to the higher rate), however has the potential to further increase the workloads for pension funds with the need to apply individual calculations to lump sum payments.

9.0 Financial Implications

9.1 There are no direct financial implications.

10.0 Legal Implications

10.1 There are no legal financial implications.

11.0 Equalities Implications

11.1 There are no direct equalities implications.

12.0 Other Implications

12.1 There are no potential other implications.

13.0 Schedule of Background Papers

13.1 LGPS: Next Steps on Investments Consultation: [Local Government Pension Scheme \(England and Wales\): Next steps on investments - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments)

13.2 Options for defined benefit schemes: [Options for Defined Benefit schemes: a call for evidence - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/options-for-defined-benefit-schemes-a-call-for-evidence)

13.3 Pension Trustee Skills, Capability and Culture: [Pension trustee skills, capability and culture: a call for evidence - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/pension-trustee-skills-capability-and-culture-a-call-for-evidence)

13.4 Abolition of the lifetime allowance: <https://www.gov.uk/government/publications/abolishing-the-pensions-lifetime-allowance>

14.0 Schedule of Appendices

14.1 None.

CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 27 September 2023
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Report title	Corporate Plan Monitoring	
Originating service	Pension Services	
Accountable employee	Rachel Howe Email	Head of Governance, Risk and Assurance rachel.howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Email	Executive Director of Pensions rachel.brothwood@wolverhampton.gov.uk

Recommendations for action:

The Pensions Committee is asked to note:

1. The work undertaken by the Fund to work towards the goals and ambitions outlined in the Corporate Plan 2023 – 2028.

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 2023 – 2028

- 2.1 The Fund adopted its Corporate Plan in March 2023 on reflection of the current issues and drivers for change across the Local Government Pension Scheme (LGPS) and wider investment industry taking on board learnings over the year about our customer needs, and evolving operating environment, together with a review of our service offering. Throughout the year the Fund has been waiting on a number of regulatory changes with identified themes throughout 2022 continuing into 2023, including the potential for cost of living pressures to impact savings and the delivery of sustainable pensions in retirement, together with the continued challenge across the LGPS and wider industry on building and retaining key skills and knowledge. Responsible and sustainable investment ambition continues to inform investment strategy and implementation, as the Fund seeks long term returns, added value for customers and further strengthens operational resilience through good governance and effective risk management.
- 2.2 During the first half of the year the Fund has remained committed to enhancing service delivery for our customers with the ongoing development and roll out of the new pension administration system over Summer 2023. The new platform includes additional self service functions for members and employers, enabling retirement planning and the management of benefit records in partnership with Fund employers.
- 2.3 The new system has seen a change to working practices which aim to generate efficiency in the processing of member pensions with benefits being seen in the processing times for monthly payroll run. In recognising the change to practices, the Fund has been committed to its objectives of supporting employee development and knowledge, with training materials and on hand support available to aid employee engagement with the new system. As well as developing this knowledge, the Fund is committed to seeking continual improvement alongside the processing efficiencies as benefits of the change continue to be developed and realised.
- 2.4 Throughout the programme of transition, the Fund has remained committed to ensuring improvement in the service offering to our members and employers, with the retention of Customer Service Excellence being a demonstrative outcome from the Fund's ongoing drive to continue to improve customer services, with an increase in areas of compliance plus (to 5 from 3) noted in the May outcome report.
- 2.5 In building on our focus to engage and inform our customers, the Fund launched its first responsible investment member engagement survey in May 2023, receiving over 7,300 responses. The survey highlighted the Fund's responsible investment approach and sought to understand member awareness and perspectives. The importance of good stewardship of assets and the Fund's success in driving progress is highlighted by both the growth in investment manager and asset owner signatories to the 2020 UK

Stewardship Code and the Fund's July 2023 submission, which led to the Fund being awarded signatory status for the third year running in September 2023.

- 2.6 As the Fund looks to build and shape its service delivery, and in response to the industry wide challenges on recruitment and retention, the Fund was acknowledged for its role in developing people and supporting career development through its reaccreditation for Investors in People Gold standard in June 2023. The Fund continues to build on our focus of becoming a people development champion and centre of excellence across the region. For example, earlier this year the Fund received platinum status as an accredited ACCA employer. The success of these accreditations has supported the Fund's objective to grow and develop talent across the region, with over 70 applications received for individual graduate roles in this cohort of recruitment.
- 2.7 In building our focus on risk management and operational resilience, the Fund has completed its second independent Cyber assurance exercise which seeks to challenge suppliers on their cyber resilience as part of continuing to develop and enhance the Fund's own cyber strategy. This in conjunction with a review of the Fund's Business Continuity Planning and ongoing development and review of the wider control framework, aim to provide further assurance to our stakeholders on the resilience of our operations in the face of a continuity or risk event.
- 2.8 In test and challenge of the Fund's Governance and Management and in line with our objective of continuous improvement and to provide assurance on activities, the Fund undertakes independent benchmarking, aiding assessment of value for money and service delivery. This quarter the Fund has completed submissions to CEM Benchmarking and will be compared with peers across the LGPS and wider pensions industry.
- 2.9 In September Fund achievements were recognised through awards received for Investment Innovation and Rising Star within the LGPS industry. Awards received from the LAPF (Local Authority Pension Fund) Investment Awards 2023 reflect the Fund's collaborative and innovative work to support investment within the region and enhance member engagement in saving and planning for retirement.

3.0 Looking Ahead

- 3.1 Over the last quarter, there have been a number of consultations and regulations launched by Government, including the "Next Steps on Investments", McCloud guidance and regulations on the application of remedy to member benefits, together with a number still pending, including further details on the "reset" of the UK Pensions Dashboards, the Pension Regulator's (tPR) single/general code of practice, together with the outcomes from the LGPS consultation on climate risk reporting. Many of these place an increased focus on oversight and reporting, building on the theme in our corporate plan of data culture and information management. Going forward the Fund will need to continue to enhance its reporting tools and engage in dialogue on the development of standard reporting to increase efficiency and use to the benefit of the LGPS.

3.2 Focus over the next four-six months will be to build on the benefits realised from the new administration system and reviewing the future Fund development in context of emerging regulatory change and priorities. The implementation of changes agreed for 2023 investment strategy will continue at pace and be cognisant of the evolving economic and market environment, working with our partners in LGPS Central pool to create an environment to enhance long term sustainable returns. In conjunction with this, the Fund will continue to focus on developing our people, culture and behaviours, fit for a changing environment and will look to continue to build resilience in our human capital.

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 2023/28, an update is provided in the Budget report.

5.0 Legal Implications

5.1 The Local Government Pension Scheme is governed by a combination of local government, finance, and occupational pension scheme regulations. The Fund undertakes a continual review of the legislation governing the management and administration of the Fund and its investments, ensuring a proactive management of change and compliance.

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

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 Implications

7.1 There are no other implications.

8.0 Schedule of Background Papers

8.1 [WMPF Corporate Plan 2023](#)

9.0 Schedule of Appendices

9.1 There are no appendices to this report.

CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 27 September 2023
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Report title	Risk and Assurance	
Originating service	Pension Services	
Accountable employee	Rachel Howe Email	Head of Governance, Risk and Assurance Rachel.Howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Email	Executive Director of Pensions Rachel.Brothwood@wolverhampton.gov.uk

Recommendations for action:

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 statutory delivery of members' 2023 Annual Benefit Statements.

1.0 Purpose

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

2.0 Risk Register

- 2.1 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 and the directional arrows therefore reflect the trend on the risk assessment pre and post actions and mitigations (as opposed to quarter-by-quarter comparison).
- 2.2 This quarter the Fund continues to be alive to the potential for change across the Local Government Pension Scheme (LGPS), noting the launch and potential outcome of a number of industry wide consultations, together with the potential impact that change has on both the Fund's ability to resource, train and develop our people, linked with the industry wide issue of resourcing and retention across key skill roles. This in turn having an impact on the Fund's customer base who are also needing to keep pace with the change. Further information on the potential regulatory changes are outlined in the Regulatory Update paper.
- 2.3 With the potential for change also comes the focus on knowledge and skills of those charged with governance and decision making. The Fund has always taken a proactive approach to supporting the knowledge and skills of its governing bodies as well as its officers and continues to evolve its training and development offering to ensure the knowledge and skill of the Fund evolves with the environment in which we operate.
- 2.4 As the Fund continues to review the outcome of the triennial valuation, it is working with its appointed advisors to review and test its assumptions to ensure a robust strategy resilient to any future events.
- 2.5 The risk register is attached at appendix A.

3.0 Key Performance Indicators (KPIs)

- 3.1 Attached at Appendix B are the Fund's KPIs, as at 2023/24 - Quarter 1.
- 3.2 The Fund adopts Key Performance Indicators based on regulatory standards with a look across operational performance on key functions. The monitoring, undertaken by the Compliance team, reviews the potential for risks and failures in internal controls in the delivery of those functions and seeks to provide assurance of the adequacy of the systems and controls adopted by the Fund. There are no breaches to report this quarter. Further details with regards to the Fund's Benefit Operational Processes and Pensions Services KPIs are covered in both the Pension Administration and Customer Engagement Reports.

- 3.3 Contact with the Fund's customer call centre continues to be high, noting the increasing complexity in the scheme rules as members seek to understand their pension benefit options, with call durations increasing over the period thereby increasing call waiting time for members. The Fund continues to review its resource to support the call centre, in light of ongoing capacity constraints, with this being an area of monitoring by the Compliance team in context of the increasing pension awareness together with the Fund's own and wider regulatory change.
- 3.4 The Fund continues to respond to information requests in accordance with statutory deadlines. Additional time is taken in relation to some requests to fully validate information prior to issuing responses with timelines communicated to requestors in line with statutory requirements.

4.0 Compliance Monitoring

4.1 Data Protection

- 4.1.1 This quarter the Fund are reporting ten data breaches, an increase of two on the previous quarter. Analysis of breaches identified determined that each was considered of low risk to the individual, meaning subsequent risk of fraud was low due to the nature of personal information released.

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 the Governance team continues to work with service areas to implement ongoing enhancements in systems and individual knowledge. The root cause of breaches during the quarter was human error. Where errors have occurred, feedback and, if necessary additional training, is provided to Managers and Fund employees by the Governance team.

4.2 Freedom of Information (FOI) Requests

- 4.2.1 The Fund received four FOI requests during the quarter, all requests received by the Fund have been responded to within the statutory deadline. Information requests this quarter have focussed on the Fund's investment activity and asset holdings.

4.3 Subject Access Requests (SARs)

- 4.3.1 The number of SAR requests received continued to increase, with twelve requests received in total and the statutory deadline for responses was met in all instances. Nine of the requests received were from third parties, relating to members that had previously transferred out of the LGPS. As reported previously to Committee, members are always made aware of third-party requests for personal data and the Fund always obtain consent from the member prior to releasing information to third parties. The Fund is a signatory to the Pension Regulator's pension scam pledge and seeks to provide support to members in cases of suspected pension scams.

5.0 Annual Benefit Statements

- 5.1 The Fund has completed the statutory delivery of Annual Benefit Statements for both Deferred and Active members, achieving coverage of member benefit records at 92% for deferred members and 85% for active members. All statements have been published on member pension portals in advance of the statutory deadline of 31 August. Analysis is currently being undertaken on the reasons for non-production of ABS and engagement with employers is ongoing to support their understanding of data requirements. Reasons for non-production are generally related to outstanding data queries or rectification together with current active processes which prevent the ABS being produced (for example, where a member is pending a transfer to an alternative pension provider, are in the process of retiring or amalgamating pension records).
- 5.2 This year the creation of Annual Benefit Statements was particularly challenging with planned early production in place to ensure the production of statements ahead of the administration system transition. This was done in mitigation of risk on meeting key disclosure deadlines and information points for members.

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 [Pensions Committee KPIs from September 2022.](#)

11.0 Schedule of Appendices

11.1 Appendix A: Strategic Risk Register



11.2 Appendix B: Key Performance Indicators




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West Midlands Pension Fund – Strategic Risk Register

August/September 2023

Appendix A

Risk Ref	Risk Theme	Risk Title	Current Drivers	Corporate Priority	Pre-control Risk Assessment	Post Control Risk Assessment	Risk Outcome post control	Actions/Mitigations	Senior Officer(s) responsible for Action
1	Governance / Regulatory	A number of consultations relevant to the pensions and investment sector (including LGPS) were launched in July which have the potential to result in regulatory change and revised guidance for LGPS Administering Authorities	The Fund will need to review and respond to both cross-cutting industry themes and LGPS-specific consultation, focusing on the key issues for the Fund in the short and longer term where these may result in wide-ranging change impacting a number of service areas (across investment and pension administration functions)	Operational Resilience Compliance and Risk People and Customers				The Fund continues to monitor developing policy and regulatory ambition, activity taking the opportunity to engage with the LGPS and wider pensions-sector to contribute to consultation responses, thereby having a proactive insight and voice to the potential change and response required.	ALL
		Increasing focus on Knowledge and Skills requirement across both Governing Bodies and LGPS Officers	Pending consultation on changes to regulation and guidance from Scheme Advisory Board (SAB) and the Pensions Regulator on the level of knowledge and understanding linked to review of requirements set out in the CIPFA Code and Framework for Knowledge and Skills within the LGPS. DWP/HMT call for evidence on pension trustee capability and culture launched July 2023.					Governing Bodies have a structured training programme and routinely review collective knowledge and experience to perform roles effectively. The Fund's Senior Managers have individual specialisms and are members of a mix of professional and trade bodies. Officers participate on national working groups and policy committees which supports future planning to aid in meeting evolving requirements.	
		Audit and provision of external assurance	Ongoing delay in external audit work driven by system-wide change, inconsistency and capacity constraints creates inefficiencies in Fund activities. Also driving and leading to increased challenge for	Compliance and Risk People and Customers				The Fund engages with the sector, its own and employers' auditors to understand the requirements needed to provide assurance and works collaboratively with its employer groups to develop efficiency in the process.	HoF ADP

Risk Ref	Risk Theme	Risk Title	Current Drivers	Corporate Priority	Pre-control Risk Assessment	Post Control Risk Assessment	Risk Outcome post control	Actions/Mitigations	Senior Officer(s) responsible for Action
			employers' auditors seeking independent assurance					The Fund continues to engage with City of Wolverhampton Council and Grant Thornton on the completion of 2022 year end accounts.	
		Increasing focus on reporting and oversight with evolving standards for governance and reporting.	Increased reporting requests incoming from regulatory/national bodies in areas of Investment, climate, funding, customer servicing, with limited common industry standards and potential for discrepancy with reporting useful to the Fund for management and assurance purposes. Additional resource may be required to further enhance data and reporting tools to meet emerging demands and increase efficiency.	Compliance and risk				The Fund continues to enhance its reporting tools and data / information sets to meet multiple purpose, with current focus on supporting projects, change Climate Reporting and Stewardship.	ALL
2	Operational Resilience	Industry wide resourcing constraints continuing to impact the LGPS and pensions/investment sector industry making recruitment for key skills and knowledge highly competitive	Employment market remains competitive due to shortage of experience and in-demand skill sets; employee experience and prospects, together with ancillary benefits and flexibility in working practices, continue to impact candidate interest and selection.	People and Customers Operational resilience				The Fund is actively reviewing ways it can market it's offering noting organisational culture, development and employee engagement as being key drivers for recruitment and retention.	ALL
		The resilience in our human capital and our ability to adequately, resource, train, and retain.	In context of resourcing constraints and ongoing business and regulatory change, the ability of the Fund to ensure agility and wellbeing will be key to maintaining services standards and effectively responding to change.	Operational resilience People and customers				The Fund is actively working across all departments to develop knowledge and skills across the employee lifecycle. Training is targeted and tailored to enable individual employee growth and future development of the Fund.	ALL

Risk Ref	Risk Theme	Risk Title	Current Drivers	Corporate Priority	Pre-control Risk Assessment	Post Control Risk Assessment	Risk Outcome post control	Actions/Mitigations	Senior Officer(s) responsible for Action
								Change initiatives are prioritised in line with Corporate objectives, with ongoing review of resourcing requirements. Appraisal process and wellbeing checks aid in ensuring employees are supported in their development.	
		The resilience of our third-party suppliers	Ensuring our partners are able to meet our development and ongoing requirements, alongside reliable day-to-day support.	Operational resilience People and customers			➔	Through effectively managing key relationships, contracts and supplier performance, we are able to ensure value added and high quality services to the Fund	ALL
		Cyber and Disaster Recovery	Ensuring our systems and those of our suppliers can withstand disaster and recover to provide continuity in our service delivery.	Operational resilience People and customers			➔	The Fund undertakes an annual assurance and testing programme of all its IT systems and suppliers, ensuring all are capable of identifying and responding to potential external threats.	HOPS HGRA
3	Value Added Servicing	Maintaining pace of change while limiting impact on customers	A number of potential changes are on the horizon both from industry and wider business change processes which have the potential to change the way customer interact with the Fund.	People and Customers Compliance and Risk			↕	The Fund has dedicated member and employer services teams with an active engagement programme that not only seeks to support customers, but also provides opportunities for customers to engage the Fund on issues relevant to them, enabling effective review and development of services to ensure efficient delivery of value added activities.	ALL
		Ability of Fund to maintain and evolve to meet growing customer expectations.	Potential reputational damage should the Fund be unable to meet customer servicing requirements.	People and Customers Operational Resilience			↕	The Fund continues to review its customer offering ensuring it is adaptable to changing demands with agility in its service delivery flexible to the changing environment and	ADP

Risk Ref	Risk Theme	Risk Title	Current Drivers	Corporate Priority	Pre-control Risk Assessment	Post Control Risk Assessment	Risk Outcome post control	Actions/Mitigations	Senior Officer(s) responsible for Action
4	Funding and Economic Environment	Market volatility	Global markets reacting to geopolitical issues and emerging economic conditions resulting in short-term volatility and impacting longer term outlook.	Investment implementation Operational Resilience Stewardship			➔	The Fund is a long-term investor taking a strategic approach to asset allocation and building resilience across the investment portfolio in order to help manage the impact of short-term market volatility. The Fund actively monitors its asset positioning and broader markets and has undertaken a fundamental review of its investment strategy in conjunction with the triennial actuarial valuation with updates being reflected in the 2023 Investment Strategy Statement.	ADI
		Forecasting and model risk	Economic indicators monitored by the Fund, financial assumptions and models fail to adequately capture emerging events and the impact on investment returns and funding evolution	Investment implementation, people and customers			➔	The Fund works with appointed advisers to review forward-looking assumptions, stress test investment and funding outcomes and review future economic and environmental scenarios in order to test resilience and model reliance, noting the limitations and wider context needed for policy development and decision making.	ADI, ADP

Risk Ref	Risk Theme	Risk Title	Current Drivers	Corporate Priority	Pre-control Risk Assessment	Post Control Risk Assessment	Risk Outcome post control	Actions/Mitigations	Senior Officer(s) responsible for Action
		Investment Strategy	The focus and scale of the changes required to implement the new strategy.	Investment implementation			➔	The Fund has put in place a 3-step Plan to implement the revised ISS. Step 1 of the Plan running to end December 2023 is in progress and planning has commenced for Steps 2 and 3 running to April 2025.	ADI
		Employer Risk	Employer funding in the current environment, leading to risk of termination/exit/restructures (leading to transfers between funds within the LGPS) which have the potential to impact cashflows	People and Customers Compliance and risk			➔	The Fund seeks and maintains awareness of the issues facing employers and maintains a broad engagement programme. The Fund seeks to actively manage the risk of potential employer default on liabilities through non-payment of contributions and/or heightened cessations. Funding policy on cessation is under review to support management of planned employer exit. The Fund continues to monitor employer covenant, maintaining a 'watchlist' to inform engagement with employers.	ADP

Officers Responsible for Action

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

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West Midlands Pension Fund - Key Performance Indicators (KPIs)



Benefit Operations Processes	KPI Summary	KPI Description	Reporting Frequency	Target Summary	22/23 Q1
	Refund Notification	Notify member of Refund within 10 days of receiving required information	Monthly	R < 80% A < 90% G ≥ 90%	94%
Refund Payment	Refund payments processed within 5 days of receiving required information	Monthly	R < 80% A < 90% G ≥ 90%	98%	
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%	
Transfer In Quote	Transfer in quotations processed within 10 days of receiving all the required information	Monthly	R < 80% A < 90% G ≥ 90%	99%	
Transfer Out Payment	Transfer out payments processed within 20 days of receiving required information	Monthly	R < 80% A < 90% G ≥ 90%	100%	
Transfer Out Quote	Transfer out quotations processed within 20 days of receiving required information	Monthly	R < 80% A < 90% G ≥ 90%	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%	
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%	
Retirement Quote	Notification of Estimated Benefits within 15 days of retirement date	Monthly	R < 80% A < 90% G ≥ 90%	98%	
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%	
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%	
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%	
Deaths Acknowledgement	Acknowledgement of a death within 5 days of receiving the notification	Monthly	R < 80% A < 90% G ≥ 90%	97%	
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%	
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%	

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

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

Customer Engagement and Communication	KPI Summary	KPI Description	Reporting Frequency	Target Summary	22/23 Q1
	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%
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	

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

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

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

Data Management and Reporting	KPI Summary	KPI Description	Reporting Frequency	Target Summary	22/23 Q1
	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 27 September 2023
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Report title	Annual Report and Accounts 2022-23	
Originating service	Pension Services	
Accountable employee	Christopher Manning Email	Head of Finance christopher.manning@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Email	Executive Director of Pensions rachel.brothwood@wolverhampton.gov.uk

Recommendations for action:

The Pensions Committee is asked to note:

1. Delegation of the authority to the Chair to approve; the final Statement of Accounts, once the audit is completed, and the final publication of the Fund's 2022-23 Annual Report, agreed by the Committee in June 2023.
2. The External Audit plan issued by Grant Thornton and previously circulated to the Committee.
3. An update on the Fund's External Audit from Grant Thornton.

1.0 Purpose

- 1.1 The purpose of this report is to update the Committee on the external audit and finalisation of the Statement of Accounts for the year ended 31 March 2023 and the Annual Report for the 2022/23 year.

2.0 Background

- 2.1 Local Government Pension Scheme (LGPS) funds are required by law to produce an Annual Statement of Accounts. These form part of the wider Administering Local Authority's accounts and are subject to Local Government Accounts and Audit regulations and publication deadlines. They are also included within the Fund's own Annual Report and Accounts for audit and publication by 1 December each year.
- 2.2 In preparing their accounts, Funds must have regard to proper practice and to any guidance which has the effective standing of 'statutory guidance'. These are, for the Statement of Accounts, "The Code of Practice on Local Authority Accounting in the United Kingdom 2022/23" as published by CIPFA (Chartered Institute of Public Finance & Accountancy) ('the Code').
- 2.3 In line with the above, as well as being published in the Fund's own Annual Report, the accounts for WMPF are included in the Statement of Accounts of City of Wolverhampton Council. In line with the LGPS (Management and Investment of Funds) Regulations 2009, the transactions and balances of the Fund are separate and managed separately to those of the Administering Authority. Monies held by the Fund are for the purposes of the pension fund only.

3.0 Audit Findings

- 3.1 At the time of writing and subject to the final review finalisation of audit processes, it is anticipated that Grant Thornton, the Fund's External Auditor (appointed by the Administering Authority), will issue an unqualified audit opinion for the Fund with the Statement of Accounts having been finalised before the 30 September 2023 statutory deadline.
- 3.2 Representatives of Grant Thornton will be in attendance at the meeting to provide members with an update on the progress of the audit work.
- 3.3 Final sign-off of the accounts and issue of the final audit opinion is dependent on the completion of the Administering Authority's audit and the Fund will continue to work with the Authority to ensure the completion of these processes.
- 3.4 In accordance with International Auditing Standards, the Fund is required to confirm to the external auditor that it has complied with all relevant requirements and provided all relevant information to the auditor. This takes the form of a Management Representation letter, signed by the Chair and the Executive Director of Pensions on behalf of the Fund.

4.0 Publication

- 4.1 The Fund's draft Annual Report and Accounts will be finalised in consultation with the Chair and circulated to members of the Committee for comment prior to approval. The approved Annual Report will be placed on the Fund's website at the following link:
<https://www.wmpfonline.com/about-us/corporate-information>
- 4.2 The consolidated Scheme Annual Report for the LGPS in England & Wales will be published by the Scheme Advisory Board in due course, expected late Spring 2024.

5.0 Financial Implications

- 5.1 The financial implications are discussed in the body of the report.

6.0 Legal Implications

- 6.1 This report contains no direct legal implications.

7.0 Equalities Implications

- 7.1 This report has no equalities implications.

8.0 Other Implications

- 8.1 This report contains no other implications.

9.0 Schedule of Background Papers

- 9.1 Statement of Accounts 2022/23, Report to Pensions Committee, 21 June 2023
[Statement of Accounts 2022-23.pdf \(moderngov.co.uk\)](#)

10.0 Schedule of Appendices

- 10.1 Appendix A – Grant Thornton External Audit Plan 2022/23
- 10.2 Appendix B – Grant Thornton DRAFT Audit Findings Report 2022/23

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External audit plan

Year ending 31 March 2023

West Midlands Pension Fund
31/03/2023
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Key matters



National and local context

For the general population, rising inflation, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment. The pressures on household income have raised concerns that members could look at their pension contributions as a way of cutting back on their monthly costs. For instance, the Fund may receive more opt out requests and, whilst the statutory framework around employee contributions makes this difficult, funds may receive more requests for early access to their pension after age 55 as a means to financially manage their commitments.

In recent years, LGPS funding levels have been rising because of strong returns on assets. Some funds have generated a return in excess of 100% over the last decade. Locally, the results of the recently completed 2022 triennial valuation show the Fund moving from a £1.014bn deficit at March 2019 (94% funded) to a £679m surplus (103% funded) at March 2022. The key drivers for this have been better than expected investment returns alongside smaller benefit increases than expected over the period and decreases in expected improvements in longevity. These gains have been mitigated by reductions in forecast future investment returns and higher future inflation to get to the net position.

Overall, the number of members within the Fund continues to grow with the long-term trend over a 12 year period in membership continuing to illustrate a move towards a more mature profile whereby, in general, pensioners and deferred memberships continue to rise. This alongside the completion of the 2022 triennial valuation is leading to changes in the key strategic asset allocations within the Investment Strategy Statement (ISS) for the Main fund to further reduce the target allocation to growth assets and continuing to increase the strategic allocation to income producing assets and stabilising (lower risk) assets, reflecting the improved funding position from the actuarial valuation and the desire to reduce overall levels of investment risk whilst maintaining a return target focused on delivering the longer-term investment returns to meet the Fund's funding strategy.

The Finance function is continuing the transformation program which started in 2022 to update, enhance and develop its controls and processes. To date this has led to development of fund accounting capabilities and enhancing internal controls through review of process and accountabilities across interdependent teams. The Fund also has a compliance monitoring programme which includes monitoring LGPS Central Ltd and external fund managers to satisfy itself that they are performing suitable compliance monitoring and that they remain fit and proper persons with the Financial Conduct Authority (FCA) to manage the Fund's investments.

In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

Our Responses



- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, has been agreed with the Head of Finance.
- We will continue to provide you and your Pensions Committee (and the Audit and Risk Committee) with sector updates providing our insight on issues from a range of sources and other sector commentators
- We hold annual financial reporting workshops for our clients to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.

Introduction and headlines

Purpose

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

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of West Midlands Pension Fund. We draw your attention to both of these documents.

Scope of our audit

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

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

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



Introduction and headlines

Significant risks

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

- ISA 240 – management override of controls.
- The valuation of direct property holdings and other level 3 investments.

We have rebutted the presumed risk for revenue recognition (see page 6).

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

Materiality

We have changed our approach to materiality this year by setting separate materiality levels for the Net Asset Statement (NAS) and the Fund Account (FA).

Based upon the recently published draft accounts we have determined headline materiality on the NAS to be £189.5m (PY £200m) for the Pension Fund, which equates to 0.975% of the Pension Fund's gross investment assets as at 31/3/2023. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £9.475m (PY £10m).

We have also determined materiality to be £65.55m for Fund Account transactions which equates to 7.5% of the Pension Fund's total expenditure for the year ended 31/03/23. Clearly trivial has been set at £3.275m.

Audit logistics

Our interim visit took place in February and March 2023 and our final visit will take place from July to October 2023.

Our key deliverables are this Audit Plan and our Audit Findings Report. The Administering Authority's auditor will also consider if there are any value for money points they need to pick up as part of their Auditor's Annual Report.

Our proposed fee for the audit will be £71,690 [Prior year fee - £68,486 (TBC)] for the Pension Fund, subject to the Pension Fund delivering a good set of financial statements and working papers.

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

New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

Significant risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
ISA240 revenue risk	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.	<p>Having considered the risk factors set out in ISA 240 we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> - there is little incentive to manipulate revenue and expenditure recognition - opportunities to manipulate revenue and expenditure recognition are very limited; - the nature of the Fund's revenue is in many respects relatively predictable and does not generally involve cash transactions. - revenue contributions are made by direct bank transfers from admitted / scheduled bodies and are supported by separately sent schedules and are directly attributable to gross pay making any improper recognition unlikely. - transfers into the pension scheme are all supported by an independent actuarial valuation of the amount which should be transferred and which is subject to agreement between the transferring and receiving funds. - historically, the split of responsibilities between the Fund, the Depositary and its Fund Managers (including those pooled with LGPS Central) provide a very strong separation of duties reducing the risk around investment income. - the culture and ethical frameworks of local authorities, including the administering authority for the Fund, City of Wolverhampton Council, mean that all forms of fraud are seen as unacceptable.

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA (UK) 315)

Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Under ISA (UK) 240, there is a non-rebuttable presumed risk that management override of controls is present in all entities. The Pension Fund faces external scrutiny of its spending and stewardship of assets and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	<p>We will:</p> <ul style="list-style-type: none"> - evaluate the design effectiveness of management controls over journals; - analyse the journals listing and determine the criteria for selecting high risk unusual journals; - test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; - gain an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence; and - evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Fraud in expenditure recognition (rebutted)	Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered, especially an entity that is required to meet financial targets. Having considered the risk factors relevant to West Midlands Pension Fund and the relevant expenditure streams, we have determined that no separate significant risk relating to expenditure recognition is necessary, as the same rebuttal factors listed on page 6 relating to revenue recognition apply.	<p>We therefore do not consider this to be a significant risk for West Midlands Pension Fund.</p>

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Level 3 investments (Annual revaluation)	<p>The Fund revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.</p> <p>By their nature level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in the key assumptions.</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers as valuation experts to estimate the fair values of these assets.</p> <p>We therefore identified valuation of Level 3 investments as a significant risk.</p>	<ul style="list-style-type: none"> - evaluate management's processes for valuing Level 3 investments. - review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investment to ensure the requirements of the code are met. - independently request year end confirmations from investment managers, with an additional focus on ensuring use of appropriate International Private Equity and Venture Capital Valuation (IPEV) (or equivalent) methodology in their valuation books, updated for most recent available guidance. - for a sample of investments, test the valuation by comparing the valuation per the General Ledger (typically based on investor statement as at the reporting date, or in the case of harder to value assets, the latest capital statement available adjusted for known cash movements in the final quarter of the year) to direct confirmation of capital balances from investment managers and, where available, latest audited financial statements. - complete sample testing of purchases and sales to prime documentation across the period to support our reconciliation of the opening and closing balances. - analyse the fund's holdings by sector, applying an additional layer of professional scepticism and challenge in relation to any assets with potential exposure to the pandemic or other significant economic risks;

Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Property Held Directly (Level 3 Investment) (Annual revaluation)	The Fund revalues its directly held property on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (expected to be around £1bn at the balance sheet date) and the sensitivity of this estimate to changes in key assumptions. Management engage the services of a valuer to estimate the value at the balance sheet date as well as an investment manager for the portfolio. We have therefore identified valuation of directly held property assets, particularly revaluations and impairments, as a significant risk.	<ul style="list-style-type: none"> - evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; - independently request year-end confirmations from the investment manager; - evaluate the competence, capabilities and objectivity of the valuation expert; - write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA Code are met; - engage our own valuer to assess the instructions to the Fund's valuer, the Fund valuer's report and the methodology and assumptions that underpin the valuation; - challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; - where available, review the investment manager service auditor report on design effectiveness of relevant controls.

'In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them.' (ISA (UK) 315)

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

Other risks and matters

Risk Reason for risk identification and key aspects of our proposed response to the risk

<p>Admitted Body Separate Fund insurance buy-in valuation - £159.5m (PY £174m)</p>	<p>A bulk annuity insurance buy-in was put in place in 2012/13 as part of the ITA Pension Fund's risk strategy. This has now transferred to the West Midlands Pension Fund following the merger. This cover underwrites the risk of meeting the future liabilities relating to West Midlands Travel Ltd. Pensioners on the payroll at 11 August 2011 in return for a one-off premium. This buy-in is no longer material but the balance is highly subjective due to a lack of observable inputs. In order to determine the value, management engage their Actuary, Hymans Robertson, as an external expert to determine the value. We will:</p> <ul style="list-style-type: none"> performed an assessment of the competence and capabilities of the expert, and engage the Firm's internal actuary to provide assurance over the ITA Fund insurance buy-in valuation.
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Other work

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

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

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2022/23 financial statements, consider and decide upon any objections received in relation to the 2022/23 financial statements;
 - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report. The 2022 triennial valuations were published in March/April 2023. The data for this underpins IAS19/IAS26 roll forward disclosures within the Fund's and employer accounts. We are required to gain assurance that the information submitted to the actuary is consistent with the underlying records of the Fund. This work happens every three years and will be conducted as part of the 2022/23 audit.

Progress against prior year audit recommendations

We identified the following issues in our 2021/22 audit of the Pension Fund's financial statements, which resulted in two recommendations being reported in our 2021/22 Audit Findings Report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
In progress	Management should implement a policy of reconciling its list of investment manager contacts to its asset listing on a periodic basis.	In discussions held during planning management have indicated they intend to implement this. This will not be implemented until the Fund has an updated investment schedule for the financial year end.
In progress	Management should ensure the corroboration schedule is prepared quarterly and refined to ensure it links to underlying supporting index information as part of ongoing quarterly accounts production procedures.	In discussions held during planning management have indicated they intend to implement this. This will be provided during our fieldwork.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1	<p>Determination</p> <p>We have determined financial statement materiality based on a proportion of the gross assets as at 31/3/2023 for the Pension Fund. Materiality at the planning stage of our audit is £189.5m, which equates to 0.975% of the Pension Fund's gross investment assets as at 31/3/2023. Performance materiality and clearly trivial have been set at 70% and 5% of headline materiality.</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements – assist in establishing the scope of our audit engagement and audit tests – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements

2

Other factors

An item does not necessarily have to be large to be considered to have a material effect on the financial statements.

An item may be considered to be material by nature where it may affect instances when greater precision is required.

We have determined transactions within the Fund Account as items requiring greater precision and where we will apply a lower materiality level, as these are considered a key area of focus for users of the financial statements which is not directly derived from the investment portfolio. We have set a materiality of £65.55m which is equivalent to 7.5% of gross expenditure in the Fund Account. We will apply this to the audit of all fund account transactions, except for investment transactions, for which materiality for the financial statements as a whole will be applied. For the Fund Account Performance materiality and clearly trivial have been set at 65% and 5% of headline materiality.

Our approach to materiality

Matter	Description	Planned audit procedures
3	<p data-bbox="501 1570 528 1995">Reassessment of materiality</p> <p data-bbox="549 123 624 2123">Our assessment of materiality is kept under review throughout the audit process.</p>	<p data-bbox="501 123 624 1189">We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>
	<p data-bbox="839 1263 914 1995">Other communications relating to materiality we will report to the Audit Committee</p> <p data-bbox="927 123 1461 2123">Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p data-bbox="839 123 951 1189">We report to the Pensions Committee and Audit & Risk Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p data-bbox="963 123 1150 1189">In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £9.475m (PY £10m). We have also set a separate triviality level for the Fund Account, individual difference could normally be considered to be clearly trivial if it is less than £3.275m.</p> <p data-bbox="1163 123 1315 1189">If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Pensions Committee and Audit & Risk Committee to assist it in fulfilling their governance responsibilities.</p>

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality:	Amount (£)	Qualitative factors considered
<p>Investments: £189.5m. Areas other than investments (Fund Account): £65.55m.</p>		<ul style="list-style-type: none"> Concentration of ownership: the entity is not owned by shareholders, there is no group structure in place (group structures, ownership by shareholders could affect materiality by making it lower) Debt arrangements: the pension fund does not have any debt financing. Business environment: the operations of the entity are less complex and few core business processes in which the entity is involved. Due to its nature as a public body administering the pensions of public sector workers, the pension fund operates within a stable environment and there has not been significant changes in the nature of its business activities over recent years. Control environment: no issues have been identified in relation to the control environment. Other sensitivities: the Fund continues to have a relatively high proportion of L3 investments (20-25%) which will be of interest to readers. Also, as per the Firm's guidance performance materiality for the financial statements as a whole should not exceed an admitted body auditor's materiality once the admitted body's asset share is taken into account. In order to meet this Fund Account materiality has been capped at £189.5m. No other sensitivities have been identified that would require materiality to be reduced.



IT audit strategy

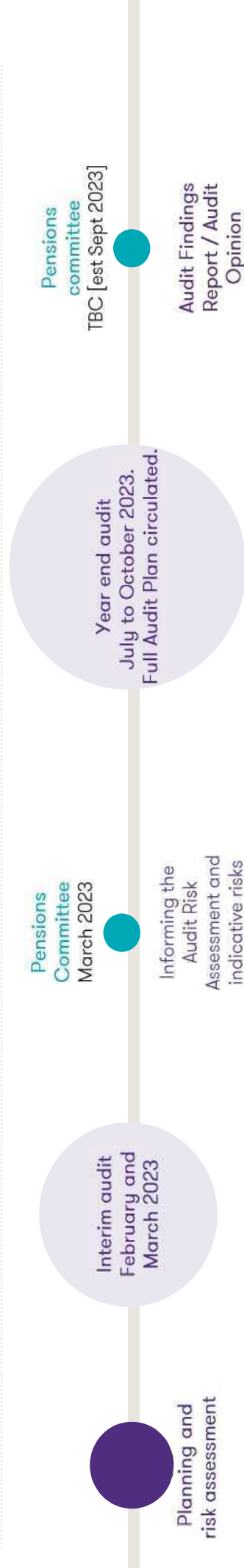
In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on page 17.

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

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IT system	Audit area	Spend/Income	Planned level IT audit assessment
Business world	Financial reporting	N/A – all balances are impacted.	Roll-forward streamlined ITGC review (also make reference to page 17)
Universal Pensions Management (UPM)	Benefits payable	£722.7m (based on draft financial statements)	Roll-forward streamlined ITGC review (also make reference to page 17)

Audit logistics and team



Planning and risk assessment

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Grant Patterson, Key Audit Partner provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers.

Keith Chaisewa, Audit Manager (from June 2023)

Plans and manages the delivery of the audit including regular contact with senior officers.

David Rowley, Audit Manager (until June 2023)
Plans and manages the delivery of the audit including regular contact with senior officers.

Ben Stevenson, Audit In-charge

Key audit contact responsible for the day to day management and delivering of the audit work.

Pensions Committee March 2023

Informing the Audit Risk Assessment and indicative risks

Audited Entity responsibilities

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

Our requirements

To minimise the risk of a delayed audit, all clients need to :

- ensure that they produce draft financial statements of good quality by the deadline they have agreed with us, including all notes – we have received these in line with agreed timelines
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you – working papers have been received but there will be on-going requests during the audit that will need to be addressed in a timely manner
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing – working papers have been received, there have been some clarifications required to enable samples to be selected but audit in progress
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit – we have a plan in place which will be monitored over the duration of the audit
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards including ISA 315 Revised

In 2018 PSAA awarded a contract of audit for West Midlands Pension Fund to begin with effect from 2018/19. The scale fee agreed in the contract was £37,436. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022/23 audit. For details of the changes which impacted on years up to 2021/22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Additional documentation of our understanding of the Fund's business model, which may result in us needing to perform additional inquiries to understand the Fund's end-to-end processes over more classes of transactions, balances and disclosures.

We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.

Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for a Fund of your size, we estimate an initial increase of £3,000. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, is detailed overleaf and has been agreed with the Head of Finance.

Audit fees

	Actual Fee 2020/21	Estimated Fee 2021/22	Proposed fee 2022/23
West Midlands Pension Fund Audit – Scale Fees	£37,436	£37,436	£45,248
Brought Forward 2019/20 plus 2020/21 Fee Variations	£23,700	N/A	N/A
Ongoing Prior Year Variations taken into 2021/22	N/A	£24,520	N/A
2021/22 Proposed Variations			
- EQCR	N/A	£1,500	N/A
- additional quality procedures and work on L3 investments	N/A	£5,000	N/A
Ongoing Prior Year Variations not contained within amended scale fee	N/A	N/A	£17,942
2022/23 – ISA 315	N/A	N/A	£3,000
2022/23 – Additional Change of Circumstances Work	N/A	N/A	£500
2022/23 – Triennial Data Assurance Work	N/A	N/A	£5,000
Total statutory audit fees (excluding VAT)	£61,136	£68,456 (TBC)	£71,690 (TBC)

Assumptions

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

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

Relevant professional standards

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

Independence and non-audit services

Auditor independence

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

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person. We are independent and are able to express an objective opinion on the financial statements.

From the 1 November 2022 the Engagement Lead's wife became a member of West Midlands Pension Fund through being employed by scheduled body (not the administering authority). Under the FRC's Ethical Standard she is considered a Person Closely Associated (PCA) with the audit team. We have consulted our Ethics Team who have determined that as the PCA is not in a position to influence the preparation of the financial statements that the independence of the West Midlands Pension Fund audit would not be compromised and the current Engagement Lead can continue in this role. Additional safeguards will only be required in respect of picking samples for member data testing which will only be undertaken by the Audit Manager. If the PCA is selected any work related to the PCA will be reviewed by a different Director.

We the exception of the PCA above we confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in September 2022 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund.

Independence and non-audit services

Other services

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

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

Service	Fees £	Threats	Safeguards
Audit related			
IAS19 Assurance letters for Scheduled and Admitted Bodies	£6,000 and £1,100 per audit letter.	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is small in comparison to the audit fee of £71,690 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

Total: £18,100 In 2021/22 we received 11 requests. If this changes then the fee will be varied.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud (deliberate manipulation) involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

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West Midlands Pension Fund Audit Progress Report

Year ending 31 March 2023

September 2023

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Appendix B

Contents

Your key Grant Thornton team members are:	
Grant Patterson Key Audit Partner T 0121 2325296 E grant.b.patterson@uk.gt.com	Page 3 4 7 8
Keith Chaisewa Audit Manager T 0121 3879061 E keith.chaisewa@uk.gt.com	
Ben Stevenson Audit In-Charge T 0121 2325286 E ben.stevenson@uk.gt.com	
Section Headlines Findings of Fieldwork Follow up of Prior Year Recommendations Audit Deliverables	
<p>The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.</p> <p>Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.</p>	

1. Headlines

This table summarises the interim findings and other matters arising from the statutory audit of West Midlands Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year; and

- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Our audit work has been in progress since July. A significant amount of progress has been made but we are not in a position to issue a draft Audit Findings Report at this time.

The following pages summarise our progress against the risks highlighted in our audit plan and findings we have identified to date.

We anticipate completing the majority of our substantive audit work by the end of September although audited financial statements and the service auditors report from LGPS Central are not expected until towards the end of the month which will mean some audit work may fall into October.

As a result, our Audit Findings Report will be reported to the administering authority's November Audit and Risk Committee. Given the next Pensions Committee is not due until December 2023 we will liaise with the Chair and Management on the best way to communicate with the Pensions Committee before this.

The 2022 triennial valuations were published in March/April 2023. The data for this underpins IAS19/IAS26 roll forward disclosures within the Fund's and employer accounts. We are required to gain assurance that the information submitted to the actuary is consistent with the underlying records of the Fund. This work happens every three years and is normally undertaken at the same time as the annual IAS 19 work. However, as this element of our work was also required for employer bodies with open 2021/22 audits it was undertaken earlier and reported upon in early September. It was delayed slightly as we resolved reconciliation differences on member numbers with the Fund and the actuary.

During the performance of our audit procedures, there are areas (detailed below) where additional audit procedures / time have been or has been required. These are subject to further discussion with management in terms of improving efficiency of the audit.

- valuation of level 3 investments (financial instruments) where no financial statements are prepared. We have engaged an internal expert to review the valuations provided;
- valuation of level 2 investments (derivatives) where an internal expert has been engaged to review the valuations provided;
- additional review and follow up of the buy-in insurance contract following issues identified (see page 5);
- additional engagement team follow up with investment managers;
- a detailed review of the segregated portfolios with the identification of £54m worth of cash disclosed incorrectly in the Net Assets Statement; and
- resolution of queries raised regarding the triennial data testing.

Findings of Audit Fieldwork (to date)

Significant Risk Areas

Status

Management override of controls (significant risk)

Journals is an area of focus in relation to our work on the significant risk of management override of controls. Following our understanding of the journals process we developed a testing strategy based on specific risk criteria which allowed us to select a sample of journals for testing.

To date, we have no significant findings or control weaknesses to report. We await resolution of a small number of queries in relation to our sample selected for substantive testing.

Valuation of Level 3 Investments (significant risk)

In the case of pooled investment vehicles, we have selected a sample of level 3 investment assets for substantive testing. Testing involves the agreement of year-end values as provided by management to third party investor statements obtained directly by the engagement team from investment managers, review of audited accounts for the investments and review of service organisation reports.

Our work is still in progress. At this point we have identified some timing differences between the investment manager capital statements and the Fund's Accounts. We cannot fully quantify this until we have completed our work on all sampled investments.

Valuation of Directly Held Property (significant risk)

We have engaged with a valuation expert to review the methodology and assumptions employed by management's expert. To supplement this work, an audit strategy was designed using indexation and other qualitative factors to identify a sample of assets for further testing. Inputs to the valuation calculation such as yield/reversion, rental income and Gross Internal Area have been tested to supporting documentation.

To date, we have no significant findings or control weaknesses to report. We await resolution of a small number of queries in relation to our sample selected for substantive testing.

Fraud in revenue and expenditure recognition (significant risk)

As part of our planning we considered the risk factors set out in ISA 240 and PN 10 in respect of fraud in both revenue and expenditure recognition. We have determined that the risk of fraud arising in both could be rebutted.

To date, we have no significant findings or control weaknesses to report.

Findings of Audit Fieldwork (to date)

Other Risk Areas

Admitted Body Separate Fund insurance buy-in valuation - £131m (PY £174m)

We have engaged an internal valuations specialist to review the methodology and assumptions employed by management's expert and to perform an independent calculation of the estimated value for the bulk annuity insurance buy-in contract.

Status

We noted that the valuation methodology did not match the methodology followed for determining the related actuarial liabilities. Further, the methodology was not in accordance with the requirements of the CIPFA Code as the discount rate assumption was determined with reference to the 8.5-year point of the Bank of England nominal gilt yield curve as opposed to high quality corporate bonds as required by IAS 19. This resulted in the valuation being overstated by £13m which management have agreed to amend in the financial statements.

Findings of Audit Fieldwork (to date - continued)

Other Audit Findings

Status

Disclosure errors & enhancements and misstatements identified in other areas

Management have agreed to amend the financial statements.

Overseas equities (Net Assets Statement)

- The Pension Fund has several segregated mandates with a value of £2.3bn at 31 March 2023. £53.9m worth of cash included within these mandates was erroneously recognised as equities as opposed to cash deposits.

Investment income and Change in value of investments (Fund Account)

- For investment income, the amount disclosed of £82.9m was overstated by £5.4m as it did not match the total per the general ledger of £77.5m. For the change in value of investments, the amount disclosed of (£360.2m) was overstated by £6.5m as it did not match the total per the general ledger of (£353.7m). The overall net impact of £1.1m on the Fund Account is trivial from an audit perspective.

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Fair value hierarchy (Note P17)

Note P17 discloses the investment assets of the Fund against the Fair Value Hierarchy (Level 1, Level 2 and Level 3). The line for Financial assets at fair value through profit and loss of £18,834.1m erroneously also included the Fund's Direct Property holdings of £1,007.9m which are separately disclosed in the Non-financial assets at fair value through profit and loss line below. Hence inflating the financial assets total. There is a disclosure error and the value of assets in the net assets statements is not affected.

Actuarial valuation of the fund (Note P6) – Actuarial present value of promised retirement benefits for the purposes of IAS 26

- Note P6 discloses how changes in actuarial assumptions have impacted upon the present value of retirement benefits. Details of the financial assumptions such as discount rate, pay increases and pension increases are disclosed in addition to sensitivities of the assumptions to slight changes. However, consistent with the prior year no examples of the demographic assumptions were disclosed in the financial statements although their impact on the valuation was to decrease the actuarial present value by £172m with the impact of a 1 year increase in member life expectancy increasing actuarial liabilities by £791m (see Note P5). Inclusion of the demographic assumptions will enhance reporting thus providing a complete picture of all significant assumptions made use of by the expert.

Related parties (Note P26)

- Councillor Angela Underhill was omitted from the list of members making up the Pensions Committee.

Follow up of Prior Year Recommendations

Assessment Issue and risk previously communicated



For 2021/22, the GT audit team amended its approach to obtaining investment manager responses. As such a much larger number of requests were issued. During the course of this work, we identified that the Pension Fund does not routinely reconcile its list of investment manager contacts to its assets list. Doing so would provide additional assurance to management that communications are not being missed and streamline completion of audit procedures.

Update on actions taken to address the issue

Update

Management provided us with a reconciliation on 18 April 2023. Our review of the reconciliation did not highlight any issues.



Approximately £1.5bn of the Pension Fund's assets are managed by a particular fund manager via investment vehicles for which there is no requirement to produce audited financial statements. These assets are typically index linked pooled investment vehicles and therefore assurance over them is gained via reference to expected performance against the benchmark index.

Update

Management provided us with a working paper that shows the indexation of these assets from 31 March 2022 to 31 March 2023. No material difference was identified.

We were informed that management assures itself by:

- Reviewing the report produced by the investment manager which compares performance of the various investment assets against benchmark, and
- Regularly preparing a schedule that corroborates the quarterly indexation information within the report.

The schedule referred to above was only provided to us towards the end of our audit and we had to undertake alternative audit procedures in its absence. From review of the paper provided, it does not appear to address the expected areas but could be refined.

Audit Deliverables

2022/23 Deliverables

Planned Date Status

Audit Plan

Whilst under the administering authority's constitution their Audit and Risk Committee is considered those charged with governance for the administering authority's Statement of Accounts which include the Pension Fund accounts. We have determined that we shall also report to the Pensions Committee in their role of overseeing the production of the Pension Fund Annual Report and Accounts.

September
2023

Completed

We are required to issue a detailed audit plan to the Pensions Committee setting out our proposed approach in order to give an opinion on the Pension Fund's 2022/23 financial statements.

IAS 19 Assurance Reports

Triennial Membership Data

The 2022 triennial valuations were published in March/April 2023. The data for this underpins IAS19/IAS26 roll forward disclosures within the Fund's and employer accounts. We are required to gain assurance that the information submitted to the actuary is consistent with the underlying records of the Fund. This work happens every three years and will be conducted as part of the 2022/23 audit. It is normally undertaken at the same time as the annual IAS 19 work but as it was also required for employer bodies with open 2021/22 audit, this element of the work was undertaken earlier. It was delayed slightly as we resolved reconciliation differences on member numbers with the Fund and the actuary.

31 August 2023

Completed
(8 September
2023)

Annual (2022/23) IAS 19 Assurances

We will issue assurance letters to the auditors of member employers covered by the NAO's Code of Audit Practice as requested upon completion of sufficient audit procedures in order to enable employer financial statements to be signed off.

September/
October 2023

Not yet due

Audit Findings Report

Our Audit Plan showed audit work being conducted between July and October 2023. We were hopeful that we would be able to complete our audit work by the end of September 2023 but as reported in this update report, we now anticipate finishing in October and the Audit Findings Report will be reported to the administering authority's November Audit and Risk Committee. Given the next Pensions Committee is not due until December 2023 we will liaise with the Chair and Management on the best way to communicate with the Pensions Committee before this.

Est September
2023

Est November
2023

Auditors Report

This includes the opinion on your financial statements.

Est September
2023

Est November
2023

Consistency Statement

We are required to issue a statement confirming that the financial statements reproduced in your Annual Report are consistent with those included in the administering authority's financial statements.

Est September
2023

Est November
2023

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 27 September 2023
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Report title	Budget Monitoring and Quarterly Accounts to 30 June 2023	
Originating service	Pension Services	
Accountable employee	Christopher Manning Email	Head of Finance christopher.manning@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Email	Executive Director of Pensions rachel.brothwood@wolverhampton.gov.uk

Recommendations for action:

The Pensions Committee is asked to note:

1. The value of the net assets of the West Midlands Pension Fund at the end of the first quarter of the financial year, ended 30 June 2023, was £19.6 billion (£19.5 billion net investment assets).
2. As at the 30 June 2023, West Midlands Pension Fund forecast an underspend of £66,000 at the year-end attributable to an underspend on operational costs. Forecast investment management expenses remain in line with the approved budget at this time, reflecting asset values in line with budget assumptions.

1.0 Purpose

- 1.1 The purpose of this report is to update the Pensions Committee on the outturn at the end of the first quarter of the financial year ending 31 March 2024 and to provide an update on the value of the net assets of the West Midlands Pension Fund at the end of the same quarter (June 2023).
- 1.2 The operating budget for the year ending 31 March 2024 was approved by Committee in March 2023.

2.0 Forecast Out-turn Against Operating Budget 2023/24

- 2.1 The following table sets out the year end forecast outturn for the year ending 31 March 2024 as at the 30 June 2023, compared with the Fund's full year operating budget:

	Actual 2022/23	Budget 2023/24	Forecast 2023/24	Variance Out-turn
	£000	£000	£000	£000
Miscellaneous Income	(522)	(681)	(681)	-
Total Operational Income	(522)	(681)	(681)	-
Employees	9,260	12,773	12,749	(24)
Professional Fees	1,872	1,921	1,888	(33)
Service Development	1,495	1,653	1,643	(10)
Communications and Computing	829	924	924	
Premises	593	757	757	
Support Services	705	860	860	
Other Supplies and Services	429	746	747	1
Transport	36	47	47	-
Total Operational Expenditure	15,219	19,681	19,615	(66)
Net Operational Expenditure	14,697	19,000	18,934	(66)
External Investment Management Costs	90,404	97,558	97,558	-
LGPS Central Charges	5,047	6,181	6,181	-
Total External Investment Costs	95,451	103,739	103,739	-
Total Management Expenditure	110,148	122,739	122,673	(66)

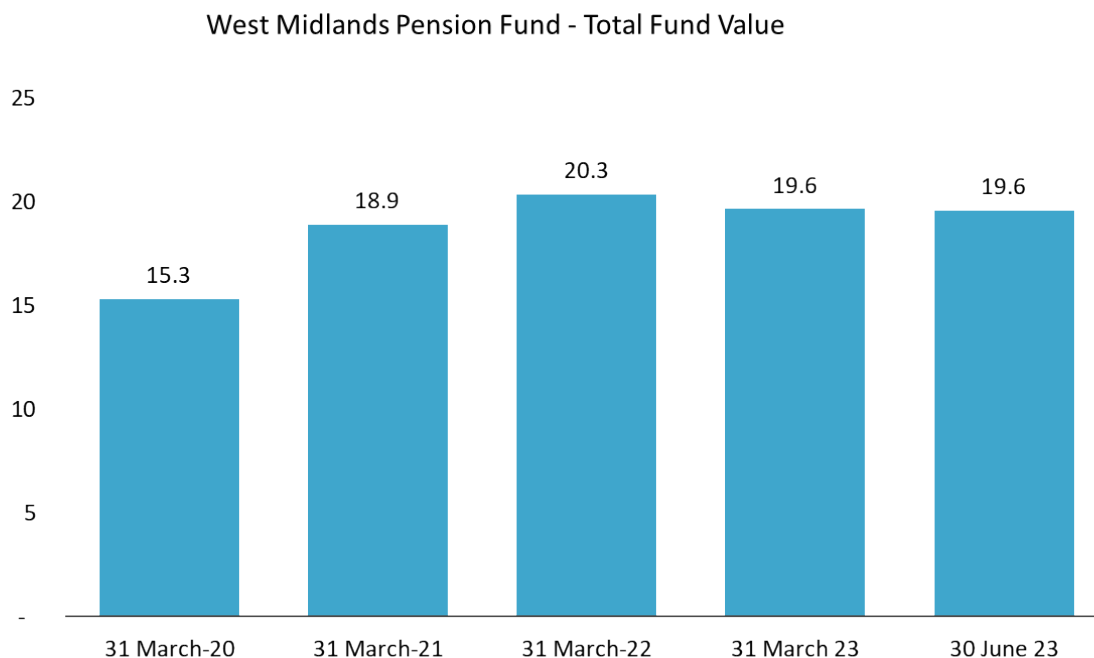
- 2.2 Forecasts are made using a combination of reviewing spend to date and considering known plans and priorities for the remainder of the financial year. At this early stage in the reporting cycle it is anticipated that there will be a small underspend on employees (£24,000) reflecting known staffing movements, predominantly within the Finance function where permanent appointments have been made, replacing temporary support.
- 2.3 In addition to the expected underspend on employees the Fund has received backdated funding (of £39,000) for the two previous financial years to support the increased external

audit fees resulting from the expansion of the audit remit in recent years. This funding was not received until after previous year's accounts had been finalised and is therefore included within the accounts for 2023/24.

- 2.4 In monitoring the year to date operational spend against budget, the Fund has noted additional underspends against budget. These are partially driven by the timing of confirming pay rates for 2023/24 as well as the ongoing challenges around recruitment to new and existing positions within the budget due to low levels of unemployment across the country and the specialist nature of many of the roles within the Fund. The Fund is monitoring these underspends and actively working to reallocate resources to further support the implementation of the Pension Administration System transition and support the achievement of the wider Corporate Plan. Forecasts will be updated throughout the year to reflect the sourcing, allocation and use of resources.
- 2.5 The forecast for investment management expenses remains in-line with the budget reflecting asset valuations that remain reflective of those used for budget purposes. Investment management costs remain heavily influenced by market movements and investment performance and will therefore fluctuate during the year and year-on-year. The Fund will continue to monitor these during the year and take a transparent approach to reporting investment management costs, particularly transaction costs associated with turnover within individual portfolios that are captured in the Cost Transparency Initiative (CTI) data collection and benchmarking each year, with the outcomes of these activities reported to Pensions Committee as they become available.
- 2.6 Investment costs remain a key component throughout the Fund's investment decision making as part of the Value for Money considerations, this will be particularly important as the Fund implements the Investment Strategy changes approved by Committee in March 2023.

3.0 Net Assets – West Midlands Pension Fund

3.1 The chart below provides a summary of the Net Assets Statement as at 30 June 2023.



3.2 The Net Assets Statement estimates a value of £19.6 billion for the Fund at 30 June 2023 (£19.6 billion at 31 March 2023). This represents a static position since 31 March 2023 reflecting stable investment asset values over the period and pension contributions and payments in line with expectations.

4.0 Financial Implications

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

5.0 Legal Implications

5.1 The 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 Operating Budget 2023/24 and 5 year Financial Plan, Report to Pensions Committee, 22 March 2023:

[Operating Budget 2023 and 5-year Financial Plan.pdf \(moderngov.co.uk\)](#)

9.0 Schedule of Appendices

9.1 Appendix A – West Midlands Pension Fund Quarterly Accounts 30 June 2023

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WEST MIDLANDS PENSION FUND ACCOUNTS FOR THE THREE MONTHS TO 30 JUNE 2023

Fund Account

2022/23 £m		3 months to 30 June 2023 £m
	Contributions & Benefits	
459.3	Contributions Receivable	96.7
19.7	Transfers In	4.5
13.0	Other Income	-
492.0	Total Contributions and Other Income	101.2
(722.7)	Benefits Payable	(193.3)
(40.9)	Payments To and On Account of Leavers	(9.5)
(0.1)	Other Payments	(0.3)
(763.7)	Total Benefits and Other Expenditure	(203.1)
(110.3)	Management Expenses	(27.7)
	Returns on Investments	
82.9	Investment Income	9.2
(360.2)	Changes in Value of Investments	36.3
(28.5)	Revaluation of bulk annuity insurance buy-in contract	-
(305.8)	Net Return on Investments	45.5
(687.8)	Net Increase in the Fund During the Period	(84.1)
20,334.3	Net Assets of the Fund at the Beginning of the Period	19,646.5
19,646.5	Net Assets of the Fund at the End of the Period	19,562.4

WEST MIDLANDS PENSION FUND ACCOUNTS FOR THE THREE MONTHS TO 30 JUNE 2023

Net Assets Statement

31 March 2023		30 June 2023
£m		£m
	Investment Assets (at Market Value)	
215.3	Bonds	199.3
43.0	UK Equities	46.7
2,446.0	Overseas Equities	2,398.7
15,122.0	Pooled Investment Vehicles	14,996.0
1,007.7	Property (Direct)	1,035.6
114.0	Foreign Currency Holdings	170.2
491.8	Cash Deposits	476.9
-	Other Investment Assets	155.0
5.8	Outstanding Dividend Entitlement and Recoverable With-Holding Tax	3.9
19,445.6	Investment Assets	19,482.3
	Investment Liabilities (at Market Value)	
(2.4)	Derivatives - Swaps	(2.8)
(2.4)	Investment Liabilities	(2.8)
19,443.2	Net Investment Assets	19,479.5
131.0	Bulk annuity insurance buy-in policy	131.0
12.4	Long-Term Debtors	12.8
83.3	Current Assets	12.4
(23.4)	Current Liabilities	(73.3)
19,646.5	Net Assets of the Fund at the End of the Period	19,562.4

CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 27 September 2023
--	--

Report title Quarterly Investment Report to 30 June 2023

Originating service Pension Services

Accountable employee Paul Nevin Assistant Director, Investment Strategy
Email paul.nevin@wolverhampton.gov.uk

Report to be/has been considered by Rachel Brothwood Executive Director of Pensions
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, shown as Appendix A.
2. Asset Allocation and Performance Reporting for the 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 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. The Fund'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.
 - III. This report provides separate commentary on the Main Fund and Admitted Body Separate 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 Fund has completed a fundamental review of the Investment Strategy Statement (ISS) and Funding Strategy Statement (FSS) in conjunction with the triennial actuarial valuation. The new SIAB policy and interim targets have been updated in line with the 2023 ISS as approved by the Committee in March 2023.

3.0 Executive Summary

- 3.1 As of 30 June 2023, the West Midlands Pension Fund's market value was £19.5 billion (incl. WMTL and PBL ABSF's). Global stock markets were generally positive over the quarter driven by enthusiasm over Artificial Intelligence which boosted technology stocks. There was, however, divergence in performance across regions. Major Central Banks continued to raise interest rates over the quarter to combat inflation. As a result, bond markets, including UK government gilts and corporate bonds, fell over the quarter.
- 3.2 The Main Fund (WMPF) returned 0.1% over the quarter underperforming its benchmark by 1.2%. Over the 1-year period the Fund returned 3.4% underperforming the benchmark by 0.1%. Performance relative to the benchmark was 0.3% p.a. and -0.7% p.a. over the 3 and 5-year periods respectively and in line with the benchmark over 10 years.
- 3.3 The ABSF's experienced negative performance over the quarter to 30 June 2023, one year and three years performance was also negative. 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. Equities and multi-asset credit were positive performers over the quarter.

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 June 2023, which further sets out the outlook for the Fund's key asset classes over the coming months, can be found in Appendix A.

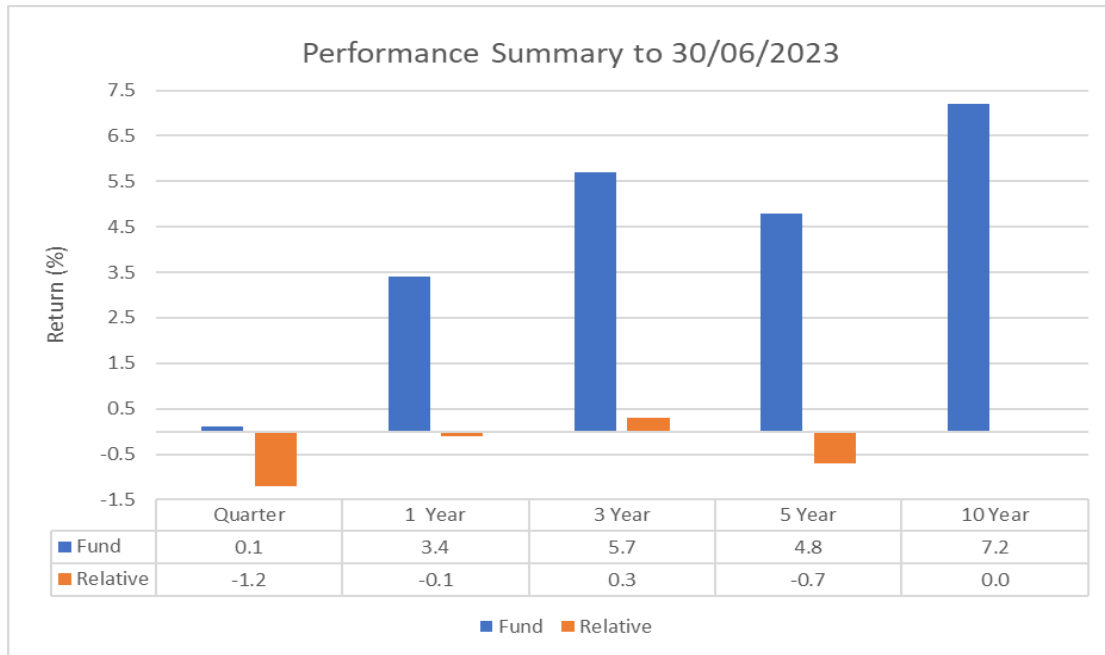
4.2 Returns for the major asset classes for the period are shown below:

Total Return (£)	<u>Quarter</u>	<u>12 months</u>
Global Equity (MSCI World)	3.9%	13.2%
US Equity (S&P 500)	5.8%	14.2%
Emerging Markets (MSCI Emerging Markets)	-1.9%	-2.8%
Europe ex UK Equity (FTSE)	0.6%	19.6%
UK Equity (FTSE All Share)	-0.5%	7.9%
Gilts (GBI UK All Mats)	-5.7%	-14.9%
Corporate Bonds (BofA ML Non-Gilts)	-3.4%	-7.1%
High Yield (BofA ML Global High Yield)	-1.2%	4.8%

5.0 West Midlands Pension Fund

Main Fund Performance Summary

5.1 The Main Fund delivered an absolute return of 0.1% over the quarter underperforming the benchmark return by 1.2%. The Fund's relative returns versus its benchmark over various time periods are shown below.



- 5.2 Fund underperformance over the quarter to 30 June 2023 was predominantly driven by the Developed Market Equity and Private Equity portfolios. Both these portfolios have, however, provided strong absolute returns over the longer-term. Over the quarter the Fund’s Emerging Market Equity allocation also contributed negatively to relative performance but has contributed positively over 1 and 3 years.
- 5.3 The Fund’s Corporate Bond and Emerging Market Debt portfolios have outperformed their respective benchmarks over the quarter and longer-term. The Fund’s Illiquid Income allocations (Private Debt, Infrastructure and Property) underperformed relative to their benchmarks.
- 5.4 The asset allocation of the Main Fund as at the quarter end is set out below. The interim benchmark weights were introduced as part of the phased transition of the Fund’s assets to the ISS in place prior to March 2023. New interim benchmark weights will be introduced from next quarter to reflect the commencement of the phased transition to the strategic targets outlined in the Fund’s revised ISS approved at Committee in March 2023.
- 5.5 Following approval of the new SIAB in March 2023 the Fund has been working with its advisors on an implementation plan to transition to the new target allocation. The transition is expected to be phased over an 18 to 24 month period with initial steps taken post quarter-end to reduce the allocation to growth assets and correspondingly increase the allocation to stabilising assets. As indicated above, the interim benchmark weights will be adjusted from next quarter to reflect the implementation plan.
- 5.6 The Fund remained overweight at quarter end in growth assets versus the legacy interim targets, as a result of existing equity positions and the strong absolute performance from these asset types over longer time periods. Reducing this overweight position is incorporated into the earlier phases of the implementation plan for the new SIAB.

	Weight @ 30/06/2023	Revised Final ISS target	Interim Benchmark (from previous ISS)
TOTAL GROWTH	63.5%	37.5%	56.0%
Total Liquid Growth	54.8%	31.5%	48.0%
Developed Market Equity	48.3%	26.5%	40.0%
Emerging Market Equity	6.6%	5.0%	8.0%
Total Illiquid Growth	8.7%	6.0%	8.0%
Private Equity	7.5%	5.0%	6.0%
Special Opportunities	1.2%	1.0%	2.0%
TOTAL INCOME	32.0%	44.5%	37.0%
Total Liquid Income	16.1%	19.5%	20.0%
Corporate Bonds	4.4%	8.5%	4.0%
Multi-Asset Credit/Specialist	3.2%	3.5%	5.0%
Other Fixed Interest	0.3%	0.0%	0.5%
Emerging Market Debt	3.8%	2.5%	4.5%
Low risk strategy (orphan liabilities)	1.2%	5.0%	4.0%
Cash	3.2%	0.0%	2.0%
Total Illiquid Income	15.9%	25.0%	17.0%
Private Debt	3.3%	7.0%	1.0%
Infrastructure	5.4%	9.0%	7.0%
Property	7.2%	9.0%	9.0%
TOTAL STABILISING	4.4%	18.0%	7.0%
Government Bonds	1.2%	4.0%	2.0%
Index-Linked Bonds	3.2%	14.0%	5.0%
TOTAL	100%	100%	100%

Note: Totals may not sum due to rounding.

5.7 The Fund continues to see capital calls in relation to commitments made to Infrastructure and Private Debt Funds. The Fund is receiving distributions from older Private Market assets but these are not certain and hence the Fund needs to ensure that sufficient

liquidity is maintained, including to support overall Fund cashflow requirements. Higher levels of cash are being held in the short-term as part of the implementation of the investment strategy and to fund commitments to Private Markets.

6.0 West Midlands Pension Fund

Detailed Performance Commentary

Growth Assets

- 6.1 The total combined Listed Equity portfolio delivered positive absolute returns of 1.0% during the quarter, however, underperformed its benchmark by 1.5%. This underperformance is not reflective of the performance of individual component strategies but rather a measure of how the portfolio has performed against a model global portfolio. Over shorter periods relative performance can be skewed. Over the quarter most significant components of the Listed Equity portfolio performed in line with their benchmarks with the exception of the three sustainable equity managers who all underperformed. There was no significance to the underperformance of the sustainable managers which was as a result of a combination of sectorial bias and stock selection.
- 6.2 The Main Fund's passive equity assets are now almost exclusively managed by the investment pool company, Local Government Pensions Scheme Central Ltd. (LGPSC) with a large proportion of these assets held in an LGPSC Global Equity passive fund. They represent 35.6% of total fund assets. All passive funds performed broadly in line with the respective benchmarks during the quarter. Performance for different components is shown below.

	Quarter	12 months
LGPSC UK (FTSE All Share)	-0.5%	7.9%
LGPSC Global ex UK	2.1%	13.6%
LGPSC Dividend Growth (Blended)	0.9%	6.2%
LGPSC Climate Multi-Factor	2.0%	10.0%

- 6.3 The Fund's actively managed global Developed Market Equities comprises the LGPSC Active Equity fund and an allocation to three sustainable equity managers. The LGPSC Global Active Equity Fund slightly underperformed the benchmark over the quarter but has outperformed over the 1-year and 3-year periods. The LGPSC Global Active Equity Fund is a blended multi-manager portfolio consisting of three underlying portfolios. The three sustainable equity managers have underperformed over the quarter, whilst the 1-year and since inception (2020) performance is mixed across the different managers.
- 6.4 Emerging markets performed negatively over the quarter with the Fund's portfolio underperforming its benchmark. 1 and 3-year performance is satisfactory.
- 6.5 Although the private equity portfolio underperformed during the quarter, it has significantly outperformed over the one year and longer time periods. The benchmark used for this asset class comprises listed equities plus an outperformance target (with a three-month lag). Over longer time periods the portfolio has met expectations.

	Quarter	1 Year	3 years	10 years
Private Equity Portfolio	-1.2%	0.6%	20.2%	14.2%
FTSE All World +1% (3m lagged)	4.6%	0.1%	17.0%	11.2%

Income Assets

- 6.6 The Fund's income segment has underperformed its respective benchmark over the quarter and longer time periods. The aggregate property portfolio provided negative relative returns over the quarter and one year but has delivered positive absolute returns over longer time periods. The Fund's Direct Property holdings have performed satisfactorily in absolute terms over a 10-year period but lagged the benchmark used by the Fund.
- 6.7 The infrastructure portfolio was broadly flat over the quarter but underperformed its benchmark as it did over 1-year and 3-years. This is mainly due to the high rates of inflation over the period which has influenced the benchmark return of UK CPI +4.0% p.a. Over a 10-year period Infrastructure has outperformed the benchmark.

	Quarter		1 Year		3 Year		10 Year	
	Return	Relative	Return	Relative	Return	Relative	Return	Relative
Infrastructure	-0.1%	-3.1%	6.8%	-4.6%	4.9%	-3.2%	5.4%	2.0%
Property	0.8%	-0.7%	-15.0%	-5.7%	2.8%	-2.8%	6.9%	-0.8%

- 6.8 Within the Fund's fixed interest holdings, Corporate Bonds and Emerging Market Debt have outperformed their respective benchmarks over both the quarter and longer time periods. Though the Multi-Asset Credit portfolio has performed positively, it underperformed the benchmark both in the short-term and longer time periods.

	Quarter		1 Year		3 Year	
	Return	Relative	Return	Relative	Return	Relative
Corporate Bonds	-2.2%	1.2%	-4.2%	2.7%	-4.3%	2.0%
Multi Asset Credit	1.7%	-1.0%	5.4%	-5.0%	2.6%	-2.7%
Emerging Market Debt	2.2%	1.7%	8.9%	3.8%	-1.9%	2.5%

Stabilising Assets

- 6.9 The stabilising portfolio comprises the Fund's exposure to government bonds, index linked securities and cash. The stabilising component of the fixed interest portfolio delivered negative absolute returns, but positive relative to benchmark.
- 6.10 The stabilising portfolio has outperformed its benchmark over the quarter and longer time periods.

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 @30/06/2023	Target	Current
Growth		8%	35%
Equity	£ 57,577,643	8%	26%
Diversified Growth	£ 21,303,895	0%	9%
Illiquid Income		29%	11%
Private Debt	£ 24,636,058	29%	11%
Liquid Income		35%	30%
Multi-Asset Credit	£ 51,073,205	19%	23%
Corporate Bonds	£ 8,461,662	16%	4%
Cash & Equivalents	£ 5,880,592	0%	3%
Stabilising		28%	25%
LDI	£ 56,376,768	28%	25%
TOTAL	£ 225,309,825	100%	100%

Note: Totals may not sum due to rounding.

Following approval of the new target asset allocation in March 2023, work has begun on planning the transition to the new strategy. A significant proportion of the new strategy is expected to be in place over the next three months. The allocation to private debt will increase over time. Commitments have been made in this area and as these are drawn down from other assets over a period of time, allocations will move towards the target.

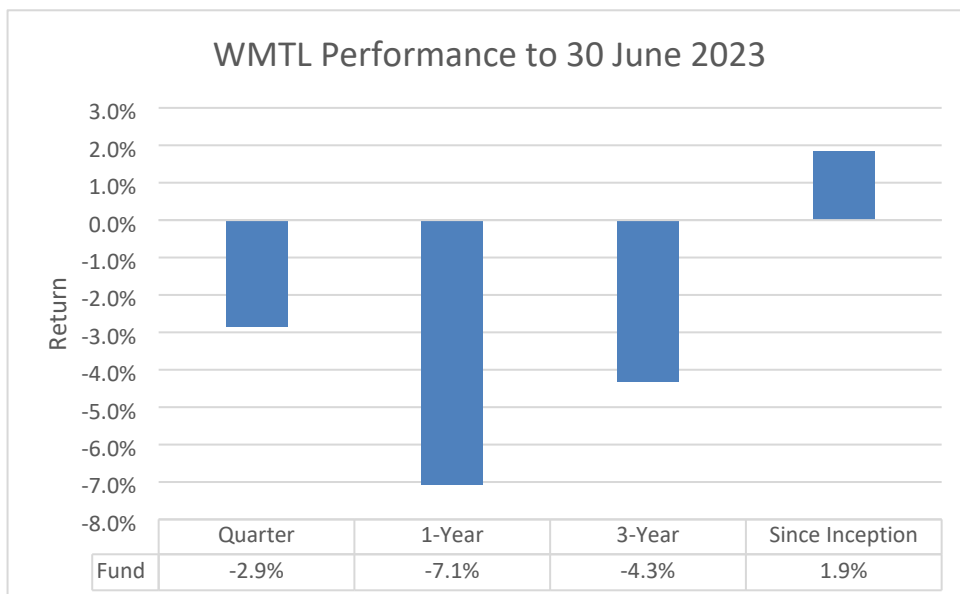
PB asset allocation:

Asset Class	Value @30/06/2023	Target	Current
Growth		0%	
Equity	£ 1,792,148	0%	13%
Liquid Income		40%	
Corporate Bonds	£ 2,491,177	40%	19%
Multi-Asset Credit	£ 4,138,218	0%	31%
Cash & Equivalents	£ 1,167,470	0%	9%
Stabilising		60%	
Gilts & LDI	£ 3,782,846	60%	28%
TOTAL	£ 13,371,859	100%	100%

Note: Totals may not sum due to rounding

WMTL Performance

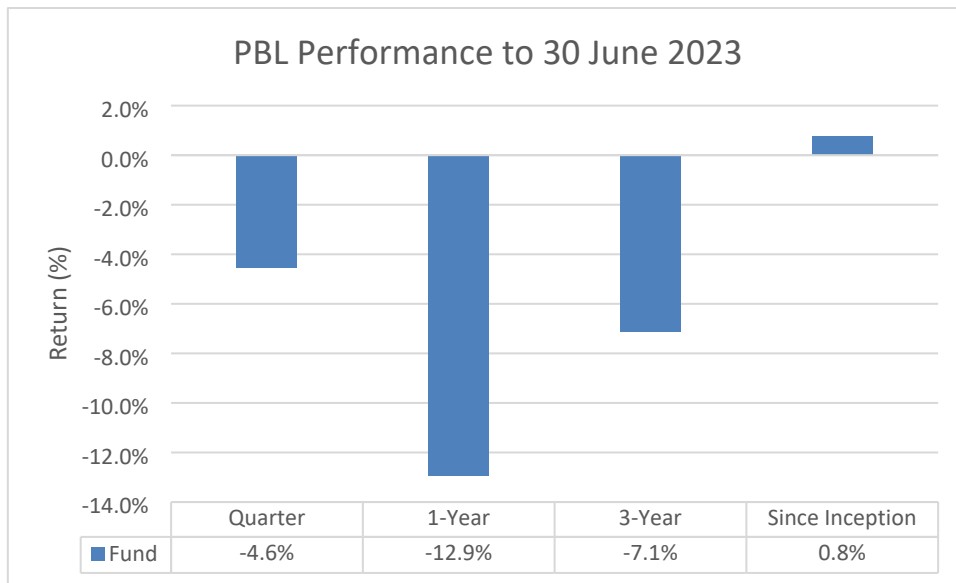
7.2 WMTL had negative returns over the quarter, 1-year and 3-year periods. Over the 1-year period, the equities and fixed income performed positively. This was largely due to significant falls in the value of the Liability Driven Investment (LDI) portfolio due to sharp increases in UK gilt yields over the last year. Whilst this resulted in negative asset returns for the LDI portfolio, the Fund's liabilities have decreased by a similar amount.



7.3 A review of the Fund’s benchmark is currently being undertaken and therefore only absolute Fund returns have been shown above.

PB Performance Summary

7.4 The Fund produced negative returns over the quarter, 1-year and 3-year periods to 30 June 2023.



7.5 The majority of negative performance was driven by the LDI portfolio given the sharp increase in UK gilt yields experienced over the one-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. Corporate bonds performed negatively over the quarter, however, equities performed positively.

7.6 A review of the Fund’s benchmark is currently being undertaken and therefore only absolute Fund returns have been shown above.

8.0 Investment Pooling

8.1 The Fund continues to work closely with its investment pool company LGPS Central Ltd (LGPSC) to review and develop suitable investment products to support the implementation of Fund investment strategy, seeking opportunities to transition assets to the pool where this can add value and increase efficiency of implementation and monitoring.

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

Q2 2023

Private and Confidential



WHAT HAPPENED DURING THE QUARTER



Pete
Drewienkiewicz
(Chief
Investment
Officer)

Market Summary

Q2 saw markets shrug off the banking sector turmoil seen in Q1, with risk assets performing strongly as inflation moderated meaningfully in the US and Europe. Technology stocks also saw a resurgence, led by a wave of Artificial Intelligence enthusiasm. The ECB, Fed and Bank of England continued to hike interest rates in response to inflation prints above their respective targets. The BoE hiked rates by 75bps over the quarter relative to 25bps and 50bps moves in the US and Europe, a likely response to the slower fall in UK inflation. This put pressure on UK markets which performed poorly relative to other developed market counterparts over the quarter.

Key Points for You

- Expected returns increased slightly over the quarter from Gilts + 3.6% at 31 March 2023 to Gilts + 3.8% at 30 June 2023. This was largely driven by higher expected return assumptions for Equities and Property.
- Asset-side risk, as measured by VaR 95%, increased from 16.2% at 31 March 2023 to 16.5% at 30 June 2023.

Market Data

Equity Index	Level	Change since 31-Mar-23	Change since 30-Jun-22
FTSE 100 (Total Return)	7905	-0.3%	9.1%
S&P 500 (Total Return)	9560	8.7%	19.6%
EuroStoxx 50 (Total Return)	2031	4.2%	31.6%
Nikkei 225 (Total Return)	57670	18.5%	28.6%
MSCI World (Total Return)	7180	7.1%	18.2%
MSCI Emerging Markets (Total Return)	662	1.7%	3.3%
FX			
USD vs GBP	1.27	3.0%	4.3%
EUR vs GBP	1.16	2.3%	0.3%
Credit Spreads			
Sterling Non-Gilt Index	122	-14 bps	-5 bps
Sterling Non-Gilt 15Y+ Index	164	-17 bps	-31 bps
Global Investment Grade	132	-13 bps	-23 bps
US Investment Grade	150	-16 bps	-21 bps
Global High Yield	393	-49 bps	-135 bps
European High Yield	339	-25 bps	-136 bps

Market Data

UK Gilts	Level	Change since 31-Mar-23	Change since 30-Jun-22
10Y	4.43	87 bps	212 bps
30Y	4.38	50 bps	182 bps
UK Nominal Swaps			
10Y	4.54	86 bps	194 bps
30Y	3.92	52 bps	151 bps
Gilt Breakeven Inflation			
10Y	3.79	0 bps	11 bps
30Y	3.39	-8 bps	17 bps
UK RPI Swap			
10Y	3.97	3 bps	-8 bps
30Y	3.40	-2 bps	5 bps
UK Gilt Real Rates			
10Y	0.65	87 bps	201 bps
30Y	0.99	58 bps	165 bps
US TIPS			
20Y	1.82	16 bps	46 bps
30Y	1.51	15 bps	61 bps

VIEWS FROM THE ASSET CLASS SPECIALISTS



  <p>Kate Mijakowska Government Bonds</p>	<p>The second quarter of 2023 saw a significant increase in yields, particularly in May, as the UK labour market proved surprisingly resilient to the central bank rate hikes, but inflation prints remained elevated. Over the quarter, UK 30-year nominal gilt yields rose 50bps, while 20-year index-linked gilt yields increased 63bps. Bank of England hiked the base rate by 25bps in May, and another 50bps in June. UK CPI May year-on-year figure printed at 8.7%, above expectations and more than double the US CPI of 4.0% for that month. That said, in June, UK CPI fell to 7.9% which was below market expectations. In April, TPR published a guidance around resilience of LDI portfolios. This was in line with the recommendations published in March by the Bank of England Financial Policy Committee. We saw a few LDI managers re-adjust their collateral buffer frameworks, including levels at which notifications are sent to clients.</p>
  <p>Oliver Wayne Liquid Markets (Equities)</p>	<p>Developed markets ("DM") delivered positive returns over Q2, largely attributed to the strong performance of mega-cap tech names that were boosted by enthusiasm over Artificial Intelligence ("AI"). This created an exceptionally narrow market leadership, with the vast majority of DM market returns generated by a small number of companies. Emerging markets ("EM") generated moderately negative returns, primarily driven by China which was the worst-performing market. Despite the removal of pandemic-related restrictions, the economic rebound has disappointed investors. On a style factor basis, there has been contrasting performance across DM and EM. Growth and Quality factors performed strongly in DM but poorly within EM. Value and Momentum underperformed within DM and outperformed within EM. From a size perspective, larger cap names outperformed within DM but underperformed with EM. Overall, this backdrop was more supportive for active EM managers whereas active DM managers faced headwinds.</p>
  <p>Alexander Robinson Liquid Markets (Multi-Asset)</p>	<p>It was a mixed second quarter for multi-asset performance. Global equities rose, led by the US, global investment grade corporates were broadly flat whilst high yield gained. Interest rates rose over the quarter causing pain for those long government bonds. Broad commodities had a volatile quarter and also ended in negative territory. This combination has led to varying results for long only multi-asset strategies as they try to navigate this macro-driven environment, with fairly mixed results across the board both positively and negatively depending on risk allocation. Diversified Risk Premia ("DRP") strategies had a positive quarter, helped by strong performance from trend following after what was a historically challenging Q1 as a result of the banking turmoil in March. Most style factors also performed well, benefitting style premia strategies.</p>

VIEWS FROM THE ASSET CLASS SPECIALISTS

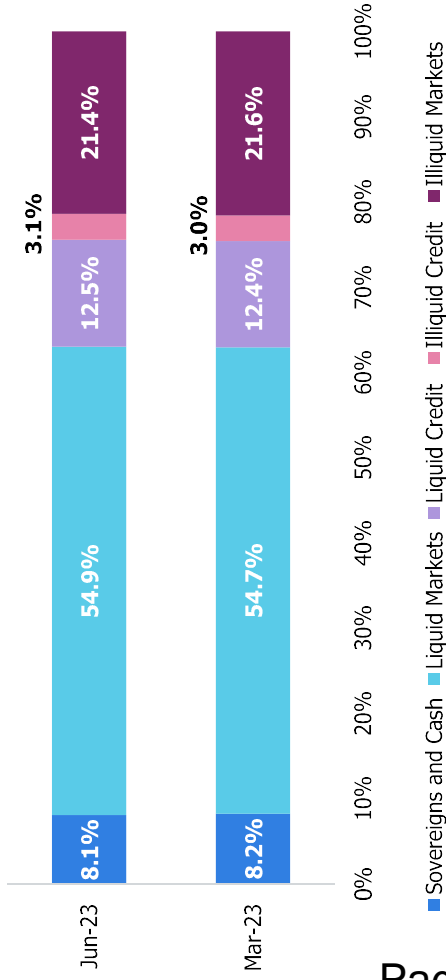


 <p style="text-align: center;">Chris Bikos Liquid & Semi-Liquid Credit</p> 	<p>From a credit perspective, the second quarter proved resilient as corporate balance sheets remained relatively strong, despite some uptick in default rates. Consequently, credit spreads tightened across the board. However, the volatility in interest rates remained elevated with all the major developed market central banks raising interest rates. More specifically, the Federal Reserve (Fed) raised interest rates by 25 basis points (bps) in May, European Central Bank (ECB) hiked twice in the quarter, as did the Bank of England (BoE). With that in mind, corporate credit outperformed government bonds with high yield outperforming its investment grade counterparts. Long-duration assets, such as long-dated corporate bonds, suffered the most. On the other hand, floating-rate assets such as structured credit and leveraged loans benefited from the high income on offer due to the high level of rates. Dispersion within emerging market debt picked up, with South Africa being among the worst performers as the country's power situation continued to deteriorate.</p>
 <p style="text-align: center;">Tricia Ward Illiquid Markets</p> 	<p>Infrastructure had a relatively resilient Q2, with the Infra300 index returning 0.89% driven primarily by renewables. Infrastructure equity valuations remained stable over the quarter despite major central bank rate rises. Despite positive returns, infrastructure fundraising continued to suffer, with Preqin reporting only c.\$7bn raised over the quarter, a c.88% decrease against Q2 last year. A surprise rise in UK core inflation caught the Real Estate market off-guard leading to further falls, albeit marginal ones, in commercial property values in May and June, with the MSCI UK Quarterly Property Index showing capital returns of -0.03% and -0.48%. This was offset by steady income returns, with only June showing a negative total return (-0.03%). The decline in capital values continued to be led by offices, with yields on prime city offices expanding 0.25% over the quarter, and market sentiment around offices more broadly remaining negative due to ongoing concerns around working from home and asset stranding resulting from minimum energy efficiency standards.</p>
 <p style="text-align: center;">Sarah Miller Illiquid Credit</p> 	<p>Private credit issuance in Q2 continued to outpace broadly syndicated loan financing - taking 85%, by count, of LBO deals (LCD, Pitchbook). Default rates declined marginally in Q2, per Proskauer, to 1.64%, suggesting stability. However, interest and fixed charge coverage ratios declined to ~1.1x as interest expenses have almost doubled, reflecting the potential stress for existing loans. Concurrently, continued higher rates constrain the amount of debt lenders will offer and companies can support for new loans, typically resulting in larger equity cushions and a stronger relative positioning for lenders. Current credit market activity is driven by refinancings and loan extensions (Pitchbook, KKR), addressing near-term maturities. Larger private credit facilities would historically have been replaced by cheaper public credit at maturity, but private lenders now provide the refinancing, owing to their certainty of capital. As pressure on bank lending continues, opportunity is created for corporate direct lending and for asset-based lending – either as replacement capital to banks or for private lenders to finance collateralised loans sitting on bank balance sheets.</p>

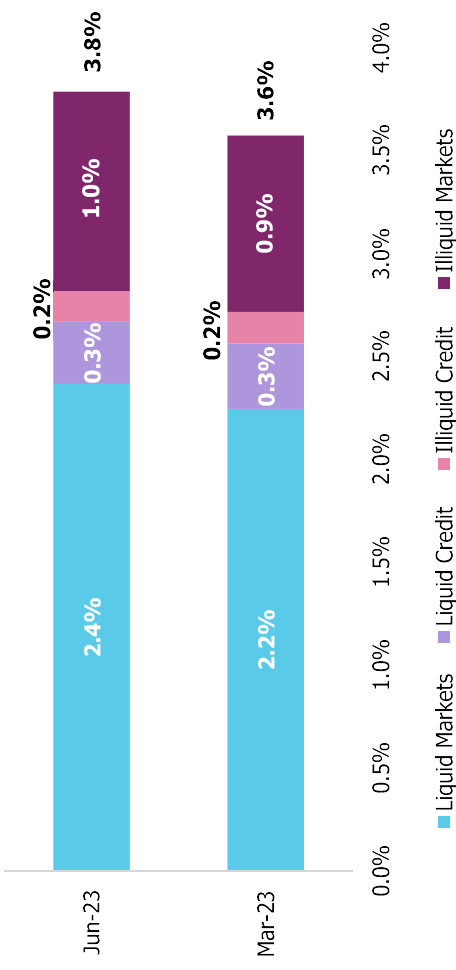
YOUR ASSET ALLOCATION AND EXPOSURE



Asset Allocation Change

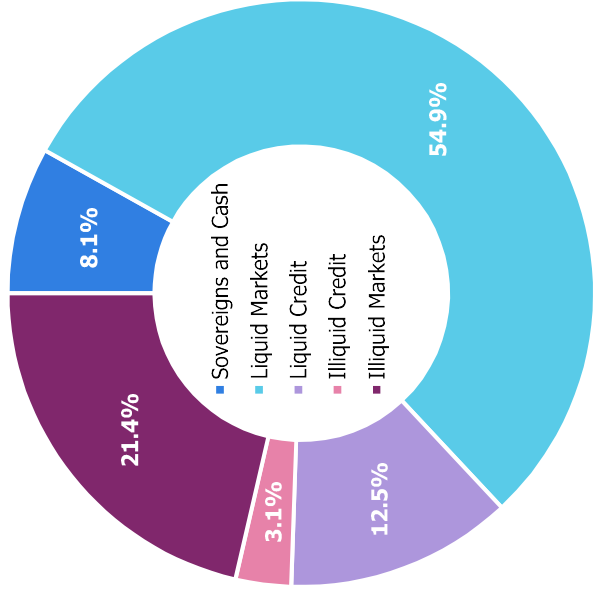


Expected Return Contribution Change (over gilts)



Note, asset class expected returns are in the appendix.

Detailed Asset Allocation

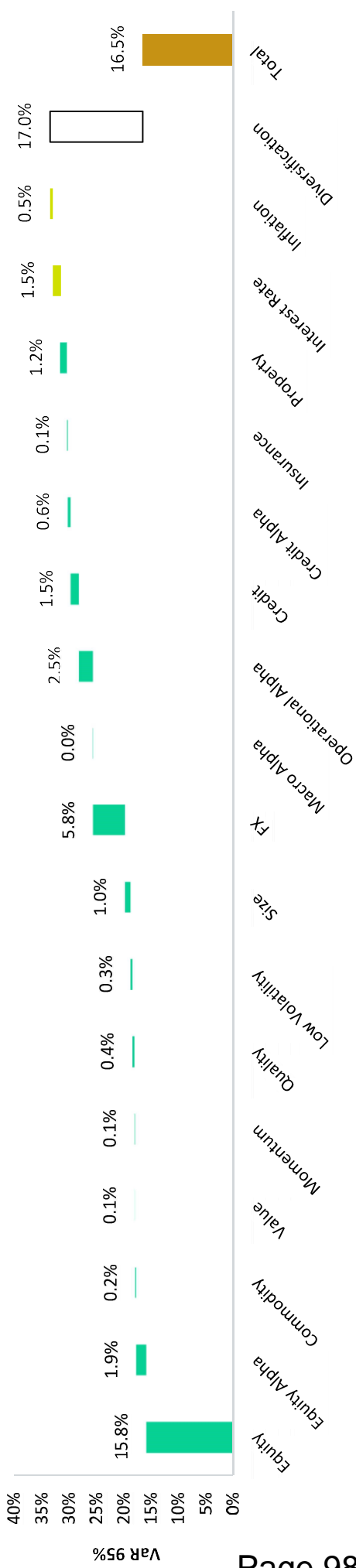


Cash	3.3%	Sustainable Equities - RBC	2.2%
LGIM Overseas Bonds	0.5%	Sustainable Equities - WHEB	0.6%
Index-Linked Gilts	3.6%	Emerging Markets Equities	6.6%
Nominal Gilts	0.7%	Aegon Short Dated Investment Grade Bond Fund	1.5%
ACS LGPS UK Equity Passive Fund	6.5%	UK Corporate Bonds	2.7%
ACS LGPS Global Ex UK Passive Equity	15.0%	LGPS Central Global Active IG Corporate Bond Fund	0.9%
ACS LGPS Global Equity Dividend Growth Factor	2.5%	Multi-Class Credit	3.5%
ACS LGPS All World Equity Climate Multi Factor	11.5%	Emerging Market Debt Funds	3.8%
LGPS Central Global Equity Multi Manager Fund	6.6%	Diversified Private Credit	3.1%
LGIM UK All Share	0.3%	Infrastructure	5.5%
Equities held with Merrill Lynch	0.4%	Property	7.2%
Smaller Equity Positions	0.1%	Opportunistic Funds	1.2%
Sustainable Equities - Impax	2.7%	Private Equity	7.6%

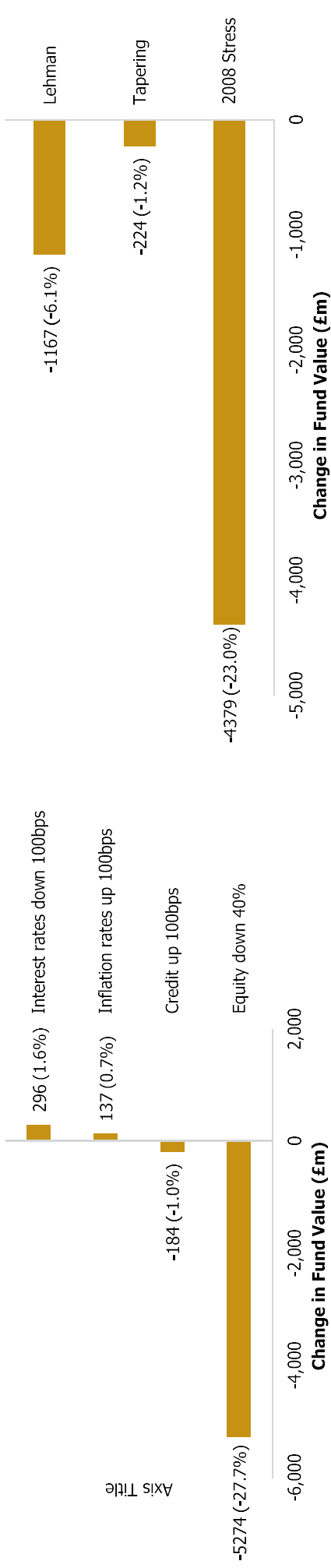
HELPING YOU UNDERSTAND YOUR RISK



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



Scenario Analysis





APPENDICES



REDINGTON'S EXPECTED RETURNS – JUNE 2023

Asset Class	Expected Return (Gilts +)	Volatility	Expected Fees (p.a.)
Equity			
Developed Market Equities	4.1% ↑	17.0% ↑	0.0%-0.1%
Sustainable Equities	4.2% ↑	16.0% ↑	0.2%-0.4%
Emerging Markets Equities	4.7% ↑	20.2% ↑	0.1%-0.2%
Liquid Credit			
Corporate Debt GBP – Passive	1.3% ↓	5.7% ↓	0.1%-0.2%
Corporate Debt GBP – Active	1.6% ↓	5.8% ↓	0.2%-0.3%
Emerging Market Debt – Corporates	2.2% ↓	6.8% ↓	0.4%-0.6%
Emerging Market Debt – Local Currency Sovereign	3.1% ↓	13.4% ↓	0.5%-0.8%
Emerging Market Debt – Hard Currency Sovereign	2.1% ↓	8.2% ↓	0.5%-0.8%
Multi-Class Credit Global	4.0% ↓	7.3% ↓	0.4%-0.7%
Illiquid Credit			
Diversified Matching Illiquids	2.8% ↑	7.5% ↑	0.3%-0.5%
Opportunistic Illiquid Credit	4.9% ↓	11.0% ↓	1.0%-1.5% (+ performance fee)
Securitised Opportunities	3.7% ↓	5.6% ↓	0.5%-0.7%
Special Situations	6.6% ↓	13.8% ↓	1.0%-1.5% (+ performance fee)
Illiquid Markets			
Private Equity	5.7% ↑	31.0% ↑	1.0%-1.5% (+ performance fee)
Commercial Property	3.5% ↑	11.8% ↓	0.4%-0.6%
Renewable Infrastructure (Whole Projects)	3.5% ↓	14.8% ↑	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

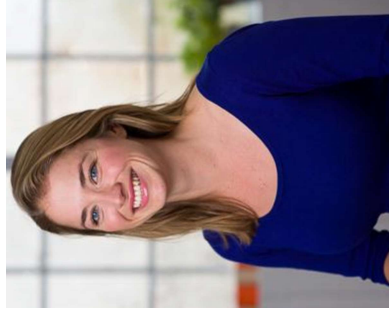


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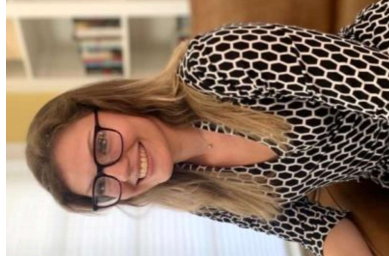


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<p>CITY OF WOLVERHAMPTON COUNCIL</p>	<h1 style="margin: 0;">Pensions Committee</h1> <h2 style="margin: 0;">27 September 2023</h2>
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Report title	Responsible Investment Activities	
Originating service	Pension Services	
Accountable employee	Shiventa Sivanesan	Assistant Director – Investment Management and Stewardship
	Email	Shiventa.Sivanesan@wolverhampton.gov.uk
	Rachael Lem	Responsible Investment Officer
	Email	Rachael.Lem@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Executive Director of Pensions
	Email	Rachel.Brothwood@wolverhampton.gov.uk

Recommendations for action:

The Pensions Committee is asked to note:

1. The Fund’s engagement and voting activity for the three months ending 30th June 2023 [Appendices A and B].
2. The issues discussed by Local Authority Pension Fund Forum (LAPFF) set out in the Quarterly Engagement Report, which is available on the [LAPFF website](#) for the quarter.
3. 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](#) for the quarter.
4. The voting and engagement activity of Local Government Pension Scheme (LGPS) Central, as set out in the Quarterly Stewardship Report, is available on the [LGPS Central website](#) for the quarter.

1.0 Purpose

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

2.0 Background

- 2.1 The Fund has a longstanding policy of supporting good corporate governance in the companies in which it invests. The Fund will also challenge companies who do not meet either the standards set by their peers or reasonable expectations as measured by best practice. The Fund's approach is part of its overall investment management arrangements and its active responsible investment framework. There are three main pillars to the framework: selection (of assets), stewardship (of assets), and transparency & disclosure.

3.0 Responsible Investment Activities

Activity across Engagement Themes

- 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 Institutional Investors Group on Climate Change (IIGCC), Climate Action 100+ (CA 100+), the Transition Pathway Initiative (TPI), and the Principles for Responsible Investment (PRI).
- 3.2 Through LAPFF, the Fund engaged 84 companies during the quarter¹, addressing climate change, human rights, and governance issues. Engagements were generally conducted through alert issuance and written correspondence. Improvements were documented in 8 out of the 13 company engagement meetings undertaken.
- 3.3 This quarter LGPS Central undertook 1578 engagements with 460 companies on behalf of the Fund, the majority of which were carried out by EOS. Against 553 specific objectives, there was achievement for some or all objectives on 149 occasions. Most engagements were conducted through letter issuance or remote company meetings, where LGPS Central, collaborative engagement partners, or EOS - in the majority of cases, met or wrote to the Chair, a Board member, or a member of senior management.

Climate Change

- 3.4 This quarter LAPFF undertook 56 climate change engagements with 43 companies.
- 3.5 During the quarter LAPFF met with the Chair of Shell to discuss the challenges of decarbonisation. The Chair of Shell indicated that Shell will be publishing a new Climate Transition Plan before the 2024 Annual General Meeting. Following the meeting, LAPFF

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

recommended voting for the re-election of the Chair given he was relatively newly appointed and will be engaging with the new Climate Transition Plan. Of particular interest to LAPFF is the extent of disclaimers in the Shell's Transition Plan itself and in Shell's Annual Report's reference to the transition plan. LAPFF conclude that the Transition Plan is not reliable enough to be included for strategic purposes in the Annual Report, the requirements for which it has legal thresholds of reliability.

- 3.6 Through the investor-led initiative Climate Action 100+ (CA100+), LAPFF engaged with National Grid due to concerns with gaps in the company's disclosure and transition plans, continued involvement in gas distribution, and delays in the roll out of clean energy in the UK. After several meetings, National Grid worked through LAPFF and CA100+'s concerns, suggested how it could instil best practice moving forward, and announced it would publish a comprehensive review of its climate lobbying activities and address delays in grid connection (as per LAPFF and CA100+ requests). LAPFF will continue to monitor and engage with the company over the coming year.
- 3.7 This quarter, LGPS Central's climate change engagement set comprised 247 companies with 520 engagements issues. Most engagements were undertaken via CA100+ and EOS with progress seen for 75 specific engagement objectives.
- 3.8 LGPS Central, through EOS, engaged with Smurfit Kappa Group, a paper packaging company, regarding its biomass investments in Colombia. The company has set time-bound targets to eliminate its coal usage by the end of the decade, which, in 2021, accounted for 4% of its energy mix. Due to the significant boiler-fed heat requirements for pulp and paper production, the intention is to upgrade to biomass boilers, which will simultaneously reduce the company's emissions. It was also suggested to the company to define an "ex-Colombia" policy due to Columbia's coal-reliance as a sovereign. This is an ongoing engagement and further updates will be provided to Pensions Committee when they are available.
- 3.9 LGPS Central also undertook engagement with Phillips 66, an American energy company, as to how it manages its relationships with climate change trade associations. LGPS Central asked the company to provide reporting that demonstrates its alignment with trade associations and decisions made where misalignment existed. The company intends to publish a report with specific engagement examples, which LGPS Central intends to review.

Sustainable Food Systems

- 3.10 This quarter, LGPS Central engaged 20 companies on 23 plastic-related issues, which fall under the Fund's Sustainable Food Systems engagement theme. There was progress on five specific engagement objectives.
- 3.11 EOS, on behalf of the Fund, engaged 3M Co, a multinational conglomerate company, to encourage the company to become a signatory to the global commitment on plastics and set quantitative, time-based targets to eliminate problematic and unnecessary plastics. This quarter, the company stated that they had endorsed the Business Coalition for a Global Plastics Treaty and had reduced its virgin fossil-based plastics by £54.2 million. The

company set a target in 2021 to reduce virgin fossil-fuel based plastics by £125 million by 2025. Although 3M Co have not achieved 50% of their goal yet, the company is making the necessary steps to target pollution and create a circular economy.

- 3.12 EOS led another engagement with Anglo American PLC to discuss its water catchment management. The company had demonstrated improvement of its own water use management by recycling and reusing water in its Amandelbult and Venetia mines resulting in a 26% reduction in water usage since 2015. However, more work is required in streamlining best practice across all operations and at the wider catchment level. Currently the company is working to commercialise a desalination water solution plant in Los Bronces in response to prolonged droughts in Chile.

Human Rights

- 3.13 During the quarter LAPFF undertook 25 human rights engagements with 15 companies.
- 3.14 LAPFF met with HSBC to address climate leadership and human rights concerns following the increasing integration of Hong Kong into mainland China. The company has been criticised for blocking the accounts of activists and payment of pensions for citizens leaving Hong Kong. A shareholder proposal suggested to split UK and Hong Kong business to ease the human rights concerns, but this was strongly opposed by management. A follow-up meeting will be held to explore how HSBC can manage the challenge of having substantial retail operations in Hong Kong now that it is under effective control of mainland China. LAPFF has been invited to further discuss climate finance and reporting with HSBC.
- 3.15 LAPFF met with Vale to discuss its response to the Mariana tailings dam collapse and LAPFF's recent visit to Brazil. The company was open to LAPFF's input, however, there were concerns regarding the lack of communication with the affected communities and how to incorporate their voice into the company's approach to tailing dam safety as an additional early warning measure. LAPFF will continue to engage with both the company and the affected community members on this matter.
- 3.16 This quarter LGPS Central undertook human rights engagements with 220 companies on behalf of the Fund, the majority of which were carried out by EOS. The engagements comprised 424 engagements issues and objectives and progress on 38 specific engagement objectives.
- 3.17 Through PRI Advance, EOS engaged with Duke Energy Corp on setting timebound plans to assess human rights issues in the company's operations, supply chain mapping and due diligence process. The company clarified that its current due diligence of suppliers involved desktop audits, sustainability assessments, scored survey results and continuous improvement training. The company stated it had good oversight on their tier one suppliers but not their tier two or three suppliers. These practises were enforced in response to forced labour risks, the company had taken action to reduce its solar supply chain to two suppliers to reduce and monitor human rights risks more effectively. Future engagement will focus on the disclosure of Duke Energy Corp's process for enforcing its supply chain workers' rights policy including information about the audit process.

Responsible Financial Management

- 3.18 This quarter, LGPS Central engaged with 4 companies on 5 tax-transparency issues, which fall under the Fund's Responsible Financial Management engagement theme. There was progress on 3 specific engagement objectives.
- 3.19 EOS engaged with Marathon Petroleum Corp to encourage the company to publish a responsible taxation policy aligning with the Global Reporting Initiative (GRI) Tax Standard and disclose itemised payments to governments at national, state, and local levels to which the company agreed. EOS will continue monitoring this engagement.
- 3.20 LAPFF reached out to Kingfisher regarding their recent actions increasing wages for their lowest paid staff to above inflation levels. In April, LAPFF met with the company and discussed its efforts around employee engagement and support for employees such as salary increases. The company also described the steps that they were taking business-wide in this context. LAPFF will continue to monitor company's remuneration processes for both CEO and employee pay.

Voting Highlights

- 3.21 The voting activity for the quarter across markets and issues can be found in Appendix B. During the period, the Fund voted at a total of 1,717 company meetings (25,169 resolutions) – 196 UK, 371 Europe, 513 North American, 468 Developed Asia, 16 Australasian and 153 in Emerging and Developing Markets. At 1,218 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 did not see sufficient independent oversight on a company board).
- 3.22 EOS, during the 2023 AGM season, made voting recommendations at 9,032 meetings with at least one vote recommendation against management at 69% of meetings. In the US, there were a record number of proposal on issues such as responsible tax, human and digital rights and equality, diversity and inclusion (EDI). EOS identifies laggard companies that fail to manage climate-related risks through various climate risks indicators and has voted against directors at 285 companies (more detail on individual company voting recommendations is detailed within EOS's Q2 2023 Public Engagement Report).
- 3.23 During the 2023 AGM season, LAPFF issued a record number of voting alerts for over 50 climate-related shareholder resolutions and 55 voting recommendations for ESG resolutions at mining and technology companies. Climate-related resolutions featured topics such as transition plans, adequate target setting, lobbying and the Just Transition. Half of the resolutions LAPFF issued alerts for received 20% or more of shareholder votes (shareholder support for resolutions at company level are given in LAPFF's Q2 2023 Quarterly Engagement Report).
- 3.24 Following concerns over lack of investment in the climate transition since 2022, the Fund (through LGPS Central) voted in favour for a shareholder proposal that requested that Glencore: disclose the company's capital expenditure; disclose its alignment to the Paris

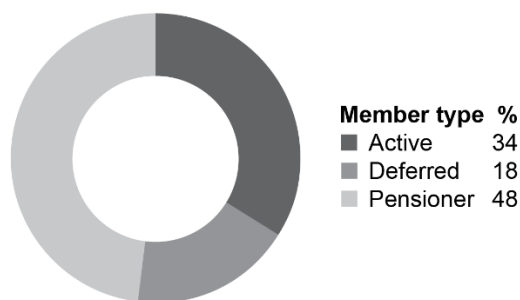
Agreement; and provide comparison of the company's projected thermal coal production against the International Energy Agency's Net Zero Scenario timelines for the phasing out of unabated thermal coal for electricity generation, in both advanced and developing economies. The proposal did not pass and received only 29.2% shareholder support. Glencore have stated that they will publish an update within six months of the 2023 AGM.

- 3.25 Through LGPS Central, the Fund supported a shareholder resolution requesting for Amazon.com Inc to commission an independent study of Rekognition, which is an artificial-intelligence-driven facial recognition technology. This is following concerns regarding inbuilt biases in the algorithms and potential individual civil rights abuses. Though the company states that potential misuse of their technology is covered through existing policies and procedures, it is believed that an independent review assessing the potential human rights violations would be beneficial to the company and investors. The proposals received 38% support. The level of support received for this resolution continues to send a strong message to the Board that investors are cognisant of the emerging risks that Artificial Intelligence poses.

2023 Responsible Investment Survey

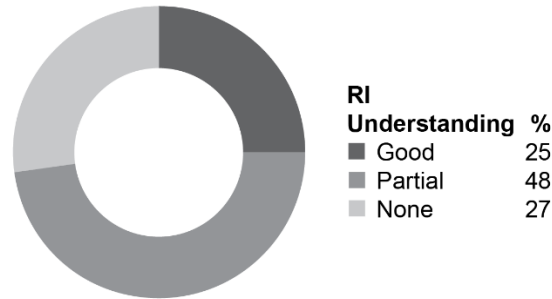
- 3.26 In May 2023 the Fund launched a pilot Responsible Investment (RI) survey to all scheme members with a registered email address. The survey was open for three weeks and was designed to engage members on the topic of RI and gauge members' awareness and understanding of RI.
- 3.27 A response rate of approximately 4% was achieved, with 7,305 individual member responses received. Almost 50% of responses received were from pensioner members, 34% from active members, and 18% from deferred members (Figure 1).

Figure 1: Respondents by member type



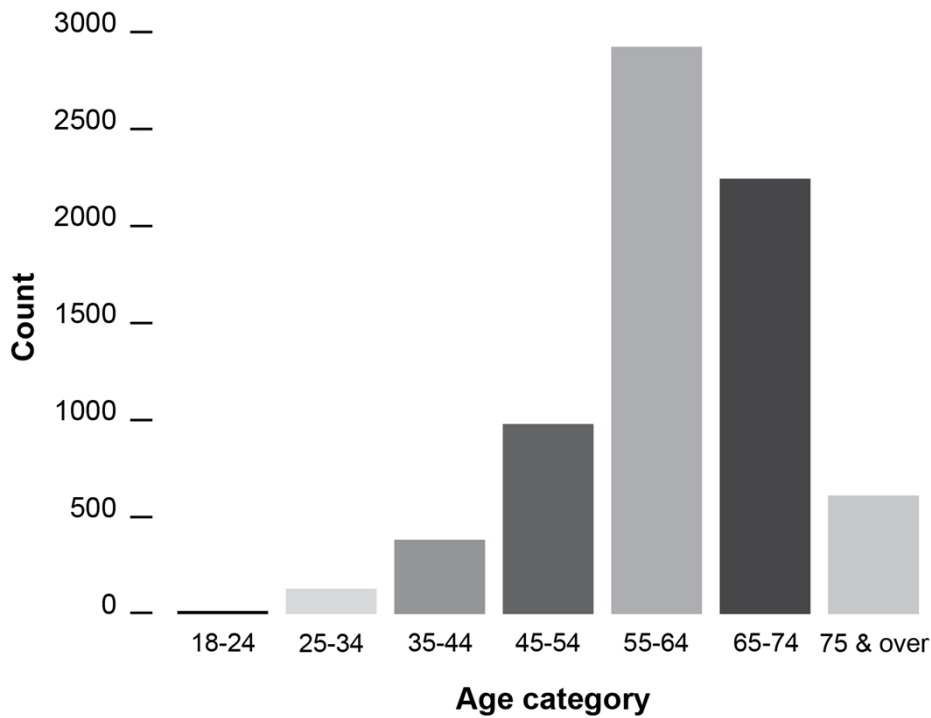
- 3.28 When asked to identify a level of RI understanding, high level results show that 25% of members profess to have good RI understanding, 48% have partial, and 27% have no RI understanding (Figure 2). Analysis indicates that the greater exposure members have to the Fund's RI content, accessed through the Fund's website, RI articles in member newsletters, Pensions Committee reports and formal RI policies, the greater the members' RI understanding.

Figure 2: Level of RI understanding



3.29 On examination of the survey respondents by age (Figure 3), results show that the highest number of responses received were from members aged between '55 and 64'. The lowest number of responses received were from members aged '18 and 24'.

Figure 3: Respondents by age category



3.30 Fund Officers are currently undertaking further analysis of the survey results with a view to informing and developing an effective Responsible Investment Engagement Strategy. Key areas of priority are likely to be around review of existing and potential future content available to members, strategies to increase member engagement and raising awareness and understanding of Responsible Investment and the Fund's approach.

UK Stewardship Code

- 3.31 In May 2023 the Fund submitted its [Annual Stewardship Report](#) to the Financial Reporting Council. The report documents the Fund's stewardship activities over the past year and demonstrates the Fund's ambition to be leaders in the active stewardship of its assets and ultimately deliver improved outcomes and sustainable futures for all. In late August 2023, the Fund was pleased to learn that it successfully achieved signatory status to the [UK Stewardship Code](#) again, for the third consecutive year.

Rathbones' Modern Slavery Engagement with FTSE 350 companies

- 3.32 Last quarter, the Rathbones' Modern Slavery Engagement identified 38 non-compliant FTSE 350 companies with the 54 reporting requirements of the Modern Slavery Bills Act. A final target list consisted of 29 non-compliant companies. By the end of the quarter, 24 out of 29 companies became compliant with the remaining companies in the process of producing or amending their modern slavery statements or undergo further monitoring and engagement. Progress update on the remaining companies will be provided in the next quarter.

Asset Owner Diversity Charter (AODC)

- 3.33 The Fund has continued its involvement with the Asset Owner Diversity Charter (AODC) working group which seeks to improve diversity and inclusion throughout the investment industry. Following the deployment and adoption of the 'Asset Manager Diversity and Inclusion Questionnaire', the charter aims to continue its work in encouraging more asset owners to become signatories; engaging with asset managers to complete the questionnaire and streamline reporting efforts to encourage its adoption.

Correspondence

- 3.34 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, human rights issues and calls for divestment.
- 3.35 There has been increasing industry-wide debate questioning the validity and models which underpin climate scenario analysis. The Fund has undertaken climate scenario analysis since 2017 and the outputs from climate scenario analysis are one of many climate-related metrics that the Fund reports on which are used as part of a wider risk management framework. The Fund continues to be aware of the current limitations associated with climate scenario analysis and welcomes development to modelling and methodology in this area.
- 3.36 The Fund has experienced increased correspondence in relation to live engagements that are linked to the Economic Activity of Public Bodies (Overseas Matters) Bill which is currently passing through Government. Further information on this Bill is contained within the regulatory update report.

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

4.0 Financial Implications

4.1 The promotion, integration and management of environmental, social and governance factors amongst companies in which the Fund invests is complementary to the Fund's objective of maximising financial returns, as it is widely believed that these factors improve 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 Quarterly Engagement Report](#)

8.2 EOS at Federated Hermes Public Engagement Report: [EOS Public Engagement Report](#)

8.3 LGPS Central Quarterly Stewardship Update: [LGPSC Quarterly Stewardship Update](#)

9.0 Schedule of Appendices

9.1 Appendix A – WMPF Engagement Activity Q2 2023

9.2 Appendix B – WMPF Voting Activity Q2 2023

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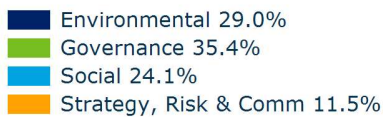
West Midlands Pension Fund

Engagement by region

We engaged with 442 companies held in the West Midlands Pension Fund portfolio on a range of 1509 environmental, social and governance issues and objectives

Global

We engaged with 442 companies



Australia & New Zealand

We engaged with seven companies



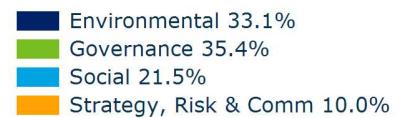
Developed Asia

We engaged with 54 companies



Emerging & Developing Markets

We engaged with 45 companies



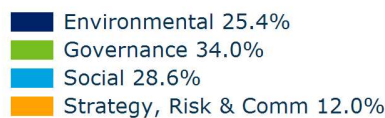
Europe

We engaged with 93 companies



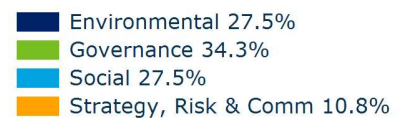
North America

We engaged with 209 companies



United Kingdom

We engaged with 34 companies



Engagement by Meta theme

We engaged with 442 companies held in the West Midlands Pension Fund portfolio on a range of 1509 environmental, social and governance issues and objectives

Environmental

Environmental topics featured in 29.0% of our engagements



- Circular Economy & Zero Pollution 13.9%
- Climate Change 69.9%
- Natural Resource Stewardship 16.2%

Social

Social topics featured in 24.1% of our engagements



- Human & Labour Rights 39.6%
- Human Capital 47.5%
- Wider Societal Impacts 12.9%

Governance

Governance topics featured in 35.4% of our engagements



- Board Effectiveness 37.6%
- Executive Remuneration 48.9%
- Investor Protection & Rights 13.5%

Strategy, Risk & Communication

Strategy, Risk & Communication topics featured in 11.5% of our engagements



- Corporate Reporting 31.8%
- Purpose, Strategy & Policies 45.1%
- Risk Management 23.1%

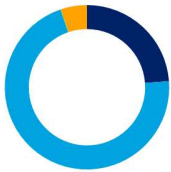
West Midlands Pension Fund

EOS at Federated Hermes

Over the last quarter we made voting recommendations at 1,717 meetings (25,169 resolutions). At 1,218 meetings we recommended opposing one or more resolutions. We recommended voting with management by exception at 88 meetings and abstaining at two meetings. We supported management on all resolutions at the remaining 409 meetings.

Global

We made voting recommendations at 1,717 meetings (25,169 resolutions) over the last quarter.



- Total meetings in favour 23.8%
- Meetings against (or against AND abstain) 70.9%
- Meetings abstained 0.1%
- Meetings with management by exception 5.1%

Australia & New Zealand

We made voting recommendations at 16 meetings (109 resolutions) over the last quarter.



- Total meetings in favour 12.5%
- Meetings against (or against AND abstain) 75.0%
- Meetings with management by exception 12.5%

Developed Asia

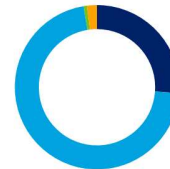
We made voting recommendations at 468 meetings (5,487 resolutions) over the last quarter.



- Total meetings in favour 34.0%
- Meetings against (or against AND abstain) 65.0%
- Meetings with management by exception 1.1%

Emerging & Developing Markets

We made voting recommendations at 153 meetings (1,941 resolutions) over the last quarter.



- Total meetings in favour 26.1%
- Meetings against (or against AND abstain) 71.2%
- Meetings abstained 0.7%
- Meetings with management by exception 2.0%

Europe

We made voting recommendations at 371 meetings (6,956 resolutions) over the last quarter.



- Total meetings in favour 16.4%
- Meetings against (or against AND abstain) 79.5%
- Meetings abstained 0.3%
- Meetings with management by exception 3.8%

North America

We made voting recommendations at 513 meetings (6,935 resolutions) over the last quarter.



- Total meetings in favour 10.3%
- Meetings against (or against AND abstain) 78.9%
- Meetings with management by exception 10.7%

United Kingdom

We made voting recommendations at 196 meetings (3,741 resolutions) over the last quarter.



- Total meetings in favour 48.0%
- Meetings against (or against AND abstain) 47.4%
- Meetings with management by exception 4.6%

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

Global

We recommended voting against or abstaining on 3,836 resolutions over the last quarter.



- Board Structure 51.1%
- Remuneration 24.1%
- Shareholder Resolution 11.7%
- Capital Structure + Dividends 6.0%
- Amend Articles 1.1%
- Audit + Accounts 4.2%
- Poison Pill/Anti-Takeover Device 0.2%
- Other 1.6%

Australia & New Zealand

We recommended voting against or abstaining on 41 resolutions over the last quarter.



- Board Structure 36.6%
- Remuneration 48.8%
- Shareholder Resolution 4.9%
- Capital Structure + Dividends 4.9%
- Audit + Accounts 4.9%

Developed Asia

We recommended voting against or abstaining on 864 resolutions over the last quarter.



- Board Structure 82.3%
- Remuneration 2.3%
- Shareholder Resolution 3.7%
- Capital Structure + Dividends 4.3%
- Amend Articles 0.7%
- Audit + Accounts 6.4%
- Poison Pill/Anti-Takeover Device 0.3%

Emerging & Developing Markets

We recommended voting against or abstaining on 440 resolutions over the last quarter.



- Board Structure 46.8%
- Remuneration 19.1%
- Shareholder Resolution 3.6%
- Capital Structure + Dividends 19.3%
- Amend Articles 2.3%
- Audit + Accounts 5.2%
- Other 3.6%

Europe

We recommended voting against or abstaining on 1,126 resolutions over the last quarter.



- Board Structure 38.2%
- Remuneration 36.0%
- Shareholder Resolution 5.2%
- Capital Structure + Dividends 9.1%
- Amend Articles 2.0%
- Audit + Accounts 5.5%
- Poison Pill/Anti-Takeover Device 0.2%
- Other 3.8%

North America

We recommended voting against or abstaining on 1,170 resolutions over the last quarter.



- Board Structure 45.9%
- Remuneration 23.6%
- Shareholder Resolution 28.7%
- Capital Structure + Dividends 0.1%
- Amend Articles 0.3%
- Audit + Accounts 1.4%
- Poison Pill/Anti-Takeover Device 0.1%

United Kingdom

We recommended voting against or abstaining on 195 resolutions over the last quarter.



- Board Structure 31.8%
- Remuneration 61.0%
- Shareholder Resolution 1.5%
- Capital Structure + Dividends 2.1%
- Amend Articles 0.5%
- Audit + Accounts 1.5%
- Poison Pill/Anti-Takeover Device 0.5%
- Other 1.0%

Pensions Committee

27 September 2023

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

Recommendations for action:

The Pensions 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 April 2023 to 30th June 2023 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 presentations and following up with individual consultations as required. During this reporting period **1,005** members attended our presentations, webinars, workshops and other events. These were followed by **378** individual member consultations. Our events are delivered at various times throughout the day to accommodate attendance around member and work commitments. This delivery and the associated feedback is summarised in Appendix A.
- 3.2 During this reporting period the Member Services team delivered events to district police stations, housing organisations and Local Education Authority schools and provided **7** satellite support events to **66** hard to reach members. These are members who may not normally be able to access our services due to the nature of their work and location, which might include access to web-based delivery (i.e., computer facilities), working hours or 'satellite' locations.
- 3.3 Through the "Be Pension Smart & Take Control of your benefits" campaign, the Fund continues to encourage members to view and manage their pension record online using the pensions portal. During this reporting period registrations increased by **3,097** bringing the total to **133,022** at the end of June 2023.
- 3.4 The new transition to the new Pensions Administration System brings a new and improved Pension Portal, with increased security to protecting members data by introducing 2 factor authentication and new and improved dashboards to display members' information and benefits. To ensure members benefit from the increased security, each member will be required to register for the new Pensions Portal and the Fund has a rolling communications plan to support this approach. The roll out of this campaign started in the summer and will continue to be monitored, with the engagement campaign revisited in 2024 once initial onboarding has completed.
- 3.5 The Fund continues to promote aspects of our work via the social media platform LinkedIn. Since the last reporting period a further **11,595** people have interacted with our

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variety of articles from purpose pension videos, member engagement events and recruitment. This is **1,942** more interactions since the last reporting period.

- 3.6 The Fund roadshow vehicle was back out on tour across the region, visiting educational establishments. During this reporting period we visited **7** locations and saw **233** members. Feedback from these events was **90%** rated excellent, **9%** rated very good and **1%** good.
- 3.7 “Planning your retirement” workshops remain popular with members who are over the age of 55. During this quarter the Member Services team delivered **6** workshops to active members which helped **132** attendees with their retirement planning.
- 3.8 During this reporting period the Fund’s member video suite, providing on-demand support and guidance to members, has been expanded to include new videos such as a tutorial video to explain the annual benefits statement 2023 and re-vamping our pensions portal registration video.
- 3.9 One of our focuses during this period has been to update the Fund’s website with revised publications and forms, this has included a brief guide to the Local Government Pension Scheme (LGPS), 50:50 section, building up extra savings, planning for your retirement, bereavement guide and new portal guidance booklets.
- 3.10 **7** “Tea & Teach” events were delivered in May & June with the objective to bring pensioners together face to face and join us for refreshments and give them the chance to talk about any pension concerns which they may have. We partnered with local organisations to provide as much support and literature as possible for our pensioners. **334** pensioners attended these events and 69% rated them as excellent, 28% as good and 3% as satisfactory.
- 3.11 Following the success of the Pensioner Engagement forum over the years, the team has extended this engagement to our active members. In June the Fund launched its first Active member engagement forum, the objective of this forum was to share new initiatives which the Fund is currently working on, such as member website, the new pensions portal and reviewing member communications. This first event was a success and provided the team with valuable feedback to enhance member support and expand our communication offerings, feedback from this event was very positive. We will now be holding this event on an annual basis and extending it further to target our deferred members.
- 3.12 In May the Fund produced **102,047** annual benefits statements for deferred members, this was followed up with bulk emails and text messages to members where we hold a valid email address and mobile number to notify members that their statement was available on the portal.
- 3.13 In June the Fund produced **76,742** annual benefits statements for active members, this was followed up in July with a personalised letter to highlight that their annual statement is online and details of how to access it on the Fund’s new Pensions Portal.

- 3.14 Website content continues to be updated and there have been **247,741** web page views in this quarter.
- 3.15 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 for this quarter is **84.85%**.

4.0 Customer Services

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

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

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

4.3 Contact volumes have been higher than usual over the April - June period when increased member communications were issued, which included Be Smart newsletter, aged 55 campaign, Investment Survey, deferred benefit statement notification emails and text messages. The team have continued to work closely with Member Services to stagger mailings sent to members, which 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. In addition, the Fund saw an increase in calls due to the payment of pension increase and the impact this had on individual member tax codes.

5.0 Complaints

5.1 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.

5.2 Complaint numbers were higher than the previous quarter, and is higher compared to previous years. However, overall the number of complaints received by the Fund is proportionally low compared to the number of scheme members, with 57 complaints received for the last quarter. Of those complaints, 40% were upheld and lessons learned were incorporated in training and process development. The percentage of upheld

complaints has increased from the previous quarter by 15% due to change in Scheme-wide calculation factors leading to the Fund having to put casework on hold, resulting in increased processing times for transfers and refunds.

6.0 Employer Engagement

6.1 Employer Peer Group

6.1.1 The first session of the Fund's Employer Peer Group cycle for 2023/24 took place in June, with 17 out of the 21 registered employer representatives present. The content for the meeting included:

- **Expectations for the new group:**

The Fund invited all attendees to contribute and shape the content of future sessions by suggesting topical/relevant items to be discussed to help inform the content and format of engagement over the year and, where appropriate, to shape service development and improvements.

- **Review of the Fund's new website:**

Aligned to the change of software provider, a review of the employer pages on the Fund's website is ongoing. Key website changes in relation to the updated and new guidance made available for employers regarding the exchange of information and data via the new administration system interfaces were outlined to the group, and useful employer feedback was gained.

- **Mid-Year Review:**

The Mid-Year Review Meeting was discussed, and employers were asked to provide feedback on the 2023 meeting. It was agreed that the meetings are always very informative and that employers find value in attending.

- **EQ transition (Go Live support telephone messaging script):**

To support the system transition, the employer helpline has been split into two lines to assist with direction of system related queries and business as usual queries, to ensure the caller reaches the appropriate agent to resolve the query. A demonstration of the proposed script for the helpline (heard by callers before reaching an agent) was provided to the group to enable comment and feedback to ensure it was clear and understandable to external callers. The messaging has been a success and we are seeing calls being directed to the correct lines.

- **Member Engagement:**

A reminder was given to the group of the Fund's offering with regards to supporting employers in servicing members through direct signposting of Fund information, guides and reference materials. Attendees raised several queries regarding where to find useful information for their members and received real time support (direction to the best areas of the website, e.g., for retirement documentation) further increasing employer awareness and familiarisation with new material.

6.2 Employer Webinars

- 6.2.1 To support the roll out of the new Pensions Administration System the Employer Services team delivered a programme of employer education focusing on the new platform for Employers over the last quarter and beyond. Further details of these sessions can be found in section 5 below, which covers the Pension Administration System transition.
- 6.2.2 Whilst regular employer coaching/webinars have been paused temporarily to free up resource for direct support of employers, a programme of support for 2024 onwards will be proposed for consultation with the group at future meetings.

6.3 Employer Engagement and Performance

- 6.3.1 Utilising the virtual working arrangements currently in place, the Employer Services team have continued to hold performance meetings with various employers throughout the period, albeit at a reduced level to enable additional support to be directed towards the system transition project. Employer performance is assessed in line with the Fund's Pension Administration Strategy (PAS).
- 6.3.2 During the period the Fund held 5 meetings with organisations representing 18 employers. Collectively these employers are responsible for submitting data and payments for over 6,400 members.
- 6.3.3 Work continued over the period, ahead of the system transition to target both the submission of outstanding leaver paperwork and responses to queries raised as a result of those leaver submissions.

7.0 Pension Administration System Transition- self-service platforms

7.1 Member Self-Service

- 7.1.1 The new Pension Administration System brings a new and improved Pensions Portal for members. To use this new self-service platform, members are required to complete a new registration process which now includes two-step authentication to increase security for members. Letters have been issued to all members to communicate the launch, highlight the benefits of the new portal and to provide them with the personal identification code required to register.
- 7.1.2 A new member portal support package has been designed to assist members to register and navigate the new portal, this comprises of step-by-step guidance booklets, a registration video and Q&A and support on the website.

7.2 Employer Self-Service

- 7.2.1 Employer Self-Service (ESS) is our new pension administration platform that offers comprehensive data management and management information to our employers and payroll providers. Rolled out to our existing Employer Hub users on 27th July 2023, ESS users are already seeing the benefits of an improved, speedier method for the submission of data. Member updates are actioned immediately, with no intervention required from Fund officers. All earnings and contributions data, member changes, and scheme leavers are submitted to the Fund via interface files, allowing the bulk upload of more data and removing the requirement to submit individual leaver notifications and member changes.
- 7.2.2 Employers also have the benefit of improved management information and reporting capabilities, putting membership and case statistics at their fingertips.
- 7.2.3 In total, **27** online training sessions have been delivered to employers as part of the transition. Across the 27 sessions we have seen over **640** attendees, from **179** organisations (both employers and payroll providers) representing more than **600** employers and over **97,000** active members within the Fund. The sessions covered the following topics:
- ESS General Navigation
 - Reporting and Workflows
 - Data Submission
 - Estimates
- 7.2.4 Feedback received following the sessions was that over 95% of attendees were either satisfied or very satisfied with the structure, pace and clarity of the delivery.
- 7.2.5 The team are currently responding to the 40-60 employer emails each day relating specifically to support with ESS. They have also held over 20 virtual meetings with employers following ESS go live to provide bespoke one to one support. A plan is also in progress to identify and reach out to more employers/payroll providers that we believe need greater support in these initial stages of go live.
- 7.2.6 In addition to online training sessions a number of communications have been issued to employers providing guidance documents and videos to assist with navigation, many of which can also be found on the Fund's website. A Frequently Asked Questions document is also in progress following analysis of common queries raised by employers post go live. The Employer Services team will continue to monitor the queries raised by ESS users and will adjust and adapt the support offered where appropriate.

8.0 Future Engagement

- 8.1 From July to September 2023 the focus of the hard-to-reach project is providing face to face support to fire stations, LEA schools and leisure centres across the region.

8.2 The Member Services team is now preparing to deliver 7 roadshows at district locations with the objective to support members to register for the new pensions portal and to explain members' annual statements. These are as follows:

20 th September –	Birmingham City Council
21 st September –	Walsall MBC
27 th September –	Sandwell MBC
2 nd October –	Coventry City Council
9 th October –	Dudley MBC
11 th October –	City of Wolverhampton Council
17 th October –	Solihull MBC

8.3 To encourage the take-up of the new self-serve function, the Fund is developing portal promotion events which will assist members to register and navigate around the new portal. This campaign will consist of invites to webinars, face to face support at locations across the region and engagement with employers to increase their members' portal sign up rate.

8.4 The Fund is due to hold its pensioner engagement forum on the 25th October 2023. This forum was designed for pensioner members to provide their feedback and thoughts to enhance a member's retirement journey for the future. Compton Care have agreed to be a guest speaker. The event is also supported by Pension Age and Alzheimers UK who will be providing literature. The feedback and actions from this event will be published in the next report and also details in the "You said, we did" part of the 2023 pensioner newsletter.

8.5 Each year Pension Saving Statements are sent to members by the 5 October who have exceeded the annual allowance limit. The Member Services team will follow up these with offering recipients the chance to book on Pension Tax Webinars. Further details will follow in the next reporting period.

9.0 Larger Fund Events

9.1 HR 360, the Coventry Bursars group, requested a member presentation at their schools and academies business meeting on the 30 June 2023. This was our first face to face delivery at this event since the pandemic. Feedback was very positive and also led to several school business managers booking further support to assist their members.

9.2 The Fund delivered its employer Mid-Year Review 2023, on the 4th July 2023. The event covered a variety of updates for employers and also an interactive employer panel. Feedback can be found in Appendix B.

9.3 Preparation is underway to plan the Fund's Annual General Meeting which will be held at i9 towards the end of the year.

10.0 Financial Implications

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10.1 There are no financial implications associated with this report.

11.0 Legal Implications

11.1 There are no legal implications associated with this report.

12.0 Equalities Implications

12.1 The report contains no direct equalities implications.

13.0 Other Implications

13.1 There are no other implications.

14.0 Background papers

14.1 Customer Engagement Strategy – Committee report September 2022
[\(Public Pack\)Appendix B – Customer Engagement Strategy Agenda Supplement for Pensions Committee, 21/09/2022 10:00 \(moderngov.co.uk\)](#)

15.0 Appendices

15.1 Appendix A - Review of feedback from member presentations and individual pension consultations

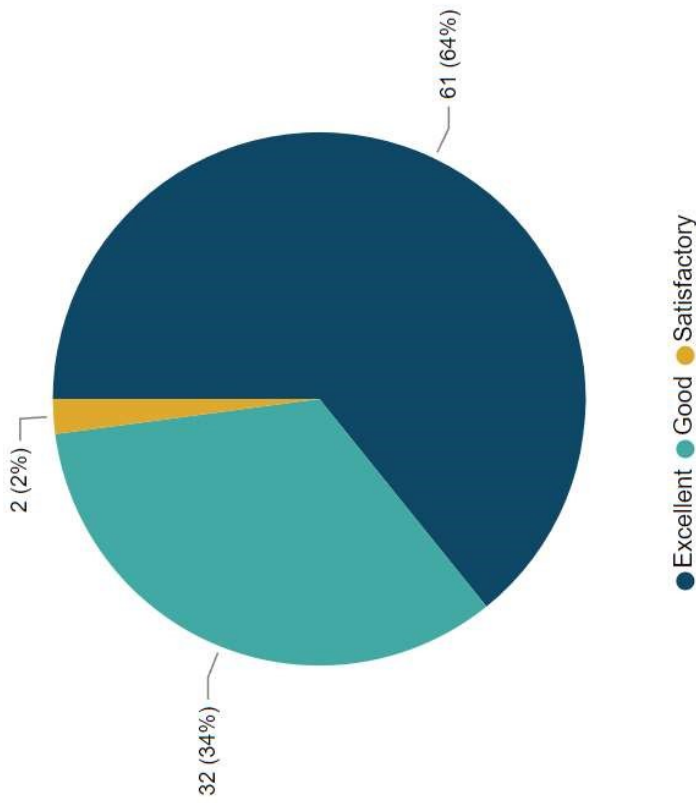
15.2 Appendix B – Summary of MYR feedback

15.3 Appendix C – Customer services statistics

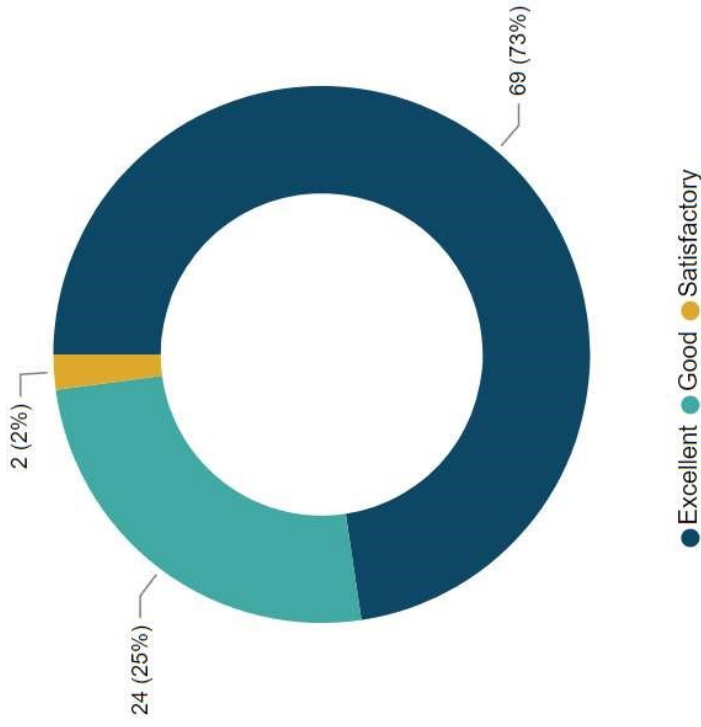
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Member Service Team Presentation Feedback - 1st April 2023- 30th June 2023

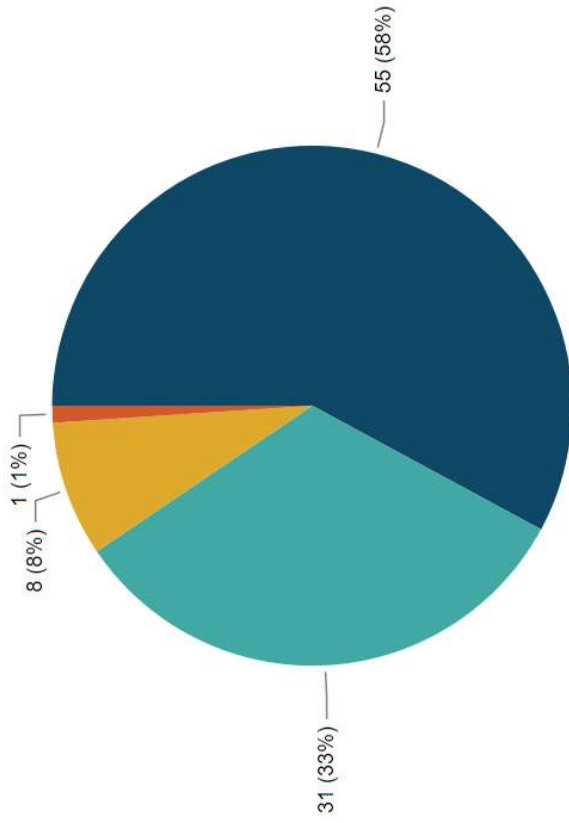
Event Rating



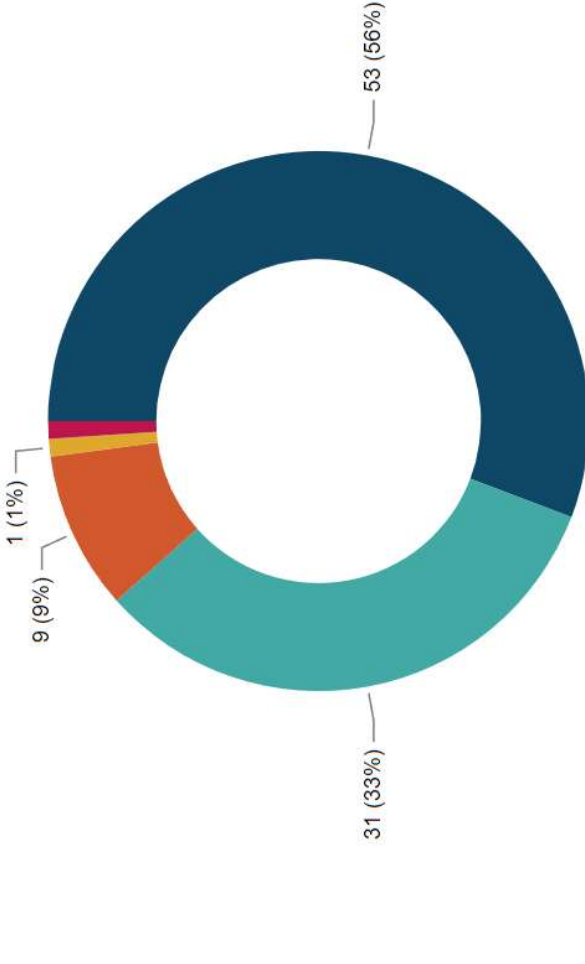
Presenter Rating



Interaction Rating



Service Rating

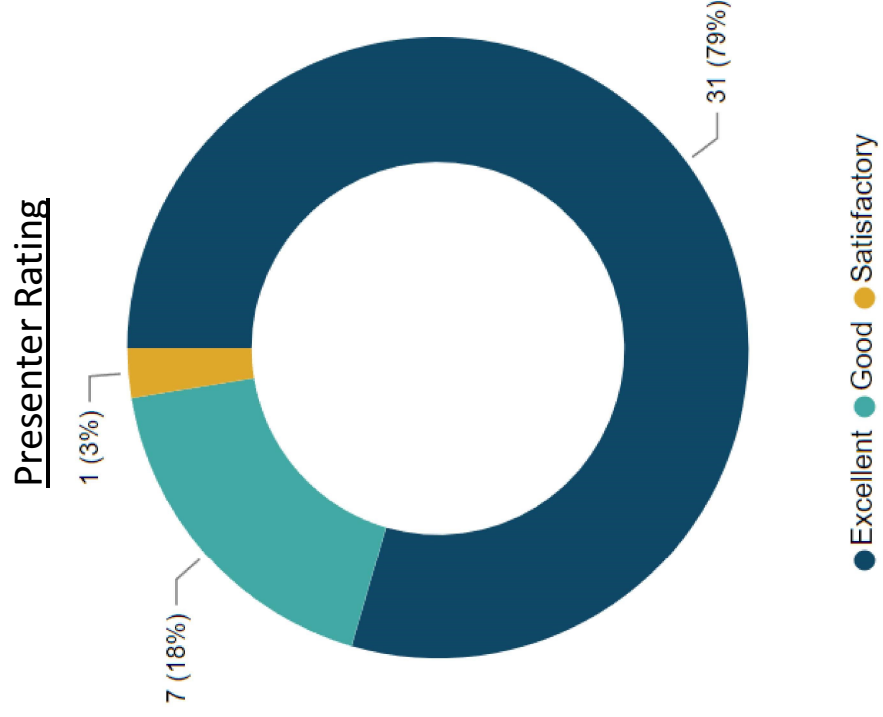
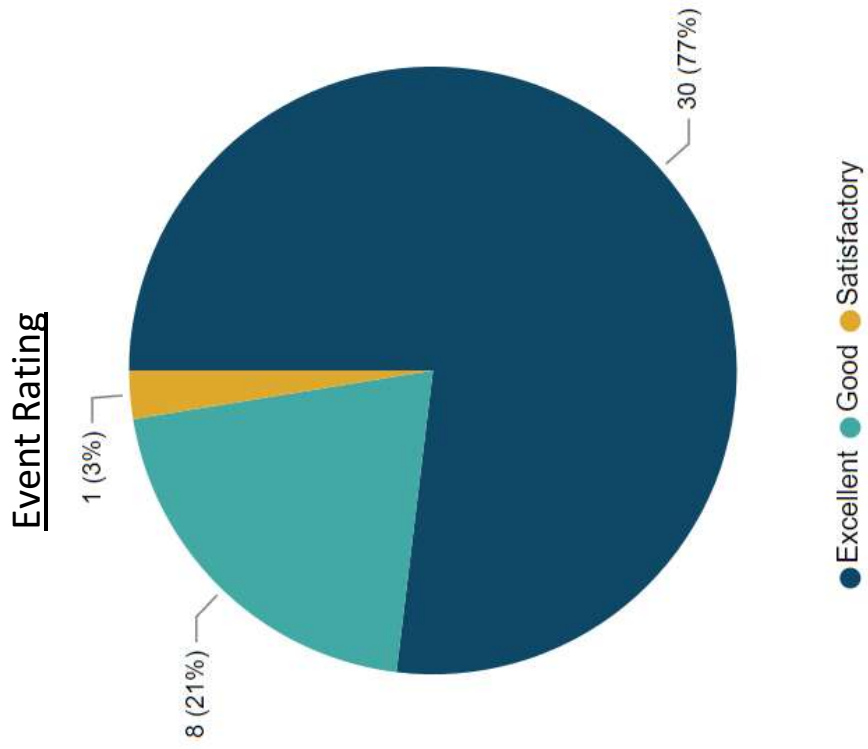


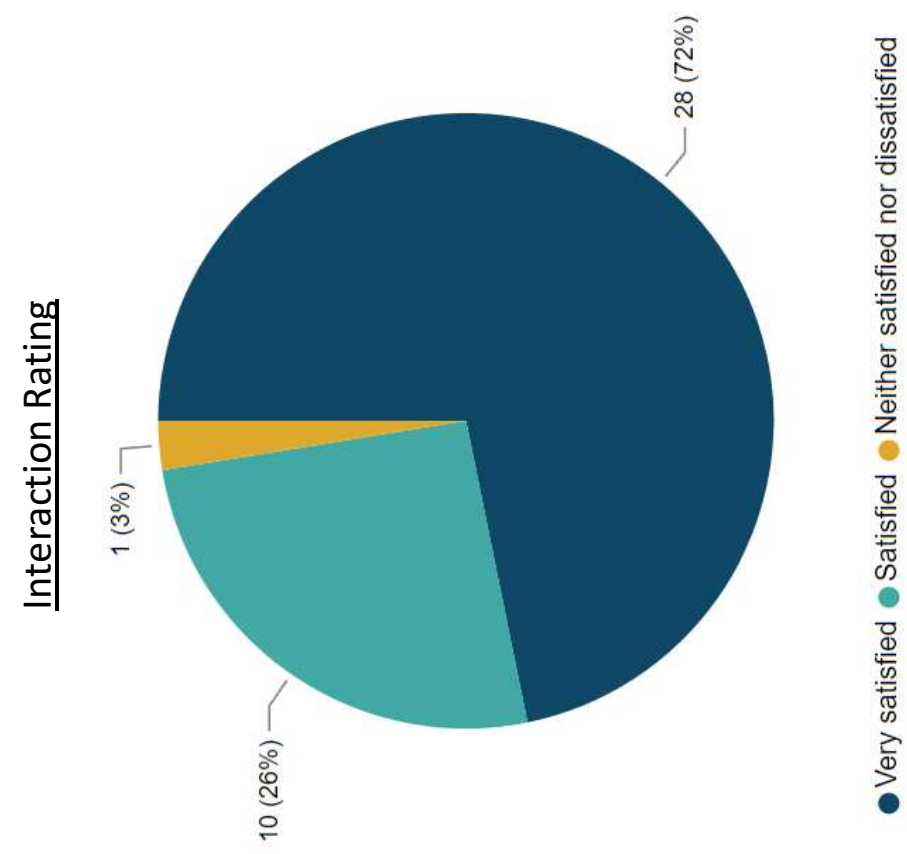
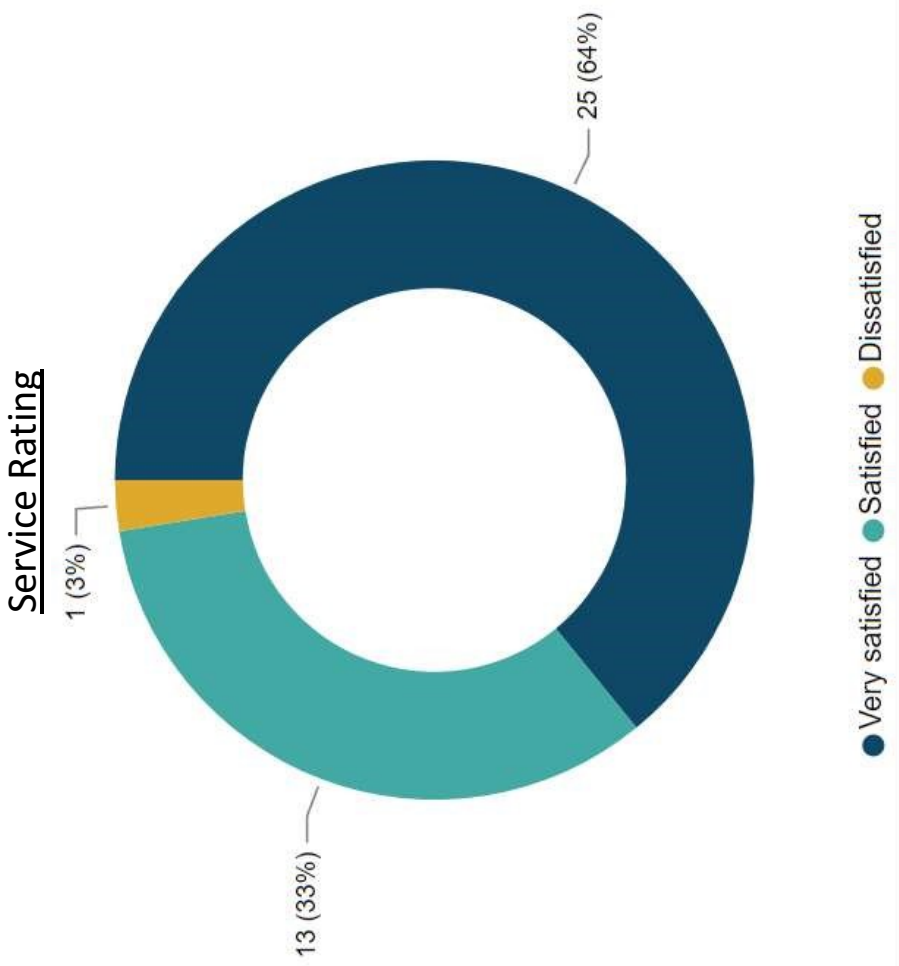
● Very satisfied ● Satisfied ● Neither satisfied nor dissatisfied ● Dissatisfied

● Very satisfied ● Satisfied ● Neither satisfied nor dissatisfied ● Dissatisfied ● Very dissatisfied

Member Service Team Feedback - 1st April 2023 – 30th June 2023

Individual Pension Consultations

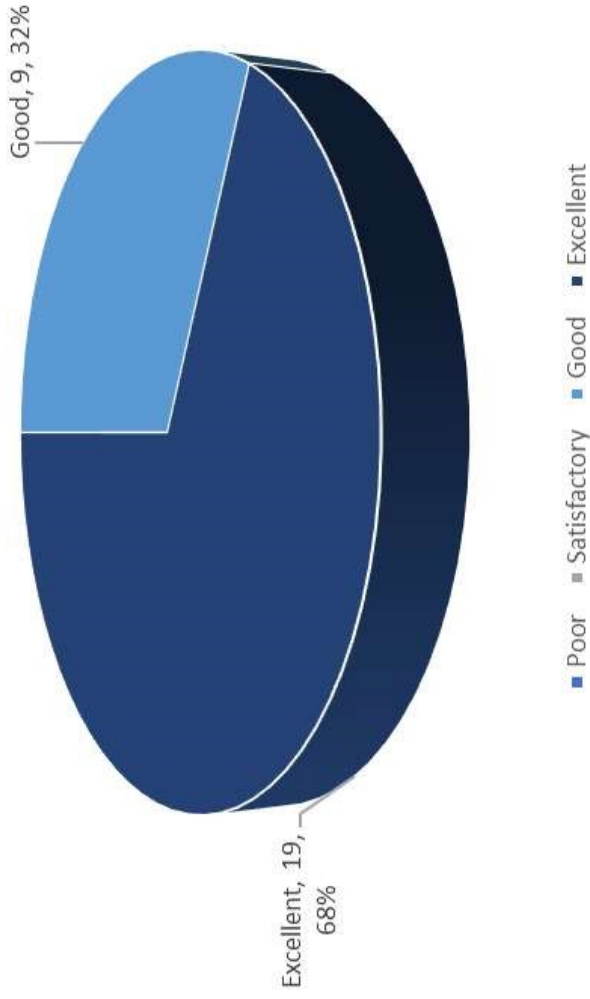




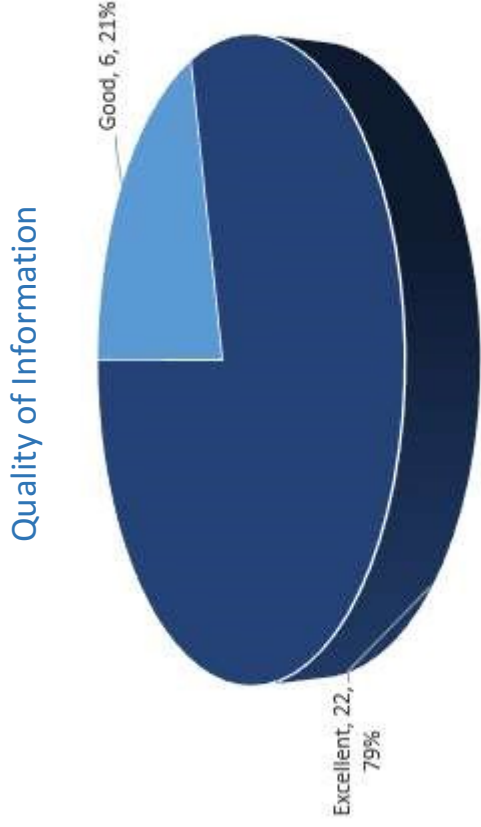
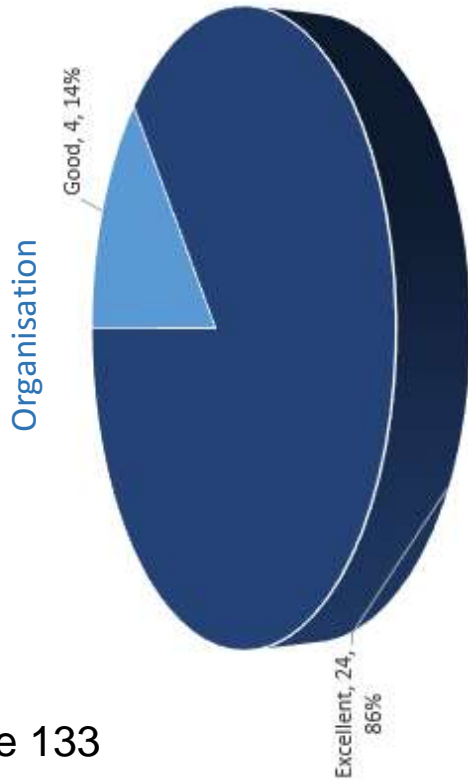
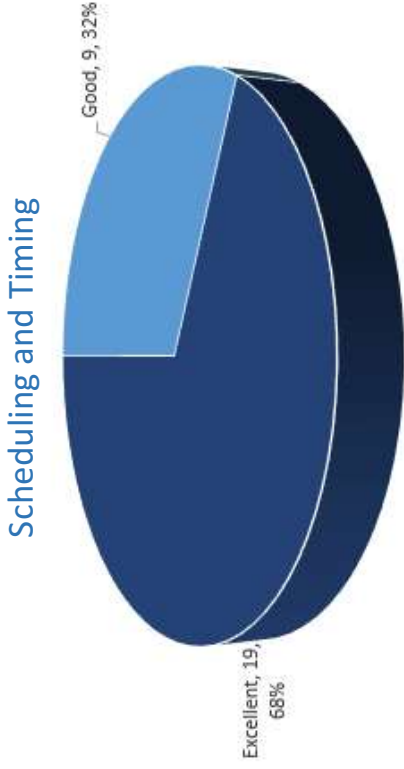
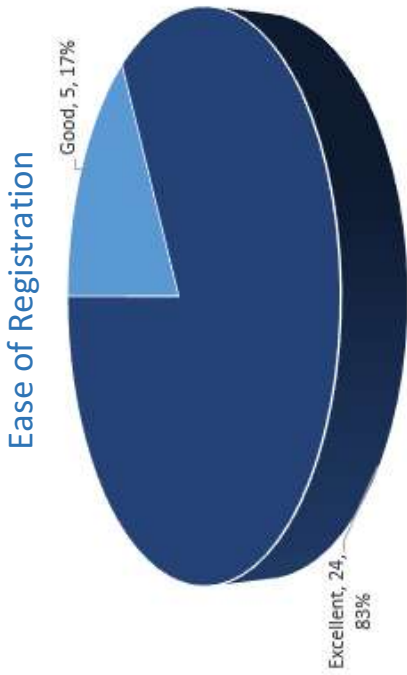


How would you rate the MYR?

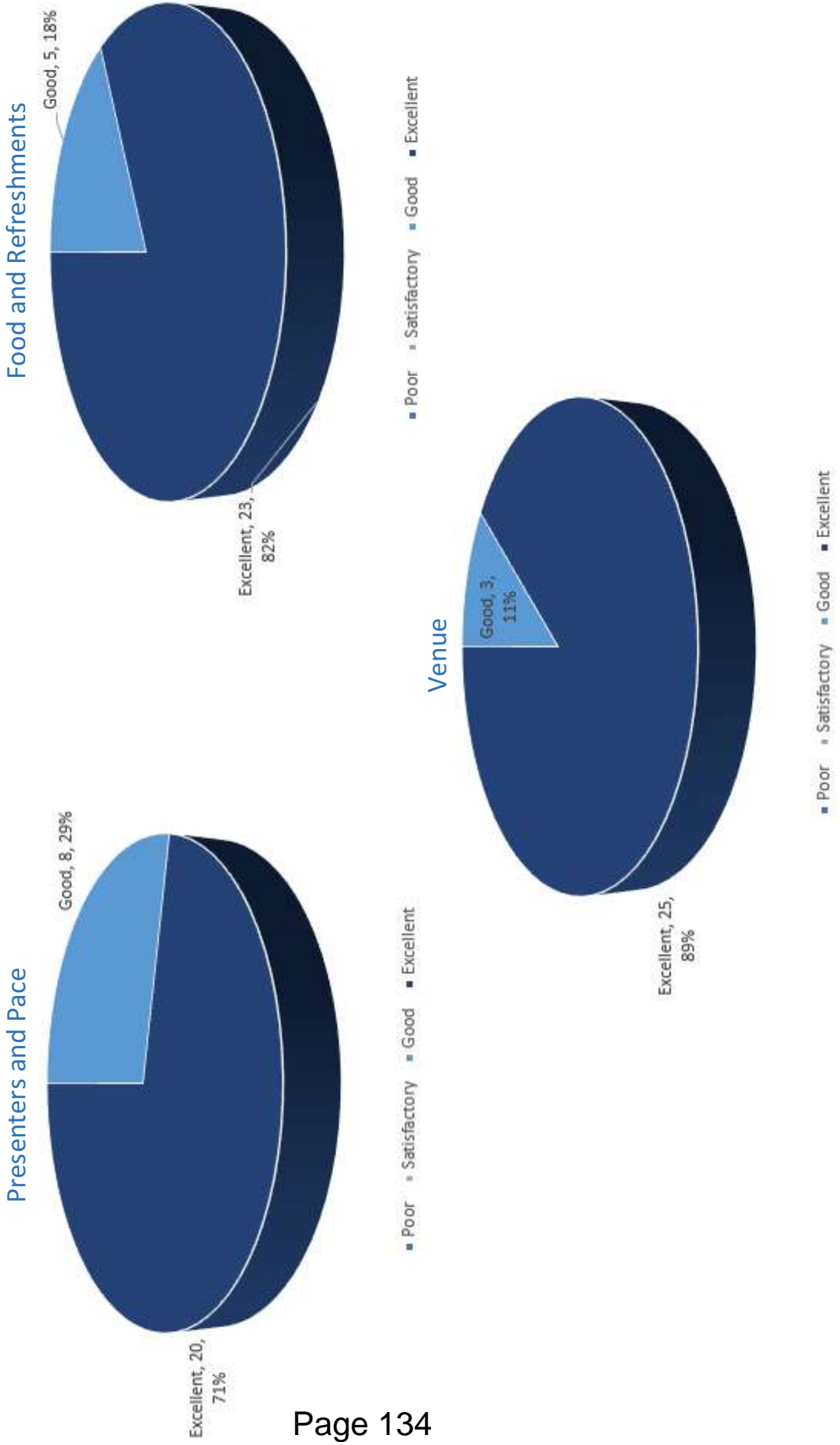
Excellent	19
Good	9
Satisfactory	0
Poor	0



Please rate the following aspects of the event:

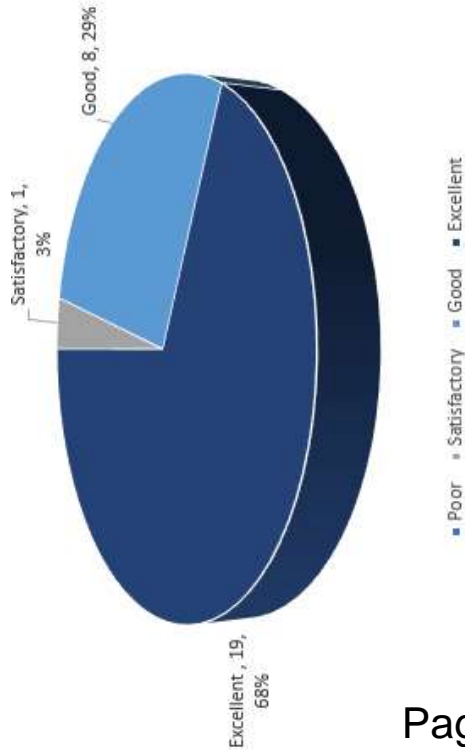


Please rate the following aspects of the event:

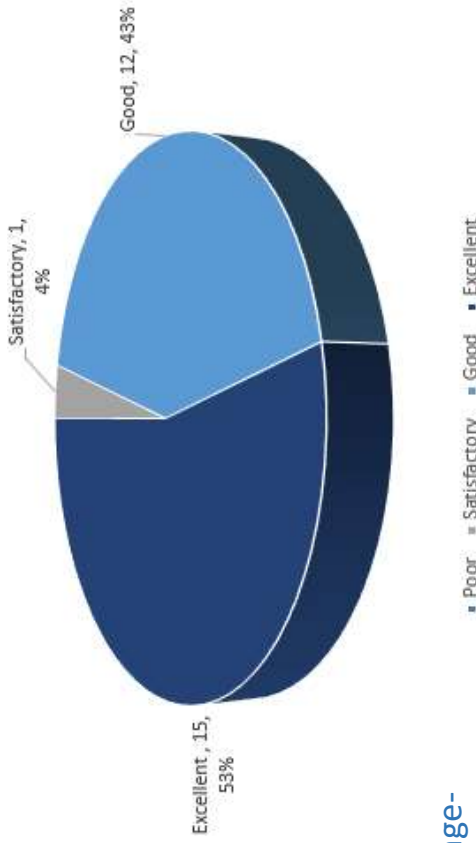


How would you rate the topics below in regard to clarity, style and delivery?

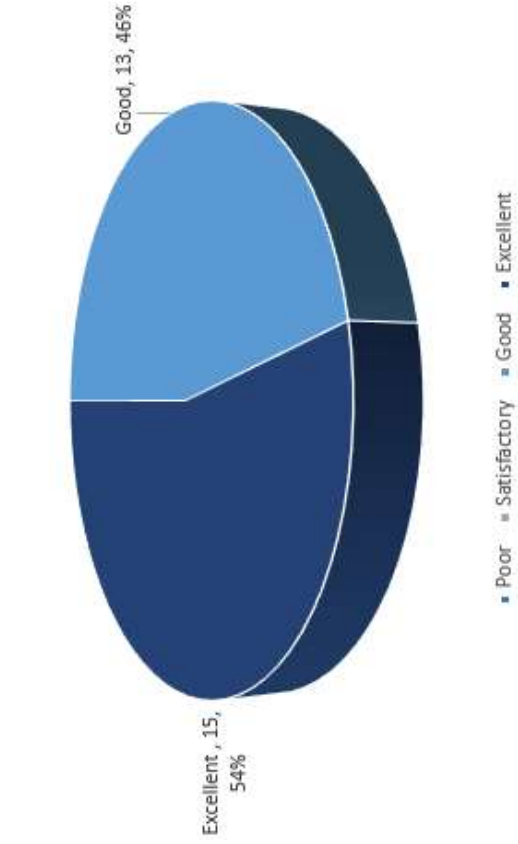
Welcome-Six Months in Review



The Current LGPS Environment

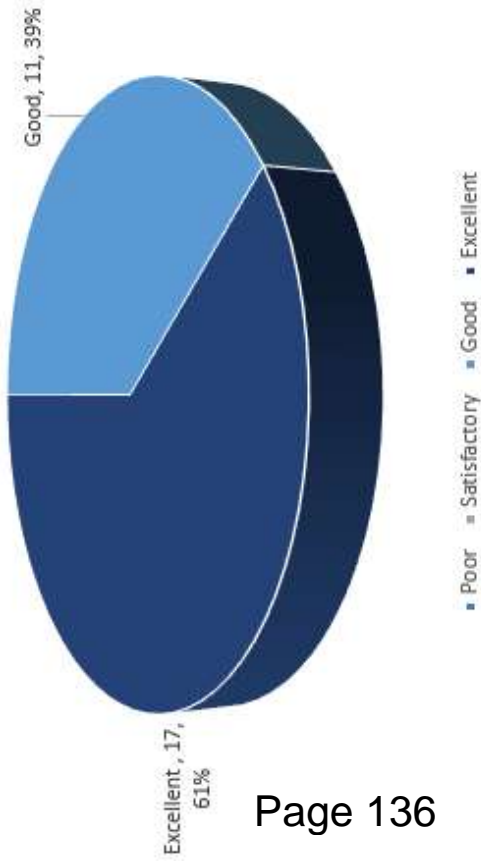


Transformational Change-Administration Systems

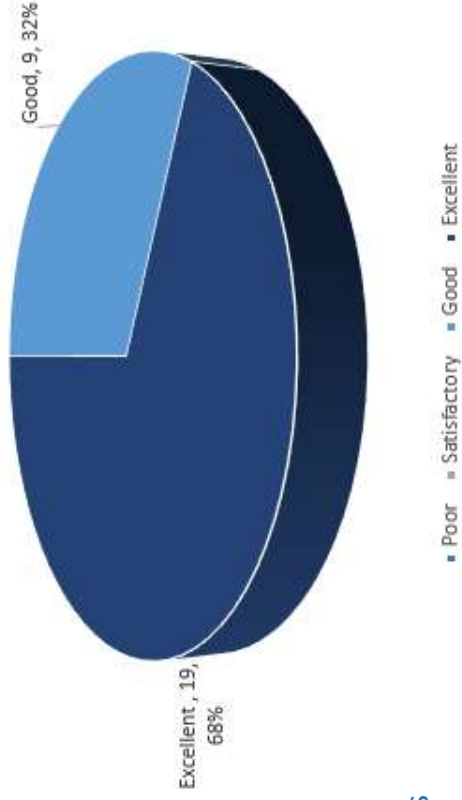


How would you rate the topics below in regard to clarity, style and delivery?

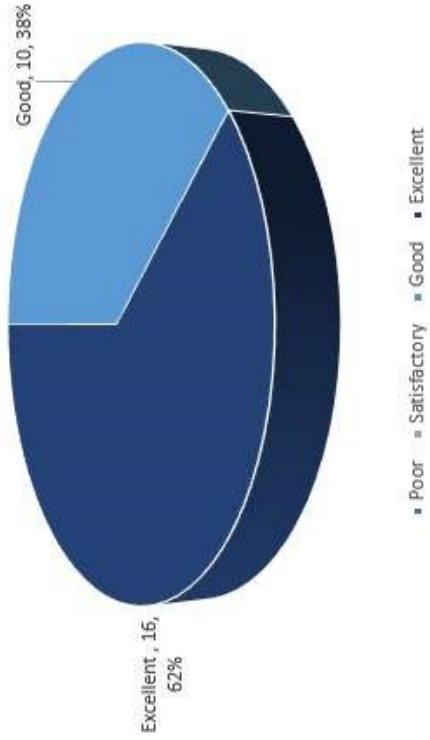
Employer Panel: Working in Partnership
(interactive session)



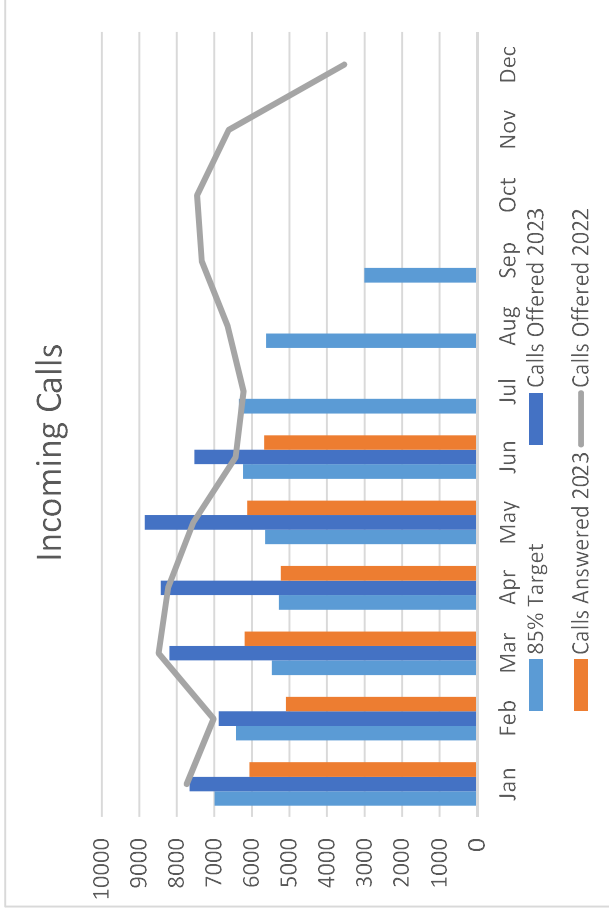
Investment Update



Fund Vision and Values



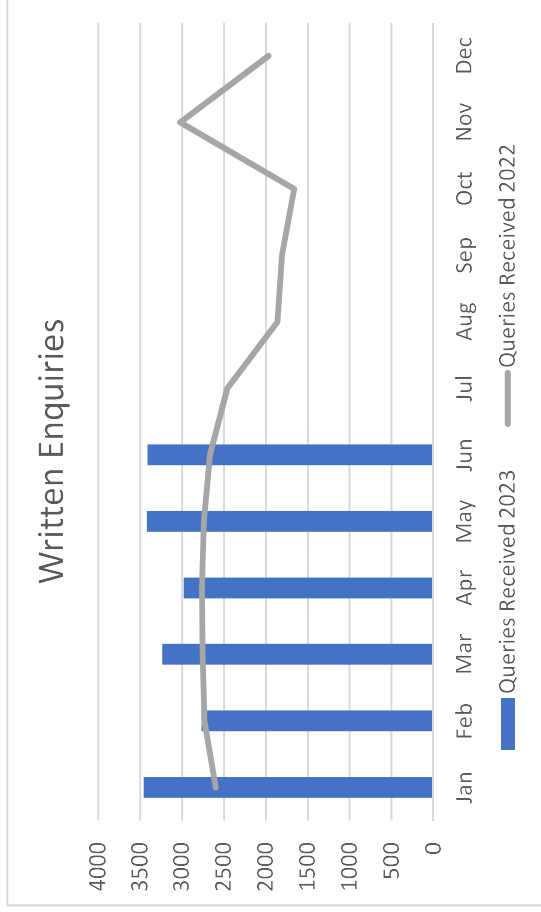
Appendix C: Customer Services Statistics



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Calls Offered 2023	7661	6882	8202	8427	8854	7537	0	0	0	0	0	0
Calls Answered 2023	6064	5098	6193	5234	6130	5674	0	0	0	0	0	0
Calls Offered 2022	7741	7021	8483	8231	7560	6432	6217	6647	7338	7465	6619	3540
Answer Rate (Target 85%)	79.15%	74.08%	75.51%	62.11%	69.23%	75.28%						
Percentage increase	-1.03%	-1.98%	-3.31%	2.38%	17.12%	17.18%	-100.00%	-100.00%	-100.00%	-100.00%	-100.00%	-100.00%

Calls Offered 2023
 Calls Answered 2023
 Calls Offered 2022
 Answer Rate (Target 85%)
 Percentage increase

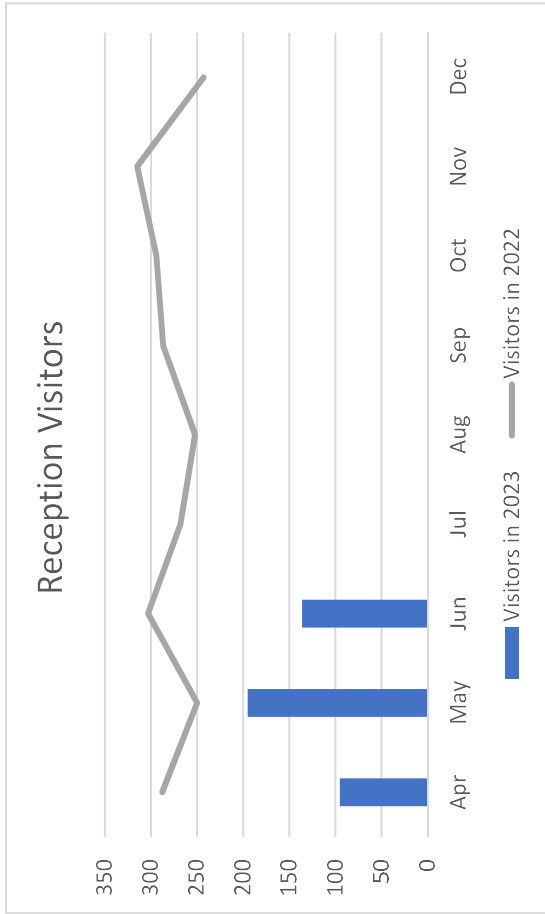
Appendix C: Customer Services Statistics



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Queries Received 2023	3456	2765	3237	2980	3420	3412	0	0	0	0	0	0
Queries Received 2022	2597	2731	2754	2761	2741	2665	2460	1860	1807	1662	3023	1967
Percentage increase	33.08%	1.24%	17.54%	7.93%	24.77%	28.03%	-100.00%	-100.00%	-100.00%	-100.00%	-100.00%	-100.00%

Queries Received 2023
 Queries Received 2022
 Percentage increase

Appendix C: Customer Services Statistics



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Visitors in 2023	136	107	41	95	195	136	0	0	0	0	0	0
Visitors in 2022	393	307	364	288	250	303	268	252	287	294	315	243

Visitors in 2023
Visitors in 2022

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee 27 September 2023
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Report title	Pensions Administration to 30 June 2023	
Originating service	Pension Services	
Accountable employee	Amy Regler Email	Head of Operations Amy.Regler@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Email	Executive Director of Pensions Rachel.Brothwood@wolverhampton.gov.uk

Recommendation for decision:

The Pensions Committee is recommended to approve:

1. The 14 applications for admission from employers into the Fund as detailed in Section 9 and Appendix E of this report.

Recommendation(s) 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.

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 April 2023 – 30 June 2023.

2.0 Background

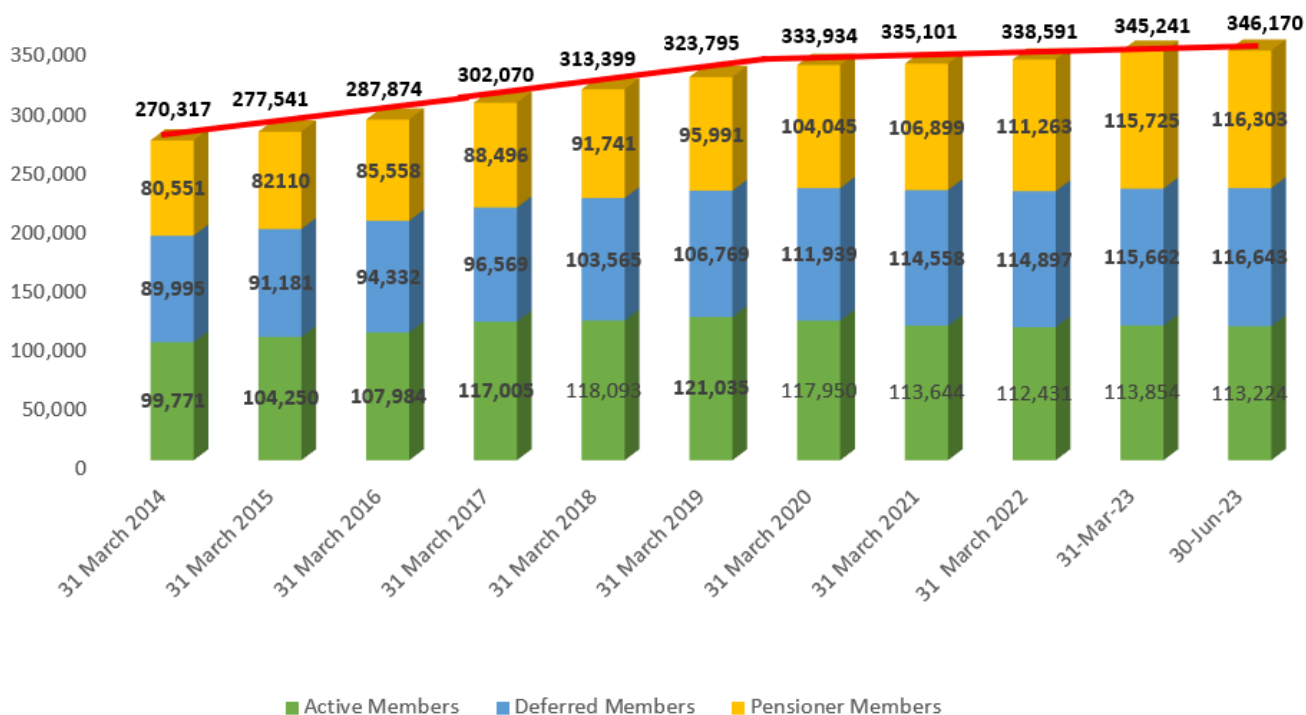
2.1 The Fund provides a pension administration service covering employer, customer and member services, data processing, benefit operations, payroll and systems/technical support. A report is provided to the Pensions Committee on a quarterly basis to assist in monitoring the activity and performance 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 on 30 June 2023 stands at 346,170 with an overall increase since March 2023. This reporting period sees an increase in the total number of members. The long-term trend in membership continues to illustrate a move towards a more mature profile whereby, in general, pensioners and deferred memberships continue to rise.

	Membership as at 31 March 2023	Net Movements during the period	Membership as at 30 June 2023
Active Members	113,854	-630	113,224
Deferred Members	115,662	981	116,643
Pensioner Members	115,725	578	116,303
Total Members	345,241	929	346,170



3.2 Workflow Statistics

- 3.2.1 The process analysis statistics (Appendix A) show details of overall workflow within the Pensions Administration Service during the period 1 April to 30 June 2023.
- 3.3.2 During the period covered by this report, 43,184 administrative processes were commenced and 43,130 processes were completed.
- 3.3.3 On 30 June 2023 there were 40,921 items of work outstanding. This represents a slight increase of 290 items outstanding compared to 31 March 2023 (40,631). Of the 40,921 items of work outstanding, 4,164 items are pending as a result of information awaited from a third-party e.g. scheme members, employers or transferring authorities, and 36,757 processes are now either proceeding to the next stage of the process or through to final completion.
- 3.2.4 Appendix B provides a summary of the key processes completed by volume across benefit operational functions e.g. calculating benefits for retirements, pensioner member data changes as well as the maintenance of updating membership details. The Fund continues to monitor the level of members opting out of the scheme with an increased level observed this quarter, above the rate in 2022/23 but not out of line with prior years.

4.0 Key Performance Indicators (KPIs) – benefit operations

- 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 For the reporting, three KPI's did not cumulatively achieve the target:
- Retirements - Notification of Estimated Benefits
 - The KPI fell short of the 90% target, cumulatively achieving 86%, however the team processed 41% more cases than the same period last year, and on average, casework was completed within 17 days against the target of 15.
 - Deferred Retirements –payment of lump sum and creation of payroll record
 - The KPI fell short of the 90% target, achieving 87%, due to restricted timescales for payroll closedown and delayed re-opening. However, on average, casework was completed within 3 days against the target of 5 over the period.
 - Death acknowledgement
 - Despite not cumulatively achieving the KPI, the team processed 6% more cases than the same period last year and on average, casework was completed within 4 days against the target of 5 over the period.
- 4.3 Further information on the achievement of target KPIs by process by month over the reporting period and Scheme year is included in Appendix C.

5.0 Transfer Out – All Casework

5.1 In total, **184** individual transfer payments were made during the period 1 April 2023 to 30 June 2023, resulting in a total amount transferred of **£9,246,908**. This is broken down into the following categories:

Type of transfer	Number of transfer payments	Value of Transfer Payments (£)
Non Local Government Pension Scheme (LGPS)	44	£6,138,361
Interfund (LGPS Fund)	138	£3,037,949
Additional Voluntary Contributions	2	£70,598

5.2 Non LGPS Transfers

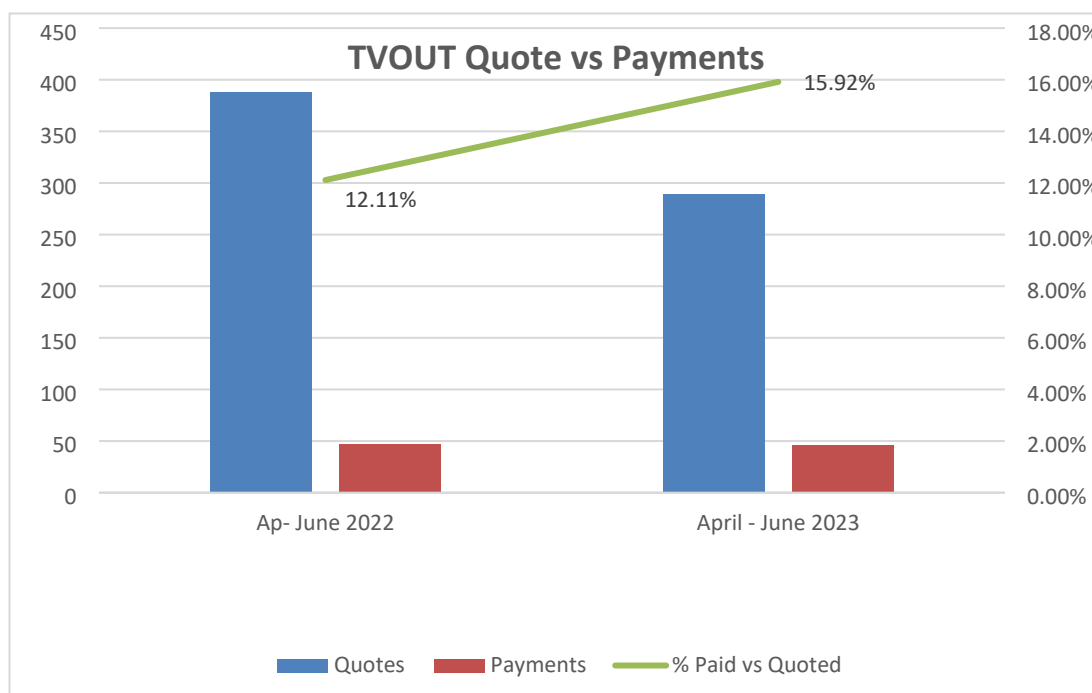
5.2.1 During the period 1 April 2023 to 30 June 2023, 289 transfer value quotations were issued to members considering transferring their benefits out of the scheme (in the prior year 1 April 2022 to 30 June 2022, 388 transfer value quotations were issued to members). The Fund continues to monitor any trends and increases in demands, as part of its programme of work to protect members from potential pension scams.

5.2.2 In total, 46 transfer payments were made during the period 1 April 2023 to 30 June 2023 (30 of these were to non public sector schemes) resulting in a total amount transferred of £ 2,274,706 (in the prior year 1 April 2022 to 30 June 2022 a total of 48 transfer payments were made totalling £ 2.3 million). The payments by value and value break down are as follows:

Value of Transfer Payments	Number of Transfer Payments to Public Sector Schemes	Number of Transfer Payments to Other Schemes
0 to £30,000	10	21
£30,001 to £100,000	4	2
£100,001 to £200,000	1	4
£200,001 to £300,000	0	2
£300,001 to £400,000	0	0
£400,001 to £500,000	1	0
Above £500,001	0	1
Total	16	30

5.2.3 This reporting period the Fund has seen a decrease 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 stable, seeing an increase in

the conversion rate to 15%. This peak in conversion rate for this reporting period is higher compared to the same period the previous year (12.11%). This is shown in the graph below:



5.2.4 Analysis has been undertaken of the Transfer out requests to non-public sector or occupational schemes over the period of April to June 2023 to review the volume and trends. During the period, a total of 26 non-public sector or occupational scheme transfer out reviews were undertaken by the transfer panel, to a total of 12 different receiving schemes. There were 16 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 52 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).

6.0 Internal Dispute Resolution Procedure (IDRP) Casework

6.1 For the reporting period, four cases have been referred to Stage One (two partially upheld and two are under investigation). Four employer cases have progressed to Stage Two (one was not upheld and three are under investigation).

7.0 Pensions in Payment

7.1 The gross annual value of pensions in payment to June 2023 was £641m, £15.8m of which (£8.9m for pensions increase and £6.9m for added year's compensation) was recovered from employing authorities and other bodies as the expenditure was incurred.

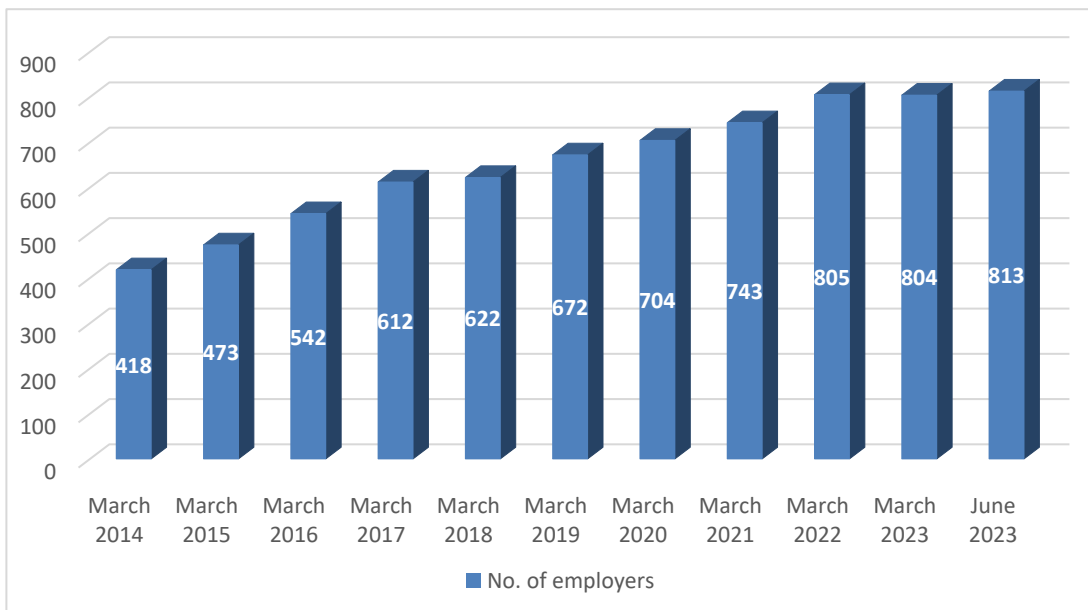
7.2 Monthly payroll details were:

Month	Number	Value (£)
April 2023	93,863	44,838,489
May 2023	94,000	46,036,222
June 2023	105,825	47,284,136

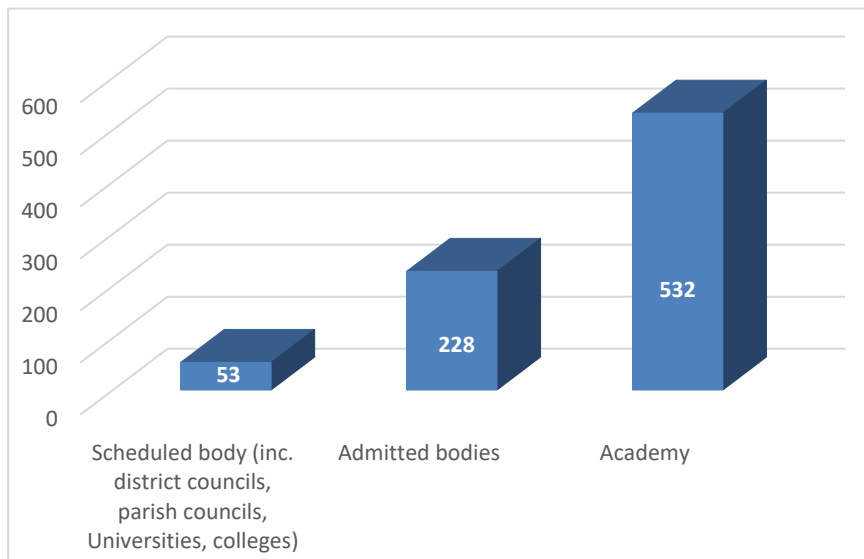
The June figure includes pensioners paid on a quarterly basis.

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 standing at 813 at 30 June 2023. Overall, there has been an 94% increase since March 2014 as shown in the graph below, however, for 2022/23 the rate of increase has slowed relative to previous years, and it is anticipated that a more moderate increase will continue to be observed going forward.



8.2 The employer base at 30 June 2023 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
- 14 academies
- 95 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 14 approvals requested from Committee in regard to applications for admission to the West Midlands Pension Fund, these are detailed in Appendix D.

10.0 Financial Implications

10.1 The report contains financial information which should be noted.

10.2 Employees of organisations who become members of the LGPS will contribute the percentage of their pensionable pay as specified in the Regulations.

11.0 Legal Implications

11.1 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.

12.0 Equalities Implications

12.1 There are no direct equalities implications.

13.0 All Other Implications

13.1 There are no other potential implications.

14.0 Schedule of Background Papers

14.1 None.

15.0 Schedule of Appendices

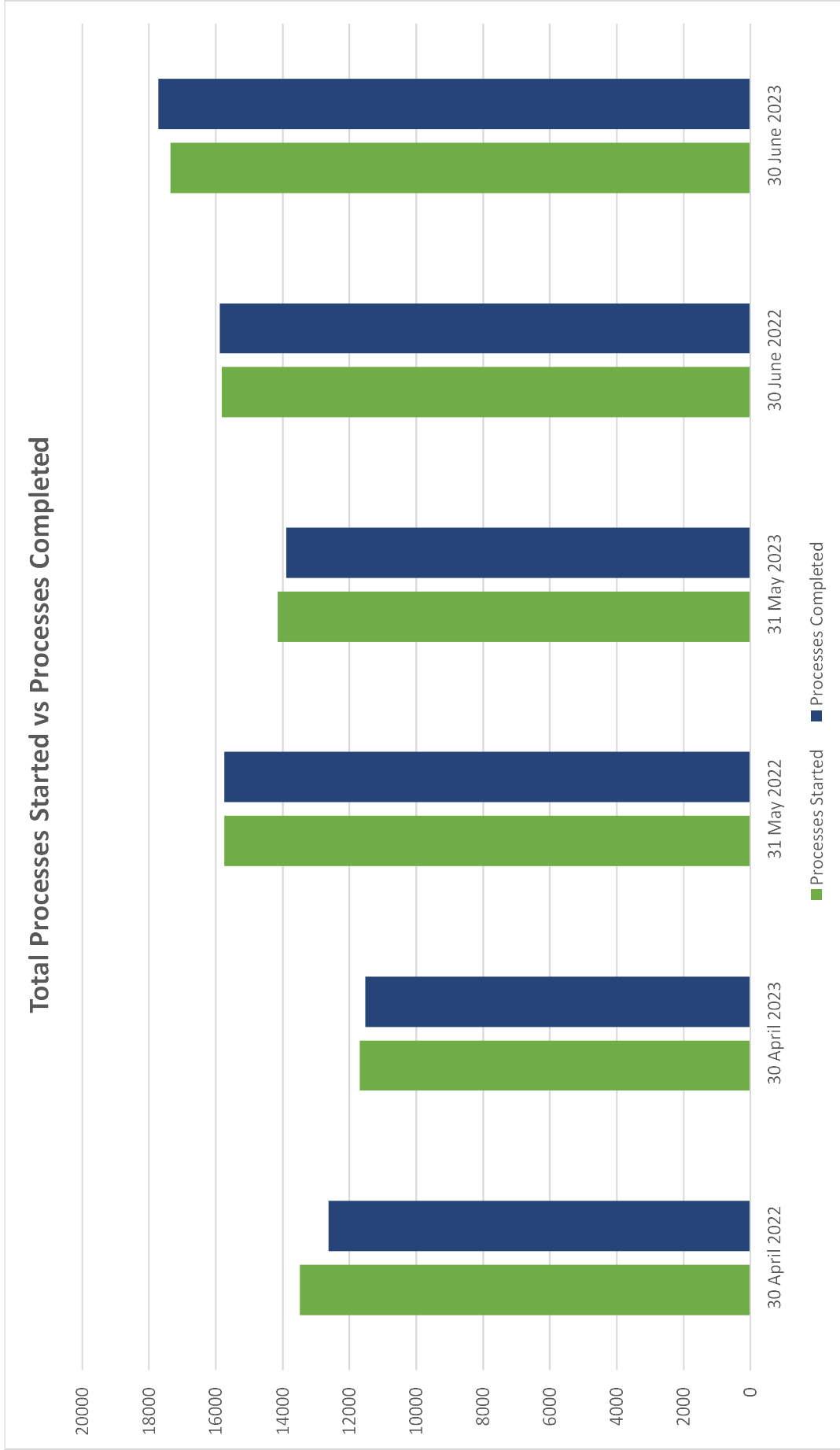
15.1 Appendix A: Workflow Summary

15.2 Appendix B: Detailed Process Analysis

15.3 Appendix C: Key Performance Indicators (KPIs)

18.5 Appendix D: Admitted Body Applications

Appendix A



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Pension Committee Statistical Report
Detailed Process Analysis

Appendix B

2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
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Active & Deferred members

Process type	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Joiners and Rejoiners (Bulk)	8,763	6,403	11,138	13,558	9,816	16,688
Changes in circumstances eg change in hours	18,759	15,303	12,385	11,273	6,391	8,752
Deferments	5,939	7,818	5,741	6,728	5,664	8,340
Active Retirements (Employer retirements)	3,317	3,950	2,475	2,279	2,351	2,775
Deferred Retirements	3,332	2,970	2,971	2,726	2,301	3,421
Deaths of members	295	262	287	285	230	379
Refund						
Opt Outs						
Amalgamations						

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Penstoner members

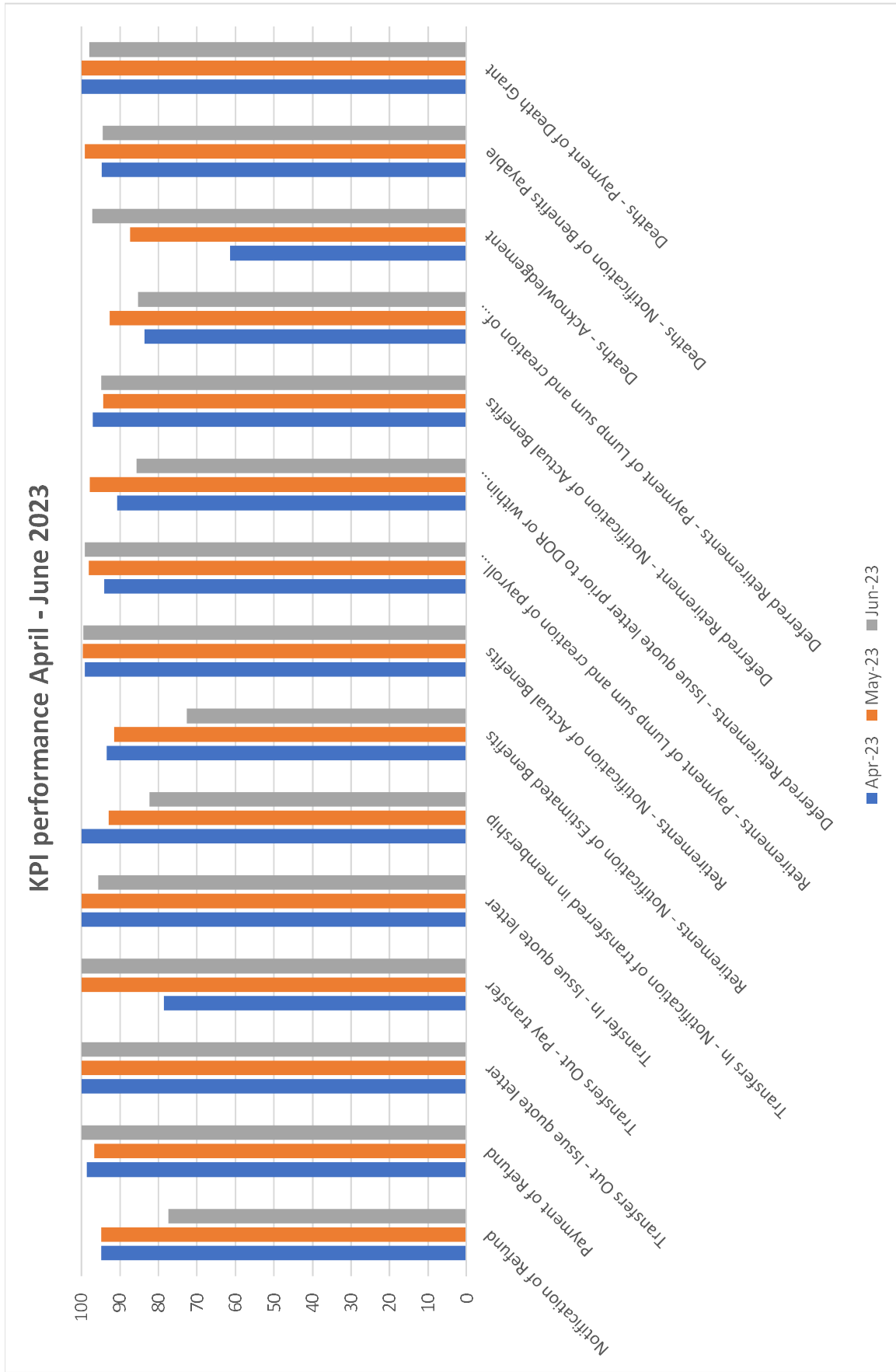
Process type	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Changes in circumstances:-						
Data eg Passwords, NI Numbers	1,310	1,804	1,865	2,017	2,604	4,548
Changes of Address	2,420	2,681	2,131	1,732	1,733	2,237
Changes of Bank	2,927	2,531	2,783	3,420	3,281	1,573
Deaths of pensioners	2,085	2,145	2,101	2,546	2,454	1,702

Payroll

Actual number paid	792,724	837,189	870,804	895,018	913,864	888,954
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Appendix C



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Appendix D Application for admission body status

Employer name	Guarantee Status (Agreement)	No. of employees (Scheme members) Agreement type	Status (Approved/pending approval)
Compass Contract Services (UK) Limited (Smethwick)	Sandwell MBC	10 (10) Closed	Pending approval
Taylor Shaw Ltd (The Futures Trust)	The Futures Trust	3 (3) Closed	Pending approval
Compass Contract Services (U.K.) (Castlewood School)	Manor Hall MAT	2 (2) Closed	Pending approval
Tenon FM Limited (Finham Park MAT)	Finham Park MAT	9 (9) Open	Pending approval
Priory Park Community School CIC	Dudley MBC	3 (3) Closed	Pending approval
Pendergate Ltd (Stoke Park School)	The Futures Trust	11 (13) Closed	Pending approval
Sodexo Ltd (Oasis Academy Hobmoor, Foundry & Blakenhale)	Oasis Community Learning Trust)	5 (5) Closed	Pending approval
Cleantec Services Ltd (Queensbridge School)	Birmingham CC	1 (1) Closed	Pending approval
Sodexo Ltd (Oasis Academy Hobmoor, Foundry & Blakenhale)	Oasis Community Learning Trust)	5 (5) Closed	Pending approval
Cleantec Services Ltd (Queensbridge School)	Birmingham CC	1 (1) Closed	Pending approval
Caterlink Ltd (Langley Primary School)	Solihull MBC	4 (4) Closed	Pending approval
Miquill Catering Ltd (St John Bosco MAT)	St John Bosco MAT	13 (13) Closed	Pending Approval

Solo Service Group Ltd (Walsall School)	The Mercian Trust	1 (1) Closed	Pending approval
Dolce Ltd (Park Hall Infant Academy)	The Loriners MAT	1 (1) Closed	Pending approval
Alliance in Partnership (Bartley Green)	Bartley Green SAT	5 (5) Closed	Pending approval
Innovate Services Ltd (The Phoenix Collegiate, Sandwell)	Sandwell MBC	2 (2) Closed	Pending approval

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