[NOT PROTECTIVELY MARKED]

CITY OF WOLVERHAMPTON COUNCIL	**Pensions Committee** 13 December 2023

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

Venue Committee Room 3 - 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:

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Agenda

Part 1 – items open to the press and public

Item No. *Title*

1 **Apologies for absence (if any)**

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

3 **Minutes of the previous meeting** (Pages 5 - 14)
[For approval]

4 **Matters arising**
[To consider any matters arising from the minutes of the previous meetings]

5 **Quarterly Investment Report** (Pages 15 - 36)
[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).]

6 **Responsible Investment Activities** (Pages 37 - 92)
[To receive an update on the work undertaken in relation to responsible investment activities.]

7 **Budget Monitoring and Quarterly Accounts to 30 September 2023** (Pages 93 - 100)
[To receive an update on the forecast out-turn against the operating budget and present the quarterly accounts to 30 September 2023.]

8 **Risk and Assurance** (Pages 101 - 108)
[To receive an update on the work of the Fund to deliver a well governed scheme.]

9 **Customer Engagement Update** (Pages 109 - 124)
[To receive an update of the Fund's customer engagement activity.]

10 **Pensions Administration Report to 30 September 2023** (Pages 125 - 134)
[To receive a brief update on the routine operational work undertaken by the pensions administration service areas during the period 1 July 2023 to 30 September.]

11 **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

12	**Pensions Administration System Transition Update** (Pages 135 - 144) [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)
13	**Funding / Employer Covenant** (Pages 145 - 156) [To provide Committee with a relevant update in relation to covenant monitoring.]	Information relating to the financial or business affairs of any particular person (including the authority holding that information) Para (3)
14	**Investment Strategy and Activity Update** (Pages 157 - 162) [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)
15	**Pension Fund Resourcing** (Pages 163 - 170) [To provide an update on staffing developments and requirements to support the Fund service delivery.]	Information relating to the financial or business affairs of any particular person (including the authority holding that information) Para (3)

CITY OF WOLVERHAMPTON COUNCIL

Pensions Committee

Minutes - 27 September 2023

Agenda Item No: 3

Attendance

Members of the Pensions Committee

Cllr Milkinderpal Jaspal (Chair)
Cllr Tersaim Singh (Vice-Chair)
Cllr Paul Appleby
Cllr Jane Francis
Cllr Carol Hyatt
Cllr Asha Mattu
Cllr Zee Russell
Cllr Harbinder Singh
Cllr Bally Singh (Coventry City Council)
Cllr Leslie Kaye (Solihull MBC)
Cllr Luke Davies (Sandwell MBC)

Employees

Rachel Brothwood	Executive Director of Pensions
Rachel Howe	Head of Governance Risk and Assurance
Claire Nye	Director of Finance – City of Wolverhampton Council
Paul Nevin	Assistant Director – Investment Strategy
Shiventa Sivanesan	Assistant Director – Investment Management and Stewardship
Simon Taylor	Assistant Director – Pensions
Hayley Reid	Regulatory Governance Manager
Holly Slater	Governance Officer
Laura Parker-Marsden	Governance Support Officer
Fabrica Hastings	Democratic Services Officer
Shelley Humphries	Democratic Services Officer

In attendance

Grant Patterson	Grant Thornton
Keith Chaisewa	Grant Thornton

Part 1 – items open to the press and public

Item No. *Title*

1 **Apologies for absence (if any)**
Apologies were received from Martin Clift, Ian Smith and Malcom Cantello.

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**

There were no matters arising.

5 **Regulatory Update**

Rachel Howe, Head of Governance, Risk and Assurance, presented the report on the regulatory environment, potential forthcoming changes across the Local Government Pension Scheme (LGPS) and the wider pensions industry.

The Head of Governance, Risk and Assurance highlighted the themes presented in the Investment Pooling Consultation, which is due to close on 2 October 2023, and that the Fund continues to develop its response.

In response to a question raised by Cllr Bally Singh, the Executive Director of Pensions advised there has been increased focus on the role that UK pension funds could play in supporting the UK economy and growth agenda. The Fund will respond to this, specifically within its response to the LGPS Investment Consultation. The Executive Director highlighted that the Fund's primary and fiduciary duty remains to invest the money to generate returns to pay members' pensions over the long-term.

In response to questions raised by Cllr Carol Hyatt, the Executive Director of Pensions advised that there are opportunities and examples of the Fund being at the forefront of investment in these areas, with opportunity to further leverage the expertise which has started to build within LGPS Central Pool.

The Executive Director of Pensions advised the Committee that the Fund's response to the LGPS Consultation would require the consideration of risk, ensuring any action was in keeping with the Fund's wider investment strategy and objectives.

In response to a question raised by Cllr Carol Hyatt, the Executive Director of Pensions confirmed that a small proportion of members would be impacted by the lifetime allowance changes. It was noted that pension fund members could be more widely impacted by delays in review and the implementation of other regulatory changes.

A brief discussion was held around the Economic Activity of Public Bodies Bill and it was confirmed that further updates on this will follow as the Bill progresses through parliament.

Resolved:

1. That the developments within the current regulatory environment in which the Fund operates be noted.

6 **Corporate Plan Monitoring**

Rachel Howe, Head of Governance, Risk and Assurance, presented the report on the work of the Fund in achieving its deliverables and targets set out in the Corporate Plan.

In response to a question raised by Cllr Paul Appleby, the Head of Governance, Risk and Assurance advised that the Fund had undertaken a roll-out programme to register members to the new portal and 20,000 members across all memberships were registered within a 6-week period.

In response to a question raised by Cllr Luke Davies, the Head of Governance, Risk and Assurance advised that members have the option to opt out of the portal to receive paper communications, ensuring wide accessibility. The Fund operates a call centre, email, online portal and delivers road show events across the region to support all members in accessing information and guidance on pensions saving.

Resolved:

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

7 **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.

In response to a query raised by Cllr Paul Appleby, the Head of Governance, Risk and Assurance advised that recruitment and retention was an industry-wide issue. The Fund promotes being an employer of choice to appeal to potential candidates.

In response to a question raised by Cllr Harbinder Singh, the Head of Governance, Risk and Assurance advised that the Fund provides data protection training that is delivered across the employee base on an annual basis including e-learning modules, induction training for all new employees and further bespoke training as required.

In response to a question raised by Cllr Bally Singh, the Executive Director of Pensions outlined how the Governance arrangements of the LGPS Funds are evolving, with future regulation and guidance expected in relation to lead officer responsibility to provide assurance on the resourcing and capability of those responsible for the management the Fund.

In response to a question raised by Cllr Leslie Kaye, the Head of Governance, Risk and Assurance outlined that the Fund has a dedicated People Services team with a focus on organisational development across the Fund, which includes a holistic training package, i.e., soft skills development to support the growth of knowledge across teams.

In response to a query raised by Cllr Leslie Kaye on the timing of the data reported to the Committee, the Executive Director of Pensions confirmed that it would not be possible to report more recent data in all areas due to the process of collating the information, but that the inclusion of more up to date commentary would be considered for the future meetings.

In relation to a question raised by the Chair, the Head of Governance, Risk and Assurance outlined the ongoing support that employees are offered in terms of professional development, which includes regular support from line managers and group training where appropriate.

Resolved:

1. That the latest Strategic Risk Register and areas being closely monitored in the current environment be noted.
2. That the Fund's Key Performance Indicators (KPI) and action taken to support service delivery be noted.
3. That the compliance monitoring activity undertaken during the quarter be noted.
4. That the statutory delivery of members' 2023 Annual Benefit Statements be noted.

8 **Annual Report and Accounts 2022-23**

Rachel Brothwood, Executive Director of Pensions and Grant Patterson, Engagement Lead for Grant Thornton, presented the report 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.

The Committee were advised that Grant Thornton issued their opinion on the 22 September 2023, following the conclusion of the audit of the administering authority's accounts.

Grant Patterson highlighted the change in the approach to the way audit materiality is determined, to include a specific materiality (7.5% of the Fund account) for the Fund accounts in line with the movement of the sector.

The Committee were advised that no material matters or adjustments had been identified at this stage. Identified risks have also remained unchanged from the previous year.

The Executive Director of Pensions confirmed that she and the Chair of the Committee had signed the letter of representation, in respect of the year end accounts, as part of the process of completing the wider Council accounts for the 2022 year-end.

The statement of accounts for the 2023 year-end is expected to be finalised with the audit findings report issued within the next 4 weeks. The annual report and accounts will be published in line with the statutory deadline for the LGPS on the 1 December 2023.

In response to a question raised by Cllr Leslie Kaye regarding setting lower materiality benchmarks in order to carry out sample testing in finer detail, Grant Patterson advised that the materiality threshold has been reduced for this accounting period and is set at the lower end of the sector.

In response to a question raised by Cllr Bally Singh, it was confirmed that, for the Fund's directly held property, there are independent valuations undertaken, to provide assurance on the listed valuation amount. These valuations are then audited accordingly.

Claire Nye, Director of Finance for CWC, confirmed that the City of Wolverhampton Council's accounts audit is aiming for completion by the end of the calendar year enabling an audit opinion to be issued on both the administering authority and the pension fund's accounts.

Resolved:

1. That the 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 be noted.
2. That the External Audit plan issued by Grant Thornton and previously circulated to the Committee be noted.
3. That an update on the Fund's External Audit from Grant Thornton be noted.

9 **Budget Monitoring and Quarterly Accounts to 30 June 2023**

Rachel Brothwood, Executive Director of Pensions, presented the report 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 Fund at the end of the same quarter (June 2023).

The Committee were advised that the net assets were broadly static over the period and the Fund were forecasting a slight underspend in terms of operational costs. The Fund's net return over the quarter was positive but not significant enough to offset the negative cashflow, as expected for the quarter. Operational forecast spend has reduced slightly, however will continue to be monitored.

Resolved:

1. That 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 invested assets) be noted.
2. That 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 be noted.

10 **Quarterly Investment Report**

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

The Committee were advised that global equity markets have delivered positive returns over the quarter. The central banks continued to raise interest rates in response to high inflation.

The Fund's overall asset growth had been flat, growing by 0.1% over the quarter however, in the longer-term, the Fund grew 5.7% over the last 3 years and 7.6% over the longer period of 10 years. The Fund underperformed against its benchmarks during the quarter by 1.2%. However, this volatility is expected when assessing quarter by quarter performance. It was flat against the benchmark over the year and has outperformed over a 3-year period.

The admitted body separate funds both fell in value over the quarter, by 3% and 4.5%, due to close matching of liabilities within the asset portfolio. This, however, was expected due to the maturity of the funds.

In response to a question raised by Cllr Bally Singh regarding the Fund's asset allocation, the Assistant Director - Investment Strategy advised that the Fund had been working over the last quarter on the implementation of the new Investment Strategy Statement which commenced on the 1 July 2023.

Resolved:
1. That the global market and investment update paper prepared by the Fund's Investment Consultant, Redington, shown as Appendix A be noted.
2. That the asset Allocation and Performance Reporting for the Main Fund and Admitted Body Separate Funds be noted

11 **Responsible Investment Activities**

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

The Committee were asked to note the Fund's voting and engagement statistics and the activity undertaken.

The Committee were advised that over 7,300 members completed the responsible investment member survey, representing a 4% response rate. The Assistant Director – Investment Management and Stewardship expressed thanks to all members who submitted their survey responses and noted that the results of the survey will be used to shape how the Fund responds and reports back to its members and stakeholders around its responsible investment objectives and outcomes in the future.

The Fund retained its signatory status to the UK Stewardship Code in September 2023 and continues to meet the standards required.

In response to a question raised by Cllr Carol Hyatt, the Assistant Director – Investment Management and Stewardship, confirmed that the Fund has a policy of engaging with companies to drive positive change and encouraging companies to engage with responsible investment. Further, the Fund is working with LGPS Central Ltd and LAPFF to promote enhanced transparency of the reporting of those engagements.

Resolved:
1. That the Fund's engagement and voting activity for the three months ending 30th June 2023 [Appendices A and B] be noted.

2. That 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 be noted.

3. That 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 be noted.

4. That the voting and engagement activity of LGPS Central, as set out in the Quarterly Stewardship Report, is available on the LGPS Central website for the quarter be noted.

12 **Customer Engagement Update**

Simon Taylor, Assistant Director – Pensions, presented the report on the Fund's customer engagement activity from 1st April 2023 to 30th June 2023 and covered future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy.

The Committee were asked to note the member engagement and communication of the Fund, including the satellite support events, the rollout of the new pensions portal and roadshow events across the region.

Contact volumes via the Fund's member helpline were higher than usual, due to the range of communications issued during the period. Complaint numbers were higher than the previous quarter but remained relatively low against the overall scheme membership.

The Committee were asked to note that the next pensioner engagement forum would be held on the 25 October 2023.

Resolved:

1. That the engagement activity and informed service development.

13 **Pensions Administration Report to 30 June 2023**

Simon Taylor, Assistant Director – Pensions, presented the report on the routine operational work undertaken by the Pensions Administration Service areas during the period 1 April 2023 – 30 June 2023.

The Fund saw a slight increase in outstanding casework due to work being undertaken with employers prior to a required close down of the system to enable the administration system transition. Additionally, more resources across teams were supporting on the testing and implementation of the new system. The Fund expects to see the impact continue as the new system processes are embedded throughout the year.

The Committee were asked to note three KPI's which did not achieve 90% target for the period, despite this the teams did complete more casework in the same period than the previous year. On average, casework across the three KPI's was completed within the timescales.

The Committee were asked to approve the 14 applications for admission of employers into the Fund.

Resolved:

1. That the 14 applications for admission from employers into the Fund as detailed in Section 9 and Appendix E of this report be approved.
2. That the performance and workloads of the key pension administration functions be noted.
3. That the development of the Fund's membership and participating employers be noted.

14 **Exclusion of press and public**

Resolved:

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

15 **Pensions Administration System Transition Update**

Rachel Brothwood, Executive Director of Pensions, presented a report on the progress of project managing the transition of the pension administration system to the new provider, Equiniti and roll out of the new system, Compendia, following provider appointment in November 2021, an 18-month development phase and transition to the "live" environment as planned over Summer 2023.

Resolved:

1. That the progress made in transition of the Fund's core services following phased roll-out of the new pension administration system be noted.

16 **Employer Covenant Monitoring**

Simon Taylor, Assistant Director – Pensions, presented a report on the findings of the in-house covenant monitoring framework and the individual cases arising from the ongoing monitoring process.

Resolved:

1. That the revised employer watch list, updated to take into account 2022/23 financial information be approved.

2. That the employer/sectoral developments which may have implications for employer covenant be approved.

3. That the review of the employer exit strategy in the context of the Fund's integrated risk management be approved.

17 **Investment Strategy and Activity**

Paul Nevin, Assistant Director, Investment Strategy, presented a 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.

18 **LGPS Central Pool - Annual Report to DLUHC and Shareholder Matters**

Rachel Brothwood, Executive Director of Pensions, presented a report on the matters considered by Shareholders at the LGPS Central Limited Annual General Meeting on 26 September, together with highlights from the Company's 2023/24 Annual Report and 2023 pool progress report to the Department for Levelling Up, Housing and Communities (DLUHC).

Resolved:

1. That the Director's update on Shareholder business relating to the Local Government Pension Scheme (LGPS) Central Limited be noted.

2. That the Annual Report of LGPS Central Limited for 2022/23 be noted.

3. That the progress of the LGPS Central pool reflected in the pool's annual report to DLUHC noted.

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This report is PUBLIC

Agenda Item No: 5

CITY OF WOLVERHAMPTON COUNCIL	**Pensions Committee** 13 December 2023

Report title	Quarterly Investment Report to 30 September 2023	
Originating service	Pension Services	
Accountable employee	Paul Nevin Email	Assistant Director, Investment Strategy paul.nevin@wolverhampton.gov.uk
	Shiventa Sivanesan Email	Assistant Director – Investment Management and Stewardship shiventa.sivanesan@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Email	Executive Director of Pensions rachel.brothwood@wolverhampton.gov.uk

Recommendations for action:

The Pensions 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 September 2023, the West Midlands Pension Fund's market value was £19.5 billion (incl. WMTL and PBL ABSF's). In local currency terms, global stock markets declined, as did bonds, including UK government bonds and corporate bonds, due to yields rising.

3.2 The Main Fund (WMPF) returned 0.2% over the quarter underperforming its benchmark by 0.5%. Over the 1-year period the Fund returned 4.6% underperforming the benchmark by 1.3%. Performance relative to the benchmark was 0.5% p.a. and -0.8% 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 September 2023, one year and three years performance was also negative, weighed down by the Liability Driven Investment (LDI) portfolio. 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, multi-asset credit and corporate bonds were positive 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 September 2023, which further sets out the outlook for the Fund's key asset classes over the coming months, can be found in Appendix A.

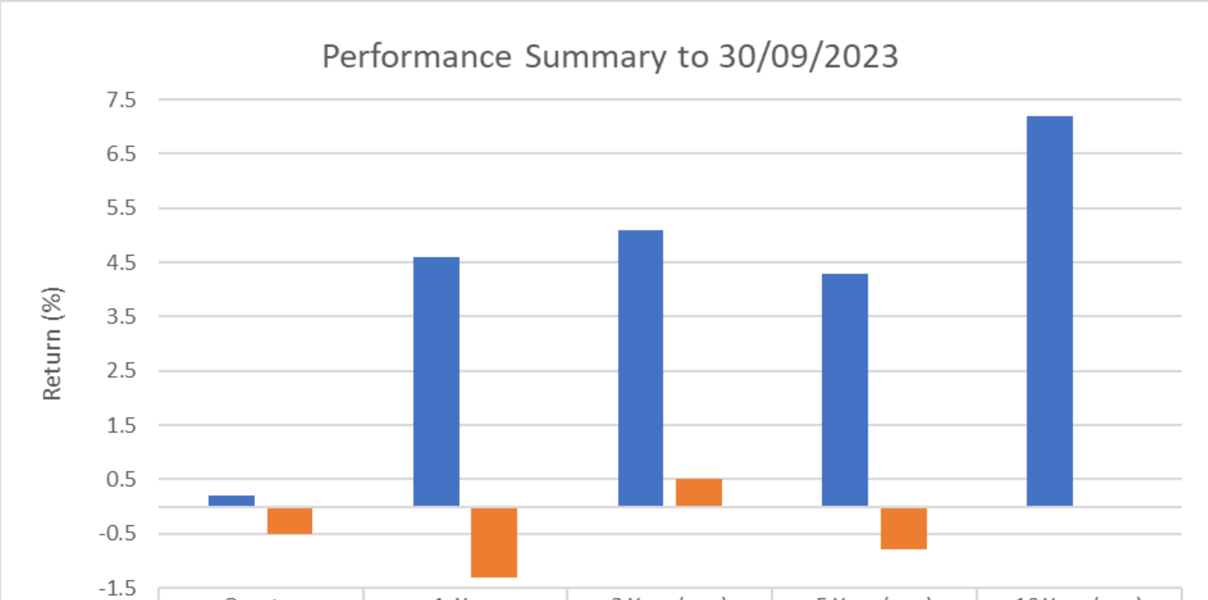
4.2 Returns for the major asset classes for the period are shown below:

Total Return (£)	**Quarter**	**12 months**
Global Equity (MSCI World)	0.6%	11.5%
US Equity (S&P 500)	0.8%	11.2%
Emerging Markets (MSCI Emerging Markets)	1.1%	2.2%
Europe ex UK Equity (FTSE)	-1.6%	20.5%
UK Equity (FTSE All Share)	1.9%	13.8%
Gilts (GBI UK All Mats)	-0.7%	-2.6%
Corporate Bonds (BofA ML Non-Gilts)	2.2%	7.4%
High Yield (BofA ML Global High Yield)	4.2%	3.1%

5.0 West Midlands Pension Fund

Main Fund Performance Summary

5.1 The Main Fund delivered an absolute return of 0.2% over the quarter underperforming the benchmark return by 0.5%. The Fund's relative returns versus its benchmark over various time periods are shown below.



	Quarter	1 Year	3 Year (p.a.)	5 Year (p.a.)	10 Year (p.a.)
Fund	0.2	4.6	5.1	4.3	7.2
Relative	-0.5	-1.3	0.5	-0.8	0.0

5.2 Fund underperformance over the quarter to 30 September 2023 was predominantly driven by the Developed and Emerging Market Equity portfolios as well as negative contributions from Private Equity and Infrastructure.

5.3 The Fund's Property portfolio underperformed its benchmark over the quarter. Emerging Market Debt, despite returning a negative return over the quarter, outperformed its benchmark.

5.4 The asset allocation of the Main Fund as at the quarter end is set out below. Interim benchmark weights have been introduced to reflect partial transition to the new strategic targets outlined in the Fund's new ISS effective 31st 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 being phased from July 2023 to March 2025. Initial steps were taken during the quarter to reduce the allocation to growth assets. Interim benchmark weights have been adjusted to reflect the implementation plan and will continue to be reviewed throughout the implementation period.

5.6 The Fund remained overweight at quarter end to growth assets versus policy targets. Reducing this overweight position is incorporated into the implementation plan for the new SIAB.

	Weight @ 30/09/2023	Final ISS target	Interim Benchmark
TOTAL GROWTH	**58.0%**	**37.5%**	**53.5%**
Total Liquid Growth	**49.4%**	**31.5%**	**46.5%**
Developed Market Equity	43.0%	26.5%	40.0%
Emerging Market Equity	6.4%	5.0%	6.5%
Total Illiquid Growth	**8.6%**	**6.0%**	**7.0%**
Private Equity	7.8%	5.0%	6.0%
Special Opportunities	0.9%	1.0%	1.0%
TOTAL INCOME	**37.4%**	**44.5%**	**37.5%**
Total Liquid Income	**21.4%**	**19.5%**	**17.0%**
Corporate Bonds	3.6%	8.5%	5.0%
Multi-Asset Credit/Specialist	3.2%	3.5%	3.5%
Other Fixed Interest	0.3%	0.0%	0.0%
Emerging Market Debt	3.8%	2.5%	3.5%
Liquid Stable Income	10.5%	5.0%	5.0%
Total Illiquid Income	**16.0%**	**25.0%**	**20.5%**
Private Debt	3.5%	7.0%	4.5%
Infrastructure	5.4%	9.0%	7.0%
Property	7.1%	9.0%	9.0%
TOTAL STABILISING	**4.6%**	**18.0%**	**9.0%**
Government Bonds	1.2%	4.0%	2.0%
Index-Linked Bonds	3.4%	14.0%	7.0%
TOTAL	**100%**	**100%**	**100%**

Note: Totals may not sum exactly 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 distribitions from older Private Market assets but these are not certain and hence the Fund needs to ensure that sufficient liquidity is maintained. Higher levels of cash are currently being held in money-market funds in the short-term as part of the transition to the new SIAB. These assets benefit from relatively attractive rates currently available in money-market funds and help reduce exposure to market volatility while the income and stabilising allocations are developed.

6.0 West Midlands Pension Fund

Detailed Performance Commentary

Growth Assets

6.1 The total combined Listed Equity portfolio delivered negative absolute returns of -0.1% during the quarter, underperforming its benchmark by 0.9%. Though the Listed Equity portfolio has posted absolute performance over the long-term, relative performance has been mixed.

6.2 The Main Fund's passive equity assets are now almost exclusively managed by the investment pool company, LGPS Central Ltd. (LGPSC) with a large proportion of these assets held in an LGPSC Global Equity passive fund. All passive funds performed broadly in line with the respective benchmarks during the quarter. Performance for different components is shown below.

	Quarter	**12 months**
LGPSC UK (FTSE All Share)	1.9%	13.9%
LGPSC Global ex UK	0.2%	13.7%
LGPSC Climate Multi-Factor	0.2%	8.8%

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. All three of the sustainable equity managers underperformed their benchmarks over the quarter, given their growth style focus and underweight exposure to the energy sector.

6.4 Emerging Market equities performed negatively over the quarter with the Fund's portfolio underperforming its benchmark. Performance over 1-, long term 3- and 5-year periods is below the benchmark. As part of the implementation of the new strategy, next year the Fund will be undertaking a review of its Emerging Market equity portfolio.

6.5 Though the Private Equity portfolio underperformed during the quarter, it has significantly outperformed over 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	1.8%	0.9%	19.2%	14.6%
FTSE All World +1% (3m lagged)	3.6%	12.8%	11.4%	11.3%

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 portfolio performed in line with the benchmark over the quarter and 1-year periods but has outperformed the benchmark over the longer-term.

6.7 The Infrastructure portfolio underperformed its benchmark over the quarter, as it did over 1-year and 3-years. This is due to the high rates of inflation over the period which has influenced the benchmark of UK CPI +4.0% p.a. Over a 10-year period Infrastructure has outperformed the benchmark, with strong relative return.

	Quarter		**1 Year**		**3 Year**		**10 Year**	
	Return	**Relative**	**Return**	**Relative**	**Return**	**Relative**	**Return**	**Relative**
Infrastructure	0.0%	-1.5%	1.5%	-8.8%	8.1%	-2.0%	5.9%	2.2%
Property	-0.9%	-0.9%	-12.8%	-5.9%	2.6%	-2.6%	6.8%	-0.7

6.8 Within the Fund's fixed interest holdings, Emerging Market Debt outperformed its benchmark over both the quarter and longer time periods. The Corporate Bond and Multi-Asset Credit portfolio performed positively but underperformed their respective benchmarks in the short-term. Longer term performance is however mixed.

	Quarter		**1 Year**		**3 Year**	
	Return	**Relative**	**Return**	**Relative**	**Return**	**Relative**
Corporate Bonds	1.8%	-0.5%	6.0%	-1.0%	-4.2%	1.8%
Multi Asset Credit	1.1%	-1.1%	6.0%	-4.2%	0.0%	-2.1%
Emerging Market Debt	-0.4%	0.8%	7.3%	3.6%	-1.5%	2.3%

Stabilising Assets

6.9 The stabilising portfolio comprises the Fund's exposure to government bonds and index linked securities. The stabilising component of the fixed interest portfolio delivered negative absolute returns in the quarter, but positive relative to its benchmark.

6.10 The stabilising portfolio has outperformed its benchmark over 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 @30/09/2023		Target	Current
Growth			**16%**	**17%**
Equity	£	37,844,752	16%	17%
Illiquid Income			**29%**	**12%**
Private Debt	£	26,682,154	29%	12%
Liquid Income			**35%**	**48%**
Multi-Asset Credit	£	52,381,589	19%	23%
Corporate Bonds	£	37,038,492	16%	16%
Cash & Equivalents	£	18,152,453	-	8%
Stabilising			**20%**	**24%**
LDI	£	52,984,994	20%	23%
TOTAL	**£**	**225,084,435**	**100%**	**100%**

Note: Totals may not sum exactly due to rounding.

Following approval of the new target asset allocation in March 2023 the transition to the new strategy has been completed. The underweight to Private Debt and overweight to Liquid Income and LDI is as a result of commitments that have been made to Private Debt but not yet drawn down. Allocations will move towards the target over time.

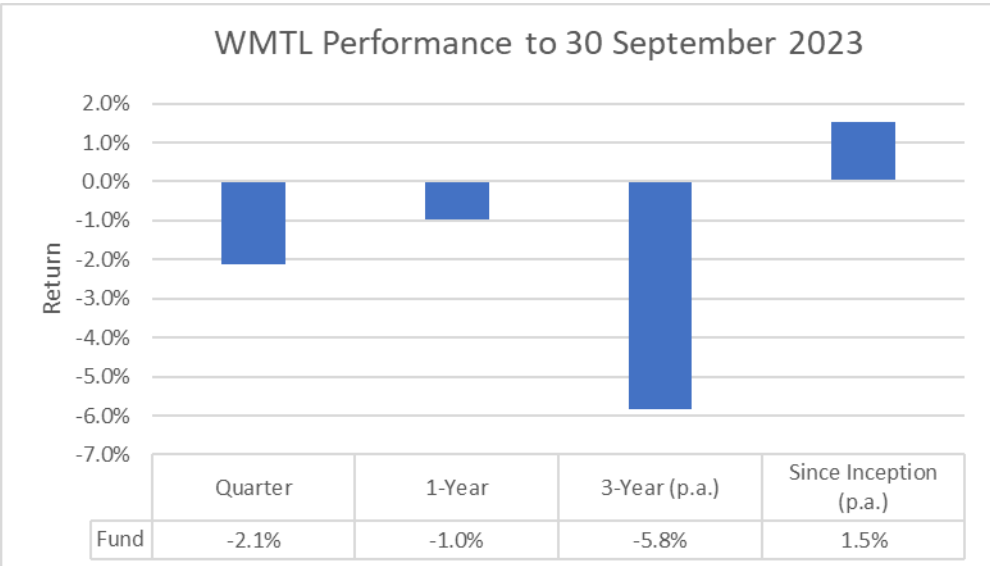
PB asset allocation:

Asset Class	Value @30/09/2023		Target	Current
Growth			**0%**	
Equity	£	1,808,801	0%	13%
Liquid Income			**40%**	
Corporate Bonds	£	2,545,519	40%	18%
Multi-Asset Credit	£	4,244,231	0%	31%
Cash & Equivalents	£	960,104	0%	7%
Stabilising			**60%**	
Gilts & LDI	£	4,228,568	60%	31%
TOTAL	**£**	**13,787,222**	**100%**	**100%**

Note: Totals may not sum exactly due to rounding

WMTL Performance

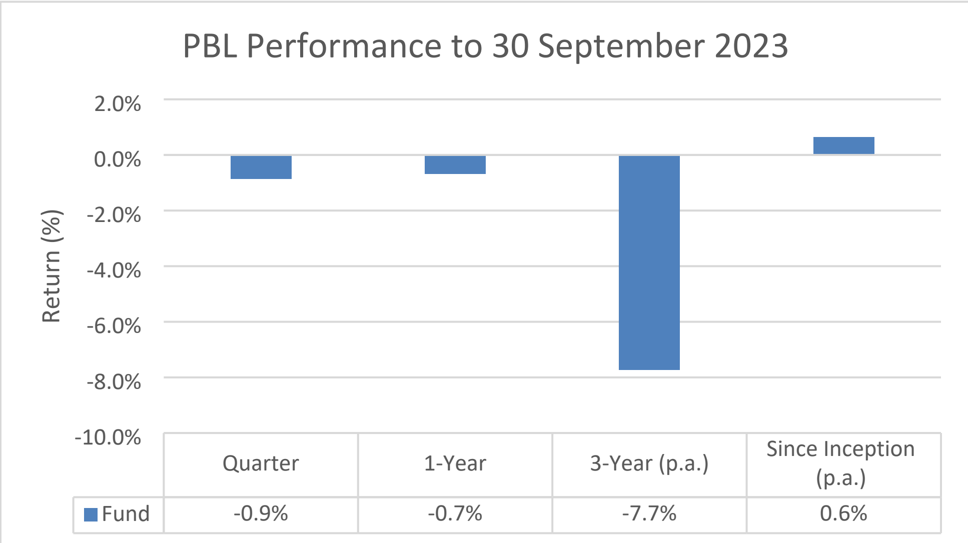
7.2 WMTL had negative returns over the quarter, 1-year and 3-year periods, weighed down by falls in the LDI portfolio. Over the 1-year period, equities and fixed income assets performed positively. The LDI portfolio performed in line with its target over the quarter and over the 12 months period.



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

PB Performance Summary

7.4 The Fund produced negative returns over the quarter, 1-year and 3-year periods to 30 September 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, multi-asset credit and equities performed positively over the quarter.

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

8.0 Investment Pooling

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

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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REDINGTON

West Midlands Pension Fund

YOUR MARKET AND INVESTMENT UPDATE

Q3 2023

Private and Confidential

Certified B Corporation

bsi. ISO/IEC 27001 Information Security Management

QAS Institute and Faculty of Actuaries Quality Assurance Scheme

WHAT HAPPENED DURING THE QUARTER

Pete Drewienkiewicz (Chief Investment Officer)

Market Summary

After a strong first half of the year, risk assets saw a more challenging Q3 as markets finally digested the "higher for longer" message from global central banks. Yield curves across developed markets moved meaningfully higher over the quarter even as the pace of rate hikes slowed, helping high yield bonds to outperform higher-quality corporate debt. The Fed and Bank of England now appear to be close to the end of their respective hiking cycles, although a prolonged period of above-target inflation or even stagflation remains a risk.

Key Points for You

- Expected returns decreased over the quarter from Gilts + 3.8% at 30th June 2023 to Gilts + 3.3% at 30th September 2023. This was primarily driven by a reduction in the allocation to Equities (in line with the direction of travel towards the Fund's new SAA) as well as a reduction in our expected return assumption for Equities.
- Asset-side risk, as measured by VaR 95%, decreased from 16.5% at 30th June 2023 to 15.4% at 30th September 2023. This was also primarily driven by the reduced allocation to Equities.

Market Data

Equity Index	Level	Change since 30-Jun-23	Change since 30-Sep-22
FTSE 100 (Total Return)	8078	2.2%	14.7%
S&P 500 (Total Return)	9247	-3.3%	21.6%
EuroStoxx 50 (Total Return)	1933	-4.8%	30.0%
Nikkei 225 (Total Return)	55787	-3.3%	25.4%
MSCI World (Total Return)	6991	-2.6%	20.4%
MSCI Emerging Markets (Total Return)	653	-1.4%	10.9%
FX			
USD vs GBP	1.22	-4.0%	9.3%
EUR vs GBP	1.15	-0.9%	1.3%
Credit Spreads			
Sterling Non-Gilt Index	116	-6 bps	-19 bps
Sterling Non-Gilt 15Y+ Index	158	-6 bps	-30 bps
Global Investment Grade	126	-6 bps	-35 bps
US Investment Grade	142	-8 bps	-41 bps
Global High Yield	385	-8 bps	-128 bps
European High Yield	339	0 bps	-117 bps

Market Data

UK Gilts	Level	Change since 30-Jun-23	Change since 30-Sep-22
10Y	4.53	10 bps	34 bps
30Y	5.04	66 bps	132 bps
UK Nominal Swaps			
10Y	4.60	7 bps	-5 bps
30Y	4.42	50 bps	71 bps
Gilt Breakeven Inflation			
10Y	3.78	-1 bps	-21 bps
30Y	3.48	8 bps	-26 bps
UK RPI Swap			
10Y	3.93	-4 bps	-50 bps
30Y	3.41	0 bps	-40 bps
UK Gilt Real Rates			
10Y	0.76	11 bps	56 bps
30Y	1.56	57 bps	158 bps
US TIPS			
20Y	2.58	75 bps	51 bps
30Y	2.23	72 bps	66 bps

VIEWS FROM THE ASSET CLASS SPECIALISTS

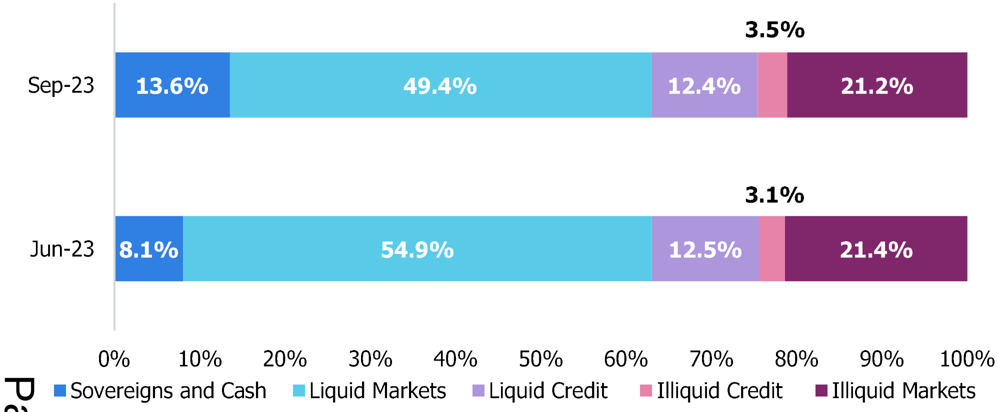
 **Kate Mijakowska** **Government Bonds**	In Q3 2023, UK 30-year nominal gilt yields rose 48bps. Breakeven inflation at the same tenor fell 5bps, bringing UK 30-year real yields 53bps higher. Despite both the US Federal Reserve ('Fed') and Bank of England ('BoE') pausing rate hikes in September, the market repriced for "higher for longer" rates expectations. This is driven by factors including: the Fed's messaging, continued resilience of labour markets, upcoming high net government debt supply, and in the US a higher than expected CPI print for August. In Q3, yield curve slopes also exhibited significant volatility. At the end of September 2023 in the UK, the 2-year yield sat 47bps higher than the 10-year yield. This is materially steeper than at the end of June, when the difference was 88bps. In late September, the BoE's Andrew Hauser made a speech which indicated the Bank's intention to launch a lending facility directly for non-bank financial institutions, which would include pension schemes, to aid financial stability in periods of market stress.
 **Oliver Wayne** **Liquid Markets (Equities)**	Developed markets ('DM') delivered modest positive returns in GBP over Q3, primarily due to the devaluation of GBP vs USD. The information technology sector – which includes the tech companies: Apple, Microsoft, Alphabet, Amazon, Tesla, Nvidia, and Meta, collectively known as the "Magnificent Seven" – experienced a challenging quarter, with most of these companies seeing declines in their stock prices. Despite the broader market challenges, energy stocks delivered strong positive returns. This was driven by significantly higher energy prices after Russia and Saudi Arabia cut oil production. Emerging markets ('EM') moderately outperformed DM, albeit with some dispersion from a single country perspective. From a style factor basis it was generally a good market for value managers and a more challenging market for growth investors. There was no material size effect in DM, but smaller sized companies continued to materially outperform in EM.
 **Alex Robinson** **Liquid Markets (Multi-Asset)**	It was a fairly disappointing Q3 for risk assets as investors digested the scenario of a higher for longer interest rate environment following generally stronger than expected US economic data. Equity and fixed income markets sold off as interest rates continued to climb. This move hurt a number of long-only multi-asset managers, particularly those that have been increasing duration in anticipation of a central bank pivot on interest rates. Commodities had a very strong quarter, driven by significantly the higher energy prices after Saudi Arabia and Russia cut oil production. For diversified risk premia strategies, the positive performance in commodities should have helped to offset some of the poorer performance in equity and fixed income. Trend-following strategies were broadly positive, and strong performance from the value factor will have benefited those with style focused market neutral equity exposure as well. In the 'event driven' space, merger arbitrage saw strong performance in Q3 as the Amgen/Horizon Therapeutics and Activision Blizzard/Microsoft lawsuits were resolved and both deals closed, providing improved sentiment to the broader M&A space.

VIEWS FROM THE ASSET CLASS SPECIALISTS

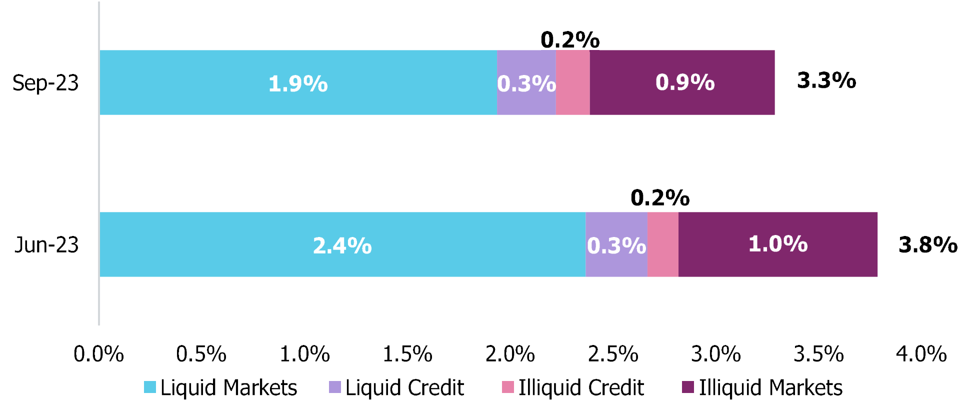
 **Chris Bikos** **Liquid & Semi-Liquid Credit**	Credit spreads across the quality spectrum tightened over Q3, but for long-duration assets this was not enough to compensate for the losses caused by the increase in interest rates. Sterling credit outperformed its US counterparts, and the top-performing space was short-dated sterling credit (1 to 10 years corporate credit) at c.3.5%. In July, the Fed and the European Central Bank ('ECB') raised rates by 0.25%, with the ECB continuing to hike in September. The Bank of England raised the base rate to 5.25% in August but kept rates unchanged in its September meeting. Moving to emerging markets ('EM'), EM Local was the worst-performing asset class, delivering -3.3% over the period. Performance in EM corporates was negative, but dispersion in the asset class was high, with high yield posting positive returns outperforming investment grade. The performance of EM sovereigns was negative at -2.2%, as spreads moved wider. Leveraged loans had another positive quarter, delivering positive returns in both the US and Europe despite the slight uptick in defaults. The asset class continues to benefit from its floating-rate nature and high income generation.
 **Sarah Miller** **Illiquid Credit**	Private credit dry powder exceeds \$0.5tn and fundraising is down 12% year on year (Preqin). This is markedly stronger than the ~30%YoY fundraising decline across private markets in aggregate, reflecting the relative opportunity and appetite for credit. The velocity of deployment and realisation has decreased. Disciplined lenders look to high-quality borrowers able to adapt to inflationary and rate pressures to minimise margin contraction. Demand for larger deals has led to spreads narrowing by 25-50 bps. Slower realisation of capital from primary funds is driving the growth in secondary market funds, with the key objective of generating liquidity. A question raised regularly is whether the asset class has been tested – private loans were originated by the likes of CIT and GE (finance companies) prior to the 2008 Financial Crisis and tested throughout. With the increased presence of institutional investors, and increased scale and breadth of offerings, the more pertinent question is whether managers have been tested. Our expectation is for dispersion in performance.
 **Tricia Ward** **Illiquid Markets**	Across private markets, fundraising has remained well below expectations (c.26% less than Q1-Q3 2022 according to Preqin) and is currently trending to be lower than it has been for 10 years. Global M&A is also down to \$2 trillion, 27% down on Q1-Q3 2022. The UK energy market has been through a period of elevated power prices over the last 18 months, which has contributed positively to infrastructure asset performance. However, this has started to come back in line with historical averages, with a number of regulatory schemes implemented to bring stability back to the market. In September, the UK Offshore Wind auction received no bids as a result of market participants believing that the maximum price set by the government for Contract for Difference contracts was too low, making projects financially unfeasible in an environment of high rates and inflation (with costs expected to have increased by 40%). UK residential property funds took stock of the scrapping of proposed updates to Minimum Energy Efficiency Standards by the UK Government, with most saying they will stick to the target of EPC C for new tenancies by 2025 and 2028 for existing tenancies.

YOUR ASSET ALLOCATION AND EXPOSURE

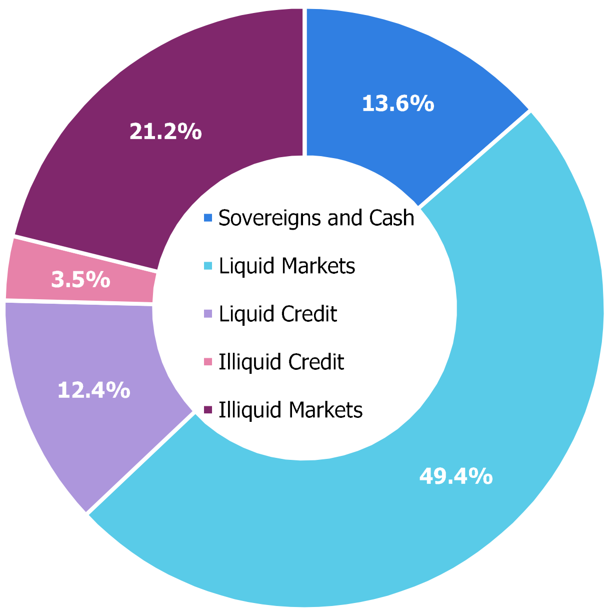
Asset Allocation Change



Expected Return Contribution Change (over gilts)



Note, asset class expected returns are in the appendix.

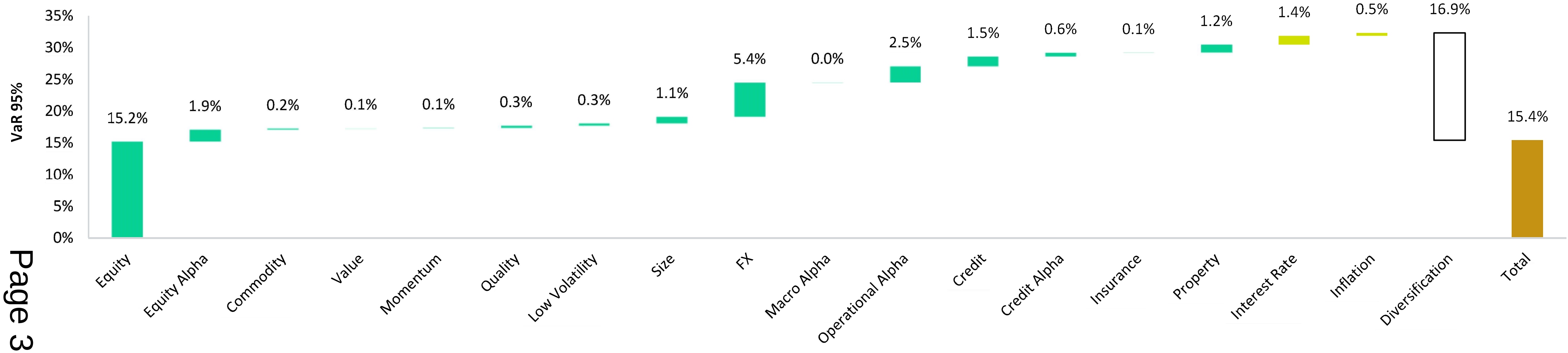


Detailed Asset Allocation

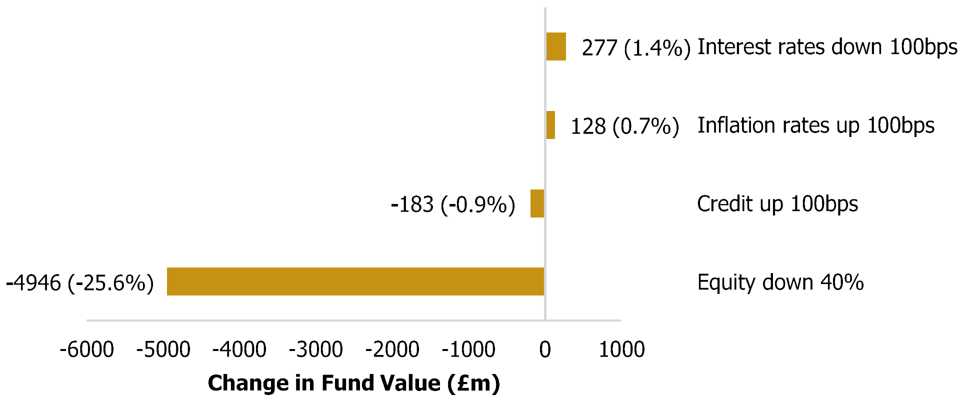
Cash	9.0%	Sustainable Equities - WHEB	0.6%
LGIM Overseas Bonds	0.5%	Emerging Markets Equities	6.4%
Index-Linked Gilts	3.4%	Aegon Short Dated Investment Grade Bond Fund	1.5%
Nominal Gilts	0.7%	UK Corporate Bonds	2.7%
ACS LGPS UK Equity Passive Fund	5.4%	LGPS Central Global Active IG Corporate Bond Fund	0.9%
ACS LGPS Global Ex UK Passive Equity	13.7%	Multi-Class Credit	3.5%
ACS LGPS All World Equity Climate Multi Factor	11.4%	Emerging Market Debt Funds	3.8%
LGPS Central Global Equity Multi Manager Fund	6.5%	Illiquid Credit	3.5%
LGIM UK Small Cap	0.3%	Infrastructure	5.4%
Equities held with Merrill Lynch	0.4%	Property	7.1%
Smaller Equity Positions	0.1%	Opportunistic Funds	0.9%
Sustainable Equities – Impax	2.5%	Private Equity	7.8%
Sustainable Equities - RBC	2.1%		

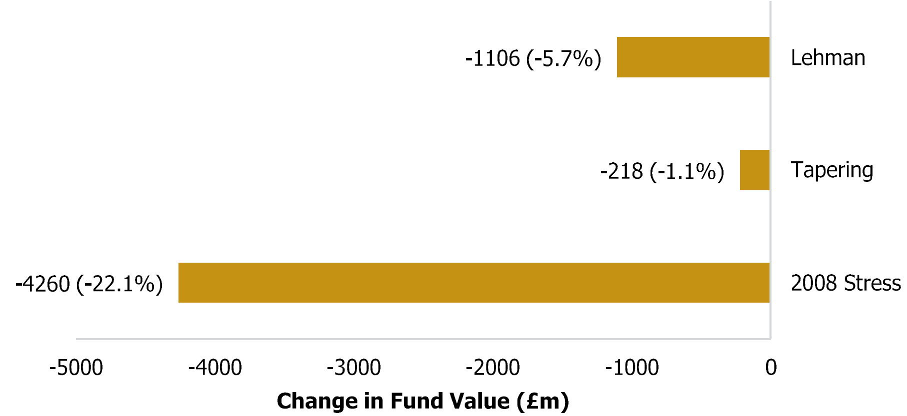
HELPING YOU UNDERSTAND YOUR RISK

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



Scenario Analysis





APPENDICES

REDINGTON'S EXPECTED RETURNS – SEPTEMBER 2023

Asset Class	Expected Return (Gilts +)	Volatility	Expected Fees (p.a.)
Equity			
Developed Market Equities	3.7%	16.8%	0.0%-0.1%
Sustainable Equities	3.9%	15.9%	0.2%-0.4%
Emerging Markets Equities	4.3%	20.1%	0.1%-0.2%
Liquid Credit			
Corporate Debt GBP – Passive	1.2%	5.3%	0.1%-0.2%
Corporate Debt GBP – Active	1.5%	5.4%	0.2%-0.3%
Emerging Market Debt – Corporates	2.1%	6.4%	0.4%-0.6%
Emerging Market Debt – Local Currency Sovereign	3.1%	12.9%	0.5%-0.8%
Emerging Market Debt – Hard Currency Sovereign	2.2%	7.7%	0.5%-0.8%
Multi-Class Credit Global	3.7%	7.1%	0.4%-0.7%
Illiquid Credit			
Diversified Matching Illiquids	2.7%	7.4%	0.3%-0.5%
Opportunistic Illiquid Credit	4.8%	10.6%	1.0%-1.5% (+ performance fee)
Securitised Opportunities	3.6%	5.5%	0.5%-0.7%
Special Situations	6.3%	13.6%	1.0%-1.5% (+ performance fee)
Illiquid Markets			
Private Equity	5.2%	30.4%	1.0%-1.5% (+ performance fee)
Commercial Property	3.5%	11.8%	0.4%-0.6%
Renewable Infrastructure (Whole Projects)	3.1%	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.

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Agenda Item No: 6

CITY OF WOLVERHAMPTON COUNCIL	**Pensions Committee** 13 December 2023

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
Report to be/has been considered by	Rachel Brothwood	Executive Director of Pensions
	Email	Rachel.Brothwood@wolverhampton.gov.uk

Recommendation for decision:

The Pensions Committee is asked to approve:

1. Publication of the Fund's 2023 Taskforce for Climate-related Financial Disclosure (TCFD) Report [Appendix A].

Recommendations for action:

The Pensions Committee is asked to note:

1. The updated draft of the Fund's Responsible Investment Framework. A final version of the framework will be sent to Committee for approval in March 2024 [Appendix B].

2. The Fund's engagement and voting activity for the three months ending 30th September 2023 [Appendices C and D].

3. The issues discussed by LAPFF as set out in the Quarterly Engagement Report, which is available on the LAPFF website: LAPFF Quarterly Engagement Report for the quarter to 30th September 2023.

4. The voting and engagement activity of LGPS Central, as set out in the Quarterly Stewardship Report, which is available on the LGPS Central website: 2023-11_LGPSC_QSU_v4.pdf (lgpscentral.co.uk)

5. The research and engagement activity undertaken by EOS at Federated Hermes over the quarter, as set out in the Public Engagement Report, which is available on the EOS website: EOS Public Engagement Report.

1.0 Purpose

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

Responsible Investment Framework

3.1 The Fund's Responsible Investment (RI) Framework sets out the Fund's approach to integrating responsible investment across its investment strategy and defines the beliefs, principles and processes that underpin the work carried out by the Fund. As part of the annual review of the Responsible Investment Framework, the Fund is looking to enhance its policies and processes for monitoring asset managers' integration of responsible investment factors. A draft version of the updated RI Framework is included as Appendix B with the final version to be shared with Committee for approval in March 2024.

3.2 Following a review of the Fund's existing engagement themes, and through discussion with LGPS Central and the Fund's sustainable equity managers, the Fund is proposing a refresh of its engagement themes which are expected to run from 2024-2027. Further training on the proposed engagement themes will be provided to Committee in March 2024 ahead of the final version of the RI Framework which will be shared with Committee for approval.

Climate-related Financial Disclosures

3.3 Climate-related financial risks continue to be of upmost importance in protecting the value of the Fund's investments in the long term. The Fund has undertaken its annual climate-related financial analysis, reporting progress against its ambitions and targets. As outlined in the 2023 Climate-related Financial Disclosures report, to date, the Fund has achieved a 30% reduction in carbon intensity in its listed equity portfolio between December 2019 and March 2023. The Fund continues to work with its service providers to increase emissions data availability and extend carbon analysis to a broader range of asset classes where possible, aligning with latest industry best practice and standards.

Engagement through Partnerships

3.4 The Fund's strategy is to engage with its investee companies and other key stakeholders through partnerships and on its own. The Fund aims to protect and increase shareholder value by engaging on a range of financially material environmental, social and governance (ESG) investment factors. A significant part of the Fund's engagement programme is implemented through partnerships including the Local Authority Pension Fund Forum (LAPFF), EOS at Federated Hermes ('EOS' – via a contract held by LGPS Central Ltd, the Fund's investment pool operator), the Institutional Investors Group on Climate Change (IIGCC), Climate Action 100+ (CA 100+), the Transition Pathway Initiative (TPI), and the Principles for Responsible Investment (PRI).

3.5 Through LAPFF, the Fund engaged 57 companies during the quarter[1], addressing climate change, human rights, and governance issues. LAPFF engaged with a further 128 companies through collaborative engagement with the Say on Climate initiative and Nature Action 100 initiative. Engagements were generally conducted through letter writing, meetings or attendance at annual general meetings (AGMs). Nine company engagements are currently categorised with some level of improvement, four company engagements with a satisfactory response and 13 company engagements are in dialogue.

3.6 This quarter LGPS Central undertook 718[2] engagements with 221 companies on behalf of the Fund, the majority of which were carried out by EOS. Most engagements were conducted through letter issuance or remote company meetings, where LGPS Central, collaborative engagement partners or EOS in a majority of cases met or wrote to the Chair, a Board member, or a member of senior management.

Climate Change

3.7 During the quarter LAPFF undertook 10 climate change engagements. Four of these companies are categorised as in dialogue with a further two showing improvement.

3.8 The LAPFF Chair met with the Chair of Taylor Wimpey to discuss the company's approach to climate change and the company's transition plans. The meeting covered the company's progress and plan in relation to its operational emissions, residual emissions, emission from selling homes and supply chain emissions. Since then, Taylor Wimpey has produced a transition plan with scope 1 to 3 emission targets and a net zero commitment by 2045. LAPFF aims to engage with similar companies in the sector on the same issue.

3.9 Through the CA100+ forum, LAPFF has continued to engage with National Grid to ensure the company's transition plan supports a swift transition for the users of its grid. LAPFF believes that the company is missing opportunities to decarbonise quickly and has additional concerns regarding the approach of the use of gas, delays in connecting renewables to the grid and disclosures on its energy transition. LAPFF will continue to engage with the company on these matters.

3.10 This quarter, LGPS Central's climate change engagement set comprised 196 companies with 355 engagements issues. Most engagements were undertaken via CA100+ with progress on 57 specific engagement objectives.

[1] This is a consolidated figure representing the number of companies engaged, not the number of engagements.
[2] There can be more than one engagement issue per company, for example board diversity and climate change.

3.11 EOS has set objectives for the Bank of Ireland to implement emissions reduction targets for its operations and Scope 3 portfolio emissions aligning to science-based pathways. This would involve changes to its lending practices and managing emissions from historical lending. The bank has subsequently published targets and its emission strategy validated by the Science Based Targets initiative (SBTi) including a 49% reduction in Scope 1 + 2 emissions from operations by 2030, commitment to sustainable lending through a 48% reduction in its mortgage portfolio emissions and a 56% reduction in its commercial real estate portfolio by 2030. EOS will continue to monitor the company's progress against its set targets.

3.12 EOS engaged with Delta Electronics to enhance its TCFD disclosures and its alignment to the Paris Agreement. Concerns were also raised about the company's use of internal carbon funds or capex to fund its climate transition. EOS request further clarification on its internal carbon pricing but the company was unable to provide detailed answers. In the company's 2022 ESG report, the company provided information on how its internal pricing mechanisms supports it climate ambitions and finances the transitions to electric vehicles.

Sustainable Food Systems

3.13 This quarter, LGPS Central engaged 17 companies over 18 engagement issues and objectives in relation to its Sustainable Food Systems theme.

3.14 EOS engaged with Ansell Ltd about the development of their circular economic strategy with goals linked to sourcing, use and disposal. The company has confirmed plans to launch its new framework to outline the sustainability characteristics of individual products. Lifecycle assessments of its products have been undertaken, such as its single-use gloves, which resulted in a partnership with a French recycling company to trial processing gloves into new products and reduce the environmental impact seen in the glove's end-of-life generation. EOS will continue to monitor this engagement and awaits the company's disclosure of its circular economy strategy.

Human Rights

3.15 During the quarter LAPFF undertook 22 human rights engagements[3]. Seven of these companies are categorised as in dialogue with a further six showing some level of improvement.

3.16 LAPFF engaged with Volkswagen on human rights and raw materials issues. Concerns were raised about a joint venture linked to the auto manufacturer's supply chains and alleged association with Uyghur forced labour. Volkswagen announced that they will undertake a social audit for the factory despite the backlash from Non-Governmental Organisations (NGOs) and labour groups stating the ineffectiveness of social audits in China. LAPFF will continue to monitor this engagement in line with increasing legislative instruments on EV supply chain issues and their links to human rights concerns.

[3] Including engagements that are not explicitly classed by 'human rights' by LAPFF such as employment standards, Diversity, Equity and Inclusion (DEI) and social risks.

3.17 LAPFF met with Grupo Mexico for the first time. Grupo Mexico's increased attention from investors on environmental, social, and governance issues aligns with its inclusion in PRI's Advance human rights initiative. While acknowledging Grupo Mexico's established processes on paper, LAPFF notes a significant gap in its implementation with disparities between the company's self-reported human rights practices and community accounts. LAPFF intends to speak to the Sonora community, who was affected by the company's operations, to understand their perspective on the situation.

3.18 This quarter LGPS Central undertook human rights related engagements, on behalf of the Fund, the majority of which were carried out by EOS, with 90 companies with 124[4] engagements issues and objectives.

3.19 In the quarter, LGPS Central engaged with the Chief Compliance Officer of an IT company on the issue of upholding the United Nations Guiding Principles on Business and Human Rights (UNGPs). The expectation was for the company to undertake human rights due diligence assessments and have established access to remedy programmes encompassing human rights. LGPS Central will monitor this engagement and have requested for the company to provide evidence of the company's human rights due diligence assessment.

3.20 EOS held a face-to-face meeting with DBS Bank on mitigating social impacts of Artificial Intelligence (AI). The bank employs a responsible data use framework, PURE (Purposeful, Unsurprising, Respectful, Explainable), implemented through measures such as training, approval mechanisms, compliance and audit assessments, committee debates, and fit-for-purpose reviews at different organisational levels. To ensure ethical use and address unintended biases, DBS evaluates its use cases against multiple dimensions, considering potential harm to customers, employees, and the disadvantaged. The bank is actively working on testing use cases with higher materiality, emphasising recourse and improving the explainability of its models. The engagement with DBS includes a call for increased transparency and oversight to further enhance its commitment to responsible AI and equality.

Responsible Financial Management

3.21 This quarter, our tax transparency engagement set comprised 1 company with 2 engagement issues and objectives.

3.22 EOS engaged with Exxon Mobil to publish a responsible taxation policy aligned with the Global Reporting Initiative Tax Fairness Standard. The company, acknowledging the need for enhanced transparency, is prepared to disclose itemised payments to governments at various levels in line with emerging Dodd Frank regulations. As of Q3 2023, Exxon Mobil has pledged compliance with forthcoming tax regulations mandating country-by-country reporting. EOS will sustain engagement to ensure continued progress on this front.

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

Voting Globally

3.23 The voting activity for the quarter across markets and issues can be found in Appendix D. During the period, the Fund voted at a total of 262 company meetings (3,205 resolutions) – 102 UK, 44 Europe, 27 North America, 41 Developed Asia, 11 Australasian and 37 in Emerging and Frontier Markets. At 130 meetings the Fund recommended opposing one or more resolutions. The largest number of resolutions that were opposed concerned board structure and remuneration (usually voting against non-independent non-executive directors where the Fund or its advisors do not see sufficient independent oversight on a company board).

Voting Key highlights

3.24 LGPS Central, on behalf of the Fund, supported a shareholder proposal requesting for Constellation Brands to disclose its Scope 1-3 emission reduction plans in alignment with the Paris Agreement. The company has set Scope 1, 2 and 3 emission reduction targets validated by SBTi, but is considered a laggard in comparison to its peers. LGPS Central believe it would be useful for stakeholders to understand how the company will align itself to the Paris Agreement, manage greenhouse gas emissions and address climate risks. The vote received 31.0% support sending a strong message to the Board.

3.25 A shareholder proposal was put forward to Nike requesting for gender and ethnicity pay gap reporting to include its workforce beyond the UK. This follows a lawsuit filed in 2018 with allegations from two former employees regarding the company's culture, with fear of retaliation and unequal pay for women. A median pay gap report is expected to provide stakeholders with an understanding about the opportunities given to men and women and insights to the company's culture. The proposal received 29.6% support, highlighting concerns on diversity, equality and inclusion to the Board.

3.26 LGPS Central voted against a non-binding resolution on Wizz's remuneration policy deeming that the proposal was more relaxed than the original executive policy and was not stretching or challenging enough. The policy removed the financial element that related to the pay out of the ESG portion of the award and allowed full pay out if 100% target share price was hit during two consecutive quarters. 28.2% of stakeholders voted against the resolution.

Member Communication Strategy

3.27 The Fund is looking to integrate RI communications through its existing communication channels. This quarter, Fund officers presented at the Active Member Engagement Forum and created RI-focused leaflets to be distributed at the Member Roadshow events. The Fund also submitted a case study on its RI Member Survey to the Occupational Pensions Stewardship Council (OPSC) to share learnings and insights to the wider investment community. Upon further analysis the RI member survey achieved a response rate of 6.0% based on the members who received the survey, which is an increase in the response rate reported in the previous quarter's report.

Correspondence

3.28 The Fund continues to receive correspondence from individual members of the public, and more established divestment groups in connection with climate change, conflict zones, nuclear development, water companies and human rights issues.

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

4.0 Financial implications

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 LGPS Central Quarterly Stewardship Update: 2023-11_LGPSC_QSU_v4.pdf (lgpscentral.co.uk)

8.3 EOS at Federated Hermes Public Engagement Report: EOS Public Engagement Report

9.0 Schedule of appendices

9.1 Appendix A – Climate-related Financial Disclosure (TCFD) Report.

9.2 Appendix B – WMPF Responsible Investment Framework 2023 Draft.

9.3 Appendix C – WMPF Engagement Activity Q3 2023.

9.4 Appendix D – WMPF Voting Activity Q3 2023.

West Midlands Pension Fund

CLIMATE-RELATED DISCLOSURE REPORT 2023

Prepared in alignment with the recommendations of the Task Force on Climate-Related Financial Disclosures.

Report prepared in collaboration with LGPS Central Limited.

DECEMBER 2023

CONTENTS

OUR COMMITMENT

STRONG GOVERNANCE

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

CUSTOMER FOCUSED

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

GLOBAL INFLUENCE

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

DELIVERING FOR LOCAL PEOPLE

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

OUR FUND

“Providing sustainable futures for all.

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

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

As long-term investors, climate change presents risks and opportunities that form a part of our critical thinking in the way we approach investment and our Fund’s wider objectives and delivery themes including global influence and delivering for local people.

We recognise the need to address climate change on a global scale, our role in ensuring the shift to a low carbon economy and ensuring a “just transition” for workers and communities, with the potential for substantial economic and social benefits.

Our Climate Change Framework and Strategy sets out our ambition to be net zero by 2050 and our 2026 - 2030 climate targets.

£19.3bn assets under management

340,000+ members

800+ employers

Information correct as at 31 March 2023

EXECUTIVE SUMMARY

The management of climate-related risks falls within our fiduciary duty to our members.

The Task Force on Climate-Related Financial Disclosures (TCFD) was established with the goal of developing a set of voluntary, climate-related financial risk disclosures which help organisations better understand and control the risks and opportunities associated with climate change.

WMPF has undertaken climate risk analysis on its portfolio since 2017. Publication of results was formerly positioned within our Annual Report and Accounts before moving to a standalone TCFD report format from 2020.

We provide updated disclosures under each of the four TCFD pillars: **governance, strategy, risk management** and **metrics & targets**. Between 2019 and 2023 the carbon footprint of WMPF's listed equities portfolio decreased by 30% and as at 31 March 2023 was 41% more carbon efficient than the reference benchmark. We also report progress of exposure to fossil fuel, thermal coal and clean technology and provide an update on portfolio companies' alignment to the Transition Pathway Initiative Framework.

Our Climate Change Framework and Strategy captures our aspiration to halve our investment portfolio's carbon emissions by 2030 (relative to a 2019 baseline), aiming to align to net zero by 2050 or sooner. Progress against our 2021 targets is reviewed annually, with full review and the next phase of the Framework due no later than 2026/27.

INTRODUCTION TO THE TCFD

In 2017, the TCFD[1] released recommendations designed to improve transparency by asset owners, asset managers, companies, banks and insurance companies with respect to how climate-related risks and opportunities are being managed.

The recommendations are based on the financial materiality of climate change and are structured around four thematic elements that represent key components of how companies operate: governance, strategy, risk management, and metrics and targets (Figure 1). The four elements are designed to make TCFD-aligned disclosures comparable, but with enough flexibility to account for stakeholder-specific circumstances.

Figure 1: Core Elements of Recommended Climate-Related Financial Disclosures

Governance	The organisation's governance around climate-related risks and opportunities.
Strategy	The actual and potential impacts of climate-related risks and opportunities on the organisation's business, strategy, and financial planning.
Risk Management	The processes used by the organisation to identify, assess, and manage climate-related risks.
Metric & Targets	The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

[1] About | Task Force on Climate-Related Financial Disclosures (TCFD) (fsb-tcfd.org)

OUR CLIMATE JOURNEY TO DATE

2017
- First climate risk analysis
- First voluntary TCFD reporting

2019 – 2023
- Published Climate Change Framework and Strategy 2019 – 2023

2020
- Published first standalone TCFD report

2021
- New Climate Change Framework and Strategy for 2021
- Set medium-term targets for 2026 and 2030

2022
- Made public commitment to Paris Aligned Asset Owner Initiative

2023
- 30% decrease in carbon footprint of listed equities portfolio since 2019
- 41% more carbon efficient than benchmark

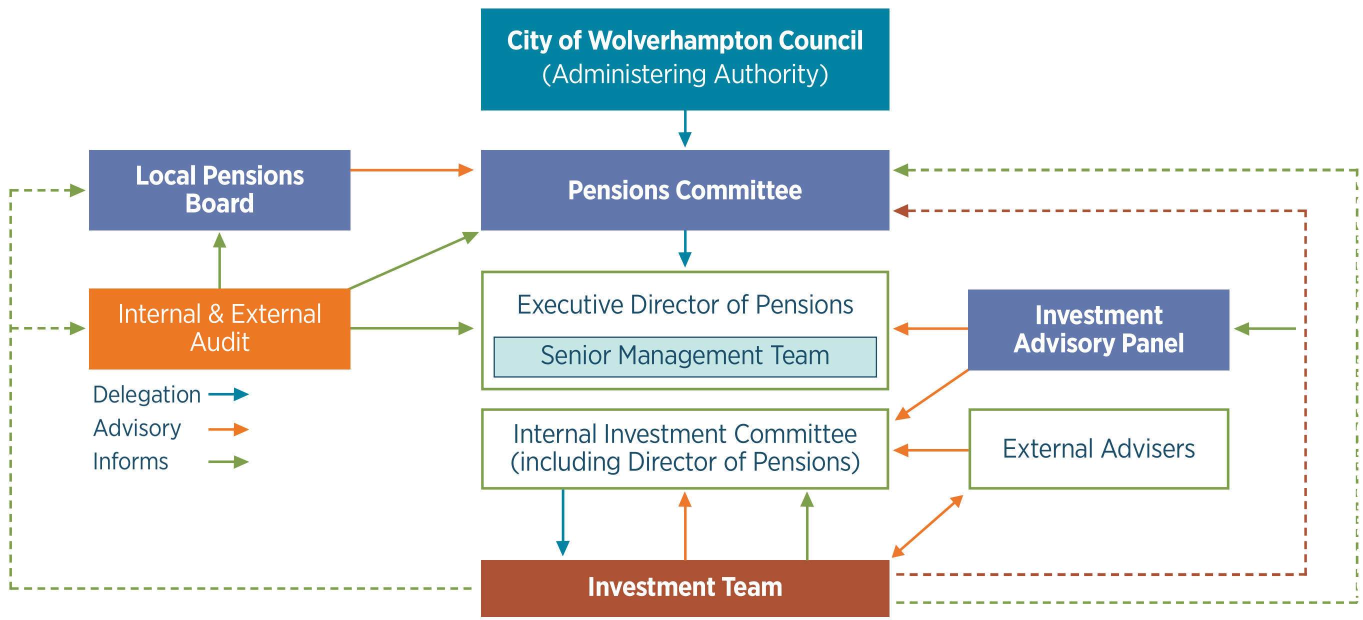
All figures are based on Scope 1 + 2 emissions of the Fund's listed equity portfolio.

TCFD RECOMMENDED DISCLOSURE:

Describe the Board's oversight of climate-related risks and opportunities.

GOVERNANCE

Figure 2: The Regulatory and Governance Framework in Place to Manage the Investment Strategy.



The roles and responsibilities of the different bodies in our governance structure are outlined in our Governance Compliance Statement and summarised below:

City of Wolverhampton Council	The LGPS administering authority for WMPF. Delegates its responsibility to the Pensions Committee.
Pensions Committee*	Oversees the management and administration of the Fund including approval of the Climate Change Framework and Strategy and Climate-Related Disclosure Report.
Local Pensions Board*	Reviews the process of effective decision making including the approach taken to the management of climate-related risks and opportunities.
Investment Advisory Panel	Supports the Executive Director of Pensions and Internal Investment Committee with strategic advice, challenge, market commentary and oversight of portfolio management.
Internal Investment Committee	Day-to-day asset allocation and investment strategy decision-making and implementation of investment strategy, together with climate-risk oversight and monitoring of investment management arrangements.

* Together we refer to Pensions Committee and Local Pensions Board as our 'governing bodies'

Governing Body Training
The Fund is committed to building the knowledge and skills appropriate for our governing bodies in an evolving regulatory landscape[2]. The Fund firmly believes that the benefits over the long-term are essential to the effective governance and management of the Fund.

Climate change, the transition to net zero, and the associated financial risks and opportunities are covered within our annual governing body training. Training on the Fund's approach to climate risk analysis and climate-related financial disclosure was delivered to our governing bodies by Fund Officers and members of the LGPS Central Limited ("LGPS Central") Responsible Investment and Engagement team in October 2023.

Training Hours

742

Pensions Committee

465

Local Pensions Board

277

[2] The Fund's Governing Body Training Policy is reviewed and approved annually and reflects the requirements of CIPFA's LGPS Knowledge and Skills Framework.

TCFD RECOMMENDED DISCLOSURE:

Describe management's role in assessing and managing climate-related risks and opportunities.

GOVERNANCE

Pensions Committee delegates the day-to-day running of the Fund to the Executive Director of Pensions, who in turn delegates to their Senior Management Team and Fund Officers. The Fund's investment team is led by the Assistant Directors for Investment Strategy and Investment Management and Stewardship.

The Pensions Committee oversees climate-related risks and opportunities through ongoing reporting and approval of key climate-related policies such as the Climate Change Framework and Strategy and Climate-Related Financial Disclosures report.

Fund Officers engage with industry players, market actors, investment consultants and data service providers to collate data and analysis to best inform climate-related risks aligning and developing industry best practices. The Fund adopts both "top-down" and "bottom-up" analytical approaches to target the most material climate-related financial risks within the portfolio recognising that there is no singular methodology to best identify and manage climate-related risks.

Assessment
LGPS Central, our investment pool company, provides investment products, analysis, and advice, such as delivery of WMPF's internal Climate Risk Report, to support implementation of the Fund's **Climate Change Framework and Strategy.** This provides identification and quantitative and qualitative assessment of climate risks and informs actions in the management of climate-related risks.

Through quarterly monitoring and due diligence of investment managers, Fund Officers challenge investment managers on their management of climate-related risks. Investment managers are expected to identify and manage climate-related risks in investee companies as part of their risk management processes and integration of ESG, aligning with the Fund's approach as set out in the **Responsible Investment Framework**.

Management
The Fund holds the conviction that real-world decarbonisation is essential to reducing climate-related risks, not just in the investment portfolio, but emission reduction in our economy and society. An engagement over divestment approach is favoured where, as an investor, there is leverage to drive positive change whilst addressing financial risks. Not only is this achieved through Investment Managers (and monitored by Fund Officers), but the Fund collaborates with partners and through initiatives to strengthen its engagement and stewardship ambitions towards mitigating the effects of climate change. Where applicable, the Fund also maximises its shareholder rights to send signals and drive changes to the companies and their management of climate-related

TCFD RECOMMENDED DISCLOSURE:

Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.

STRATEGY

As a large asset owner with long-term liabilities, the Fund considers climate-related risks and opportunities across multiple timeframes and across a diversified asset-base and employer-base, as well as broader potential impacts across the Fund.

We identify short-term risk as stock market movements, medium-term risk as changes in consumer behaviour, driven by policy and technological change, and long-term risk as physical damages to real assets and resource availability.

The Fund identifies climate-related issues through research and collaboration (notably with the PRI, IIGCC, LAPFF, TPI and CA100+). The Fund has made use of the TPI Toolkit to observe climate risk management in large, listed equity stocks. A subset of risk and opportunity factors considered is outlined in Table one.

Table 1: The Climate-Related Risks and Opportunities WMPF has Identified Over the Short, Medium and Long Term.

	Short & Medium-Term	Long-Term
Risks	• Carbon prices • Technological change • Regulatory & policy tightening • Consumer preferences • Asset valuations under a range of climate scenarios • Biodiversity	• Resource scarcity • Extreme weather events • Sea level rise • Fund employers • Asset valuations under a range of climate scenarios • Just transition & employment
Opportunities	• Engagement to support transition • Ability to influence • Resource efficiency • Technological change	• Engagement to support transition • Improvements to long-term health • Resource efficiency • Training and upskilling
Asset class	• Listed equities • Growth assets • Energy-intensive industry • Oil-dependent sovereign issuers • Carbon-intensive corporate issues • Currencies	• Infrastructure • Property • Agriculture • Commodities • Insurance • Private assets

TCFD RECOMMENDED DISCLOSURE:

Describe the impact of climate-related risks and opportunities on the organisation's business, strategy, and financial planning.

STRATEGY

The Fund recognises that climate change poses risks and opportunities to our investments, and inherently, our ability to pay our members their pension benefits. As part of our fiduciary duty, we incorporate these considerations into all areas of our investment strategy, from the selection and stewardship of assets, which we look to develop in forthcoming years and in line with the IIGCC's Net Zero Investment Framework[3].

Responsible investment, including climate change, is included in all new mandates managed for WMPF. We expect our appointed investment managers to identify, assess and report emerging and evolving climate-related risks. Managers' approaches are considered before appointment and on an ongoing basis through regular monitoring, including through our stewardship programme. We will often look to work with investment managers to help develop best practice and greater transparency in relation to climate-related disclosures. Engagement activity is conducted with investee companies through selected stewardship partners such as LGPS Central, LAPFF and Climate Action 100+.

All investment products through our investment pool, LGPS Central have achieved "RI Integrated Status", which is further explained under the Risk Management section. Continuous monitoring provides assurance that climate change risks and opportunities are being appropriately integrated into the day-to-day management of the portfolio.

Coordination and collaborative action are required by multiple stakeholders (governments, regulators, companies, investors, and consumers) to manage the financial risks and realise the opportunities associated with the transition to a lower carbon economy. We continue to work with industry initiatives and partnerships to drive policy actions and develop 'best-in-practice' ideas to facilitate and mitigate the worst-effects of climate change.

With multidecadal time horizons, long-term investment beliefs and evolving liability profiles to take into consideration, significant uncertainty remains, and no single tool can provide an accurate and complete observation of the Fund's overall climate risk. To proactively manage such risk, a combination of metrics and methodologies represents the best possible tools currently available.

[3] Net_Zero_Investment_Framework_Implementation Guide_Final.pdf (hubspotusercontent-eu1.net)

TCFD RECOMMENDED DISCLOSURE:

Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2^0 C or lower scenario.

STRATEGY

The Fund undertakes climate scenario analysis to test its long-term investment strategy against forward-looking temperature increase scenarios, to understand and inform action required to develop resilience. Last carried out in 2022, climate scenario analysis is implemented every three years, aiming to align with the Fund's triennial actuarial valuation date where practicable.

Although scenario analysis can provide forward-looking insight to the portfolio against controlled scenarios, there are limitations associated with the analysis, including the number of assumptions utilised, hence it is important to take a holistic approach across a suite of forward and backward-looking metrics when assessing climate risk.

As outlined in our Climate Change Framework and Strategy 2021, we commit to continuing to review and revise forward-looking scenario analysis every three years to reflect changes in portfolio exposure and and developing climate scenarios as data and best practice continues to emerge and evolve.

TCFD RECOMMENDED DISCLOSURE:

Describe the organisation's process for identifying and assessing climate-related risks.

RISK MANAGEMENT

As long-term investors, climate change presents risks and opportunities that form a part of our critical thinking in the way we approach investment.

We seek to identify and assess top-down and bottom-up climate-related risks at the total Fund level, asset class and at the individual asset level. Climate-related risks are assessed through a suite of backward and forward-looking risk metrics and compared with other investment risk factors. Currently, tools for assessing climate metrics have some limitations but coverage over and across asset classes is expanding, and we look forward to seeing improvements to reporting tools.

To date we have predominantly reported on backward-looking climate risk metrics to assess the progress that we have made against our 2021 decarbonisation targets, supplemented by forward-looking climate scenarios, and a thematic review of asset classes with the greatest exposures to this risk factor.

Our 2021 Climate Change Framework and Strategy outlined our approach for identifying and assessing climate-related risks, how we will measure our progress and continue to adapt to the changing policy and regulatory environment. Quantification of the further material reduction in exposure to the inherent physical and transition risks associated with the shift to a net zero economy and further investment in climate solutions is expected, aligning with the IIGCC's Net Zero Investment Framework. Over the next few years, we expect to expand the scope and quality of measurement and data collection, to continue to ensure meaningful change and alignment across our investments and our own operations.

TCFD RECOMMENDED DISCLOSURE:

Describe the organisation's process for managing climate-related risks.

RISK MANAGEMENT

The Fund manages climate related-risks in different ways according to the nature, duration, magnitude, and time-horizon of the risk itself. WMPF identifies climate change as a systemic and materially financial risk to the investment portfolio and utilises controls and management practices to mitigate these risks both before (the selection of investments) and after (the stewardship of investments) the investment decision.

These include but are not limited to:

- Integrating climate risk monitoring and management into external manager mandates.
- Identifying physical and transitional climate risks within our portfolio.
- Undertaking annual carbon risk analysis at portfolio level, with metrics including absolute carbon emissions and weight in fossil fuels and clean technology.
- Striving to increase asset class and data coverage each year.
- Regularly disclosing and reporting on progress.
- Collaborating with industry groups and peers to influence change on a global scale and enable the transition to a lower carbon economy.

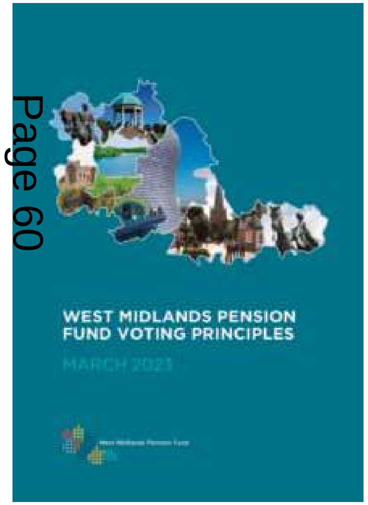
WMPF expects asset managers to be aligned with our climate performance targets and contribute to the decline of climate risks over time. External fund managers are monitored to ensure ongoing application and efficacy of their approaches to responsible investment and stewardship. Regular meetings and continued coordination assist in developing meaningful analysis and reporting on climate risks.

Our pooling company, LGPS Central, develops and monitors all their pooled funds to meet an internal standard of "Responsible Investment Integrated Status" (RIIS) certification. The RIIS approach inherently requires and allows detailed dialogue between LGPS Central's Responsible Investment & Engagement Team (RI&E) and the relevant LGPS Central Asset Class Team from inception of a fund and throughout its lifespan. This approach also ensures that the RI approach taken for a given fund or asset is co-sponsored by the Director of RI&E and the relevant Investment Director, reinforcing a shared ownership to RI integration.

Engagement and shareholder voting are integral aspects of the Fund's RI approach to managing climate-related risk. Climate risk will not dissipate through the screening and divestment of investments with high-risk exposures, but through the action taken to implement real-world decarbonisation of the economy'. Engagement with investee companies is conducted by external managers and through key partnerships detailed below.

Our Voting Principles, aligned with LGPS Central's, reflect the Fund's strategy to engage with its investee companies and other key stakeholders with a strategy focused on climate change issues. The majority of the Fund's votes are now transacted through LGPS Central, who will consider co-filing shareholder resolutions that relate to climate change when escalation is deemed appropriate.

The Fund reports quarterly to Pensions Committee on its voting and engagement activities through its Responsible Investment report.



THE FUND'S COLLABORATIVE AND ENGAGEMENT PARTNERSHIPS

LGPS Central Limited

LGPS Central delivers benefits of scale in responsible investment & engagement and analysis of climate change risks. Climate change is one of WMPF's and LGPS Central's stewardship themes. With quarterly reporting, WMPF tracks progress against stewardship themes including Climate Change, which is available on our website. LGPS Central engages companies on WMPF's behalf.

EOS at Federated Hermes is a specialist engagement provider which is contracted by LGPS Central to expand the scope of our engagement programme, especially to reach non-UK companies.

The Local Authority Pension Fund Forum (LAPFF) conducts engagements with companies on behalf of local authority pension funds. LAPFF leads collaborative engagements to maximise the influence of its member funds, promoting high standards of corporate governance and climate change risk.

The UN PRI seeks to set out investment principles and actions that investors can take across a range of responsible investment activities including climate change. In the 2021 assessment WMPF achieved at least 4 or 5 stars out of five across all assessed modules.

The Institutional Investor Group on Climate Change (IIGCC), the leading European investor membership body focusing specifically on climate change, helps define the investment practices, policies and corporate behaviours required to address climate change. WMPF is a member of the IIGCC and actively participates in IIGCC working groups when possible.

Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. Collectively, 700 investors, responsible for over $68trn AUM, are engaging with companies on improving climate change governance, cutting emissions, and strengthening climate-related financial disclosures.

The Transition Pathway Initiative (TPI) is a global, asset-owner led initiative representing 144 investors and $64trn AUM, which assesses companies' preparedness for the transition to a low carbon economy.

TCFD RECOMMENDED DISCLOSURE:

Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

RISK MANAGEMENT

Identifying:
The Fund adopts an evidence-based approach to climate change and believes there is overwhelming evidence to support that climate change poses both risks and opportunities to the Fund's investments.

Climate change can potentially materialise by impacting employer covenant, asset pricing, longer-term inflation, interest rates and life expectancy, thus impacting the Fund's funding level. Climate change is recognised within the Fund's Investment Strategy Statement, Responsible Investment Framework, Employer Risk Management Framework and assessed in the Climate Change Framework & Strategy and Climate Risk Report. These documents are reviewed at least annually and formally approved by the Pensions Committee.

Assessing:
Our 2021 Climate Change Framework and Strategy sets out how the Fund intends to manage the risks and opportunities of climate change and how it expects to integrate climate change into its broader strategy and asset management. It is holistic in that it incorporates climate change and risk considerations across the Fund's operations and the investment and funding strategies. We consider potential financial risks by changing economic and demographic risks as well as changing employer covenant. The Fund has set targets and will monitor and manage delivery of those targets and report back to Pensions Committee on progress.

We strive to access the latest relevant information on the risks and opportunities presented by a changing climate, including the impacts of transition and physical risks and opportunities on investment returns and contribution requirements.

Forward-looking temperature increase scenario analysis remains one of a number of tools which continue to evolve to test our long-term funding and investment strategies and inform action required to develop fund resilience.

Managing:
The Fund's exposure to climate risk is managed through the continued development of an integrated selection and monitoring framework for Fund assets. Climate change, one of four engagement themes identified in our Responsible Investment Framework for 2019-2023, has been an area for targeted engagement for many years. Mitigation of climate risk includes the inclusion of climate-related risk factors in employer covenant indicators.

Annual training sessions on climate change are held for our Officers and governing bodies to enhance knowledge and skills to assess climate risks and ensure they are integrated into the Fund's overall risk management.

Appendix A

TCFD RECOMMENDED DISCLOSURE:

Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

METRICS AND TARGETS

The Fund utilises a suite of backward-looking climate risk metrics to assess the progress that we have made against our 2019 decarbonisation baseline and 2021 climate targets[4].

These metrics help evaluate the portfolio's potential exposure to climate-related risks and identifies areas for further risk management, including company engagement and fund manager monitoring. Metrics to date have comprised:

- Carbon Footprint (Weighted Average Carbon Intensity [WACI])
- Exposure to Fossil Fuel Reserves
- Weight in Thermal Coal Reserves
- Weight in Coal Power[5]
- Exposure to Clean Technology
- TPI Management Quality

Through our public commitment to the Paris Aligned Asset Owner Initiative, we will continue to review and develop the climate risk metrics that we disclose as best practice and new UK pensions climate risk disclosure regulations (including those directly applicable to the Local Government Pension Scheme) come into force.

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

[5] No longer reported as weight in coal power within the listed equities portfolio has been 0% since 2020.

TCFD RECOMMENDED DISCLOSURE:

Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

METRICS AND TARGETS

The data presented below is in relation to the Fund's listed equity portfolio as there is sufficient data coverage for the analysis to be meaningful. While data has been collected in relation to the Fund's fixed income portfolio, at this moment in time, the level of coverage is not deemed to be sufficient to include in the analysis. Going forward, we plan to work with our providers to increase data coverage and expand the range of asset classes to be included in the analysis.

This year we have updated our reporting date from 31 December to 31 March[6] to align with expected future reporting requirements. The data reported here reflects Scope 1 and 2 greenhouse gas emissions only and where relevant historic numbers for the Fund's portfolio and the reference benchmark have been restated to reflect updated data.

[6] Previous analysis has used data at 31/12/19, 31/12/20, 31/12/21. The latest data in the report captures data as at 31/03/2023.

Figure 1: Carbon Footprint - WACI, Listed Equities

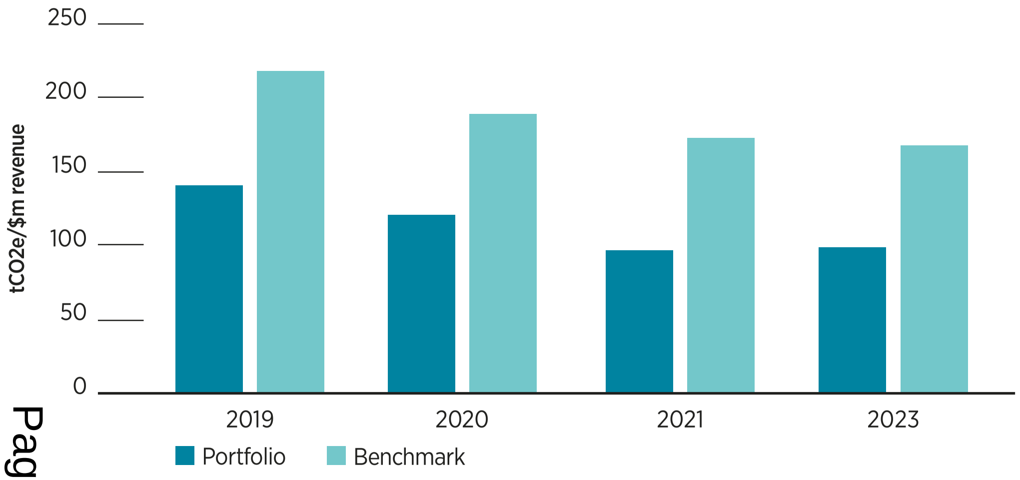


Figure 2: Weight in Fossil Fuel Reserves, Listed Equities

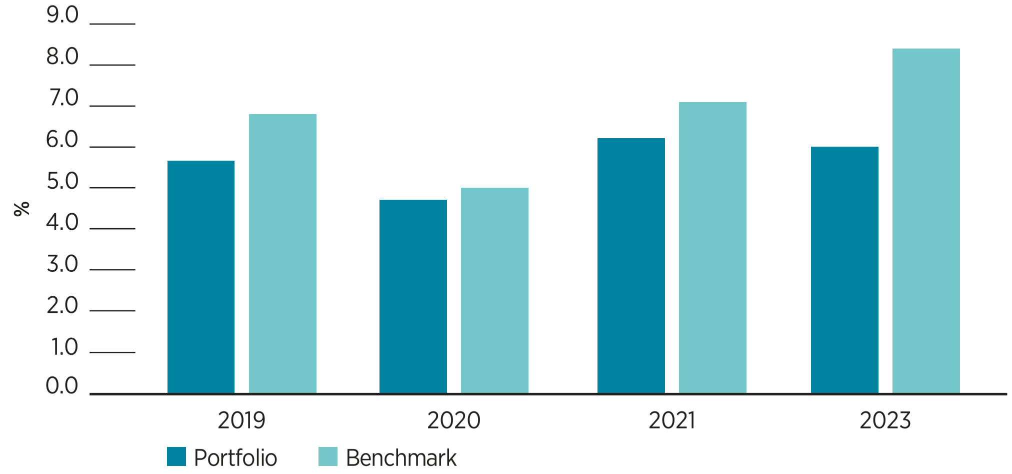


Figure 3: Weight in Thermal Coal Reserves, Listed Equities

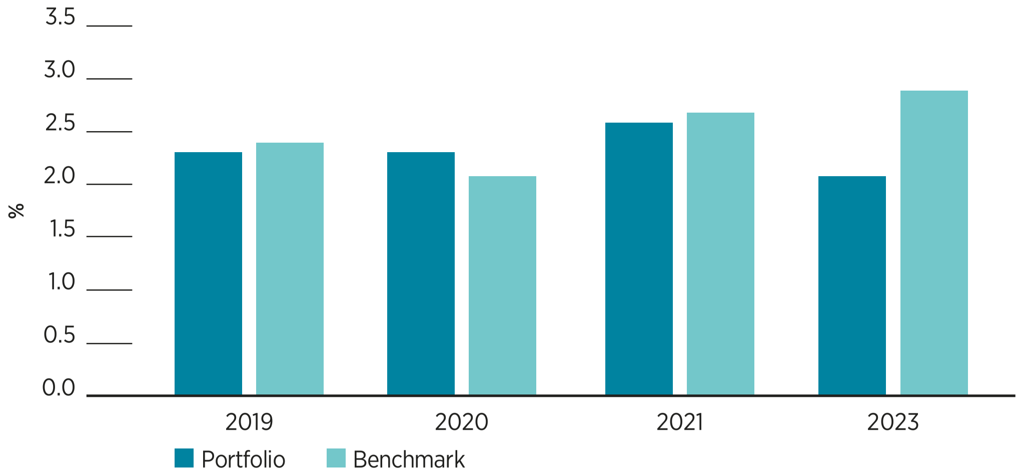
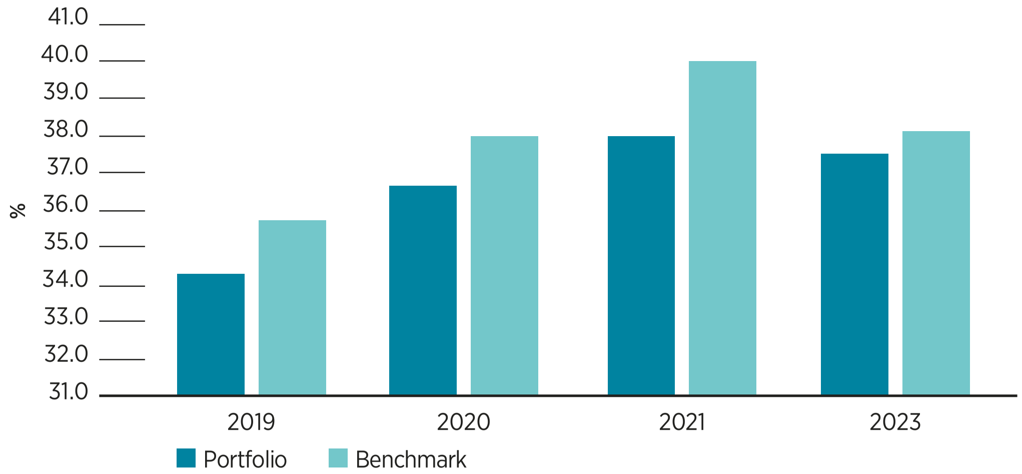


Figure 4: Weight in Clean Technology, Listed Equities



Carbon Footprint
The Weighted Average Carbon Intensity (WACI) of the listed equities portfolio is 30% lower at 31 March 2023 compared with the baseline date of 31 December 2019 (Figure 1).

At 31 March 2023 the listed equities portfolio is 41% more carbon efficient than the blended equities reference benchmark[7] (Figure 1) highlighting that delegated managers are managing climate risk exposure in their respective portfolios.

Fossil Fuels
The portfolio's exposure to fossil fuel reserves increased from 5.7% to 6.0% (Figure 2) between 2019 and 2023 reflecting a 5% increase. In comparison the reference benchmark exposure to fossil fuel reserves increased by 24% over the same period (from 6.8% to 8.4%).

The listed equities portfolio has a lower exposure to fossil fuels compared to the benchmark, which can be attributed to a significantly underweight exposure to the energy sector.

Thermal Coal
Since 2019 the portfolio's weight in thermal coal reserves decreased from 2.3% to 2.1% representing a decrease of 9% (Figure 3). In comparison the benchmark's exposure increased by 24% over the period (2.4% in 2019 to 2.9% in 2023).

The listed equities portfolio has a lower exposure to thermal coal compared to the benchmark, which can also be attributed to the underweight exposure to the energy sector.

Clean Technology
The listed equities portfolio's exposure to clean technology has increased from 34.3% to 37.5% (Figure 4) between 2019 and 2023 representing an increase of 9%. While the listed equities portfolio's exposure to clean technology is slightly below the benchmark (37.5% vs 38.1%) it has seen a larger percentage increase in clean technology over the reporting period (9% vs 7%) when compared to the benchmark.

[7] The blended benchmark comprises the FTSE UK All Share, FTSE All-World, and FTSE Emerging indices.

Transition Pathway Initiative (TPI) Management Quality[8]

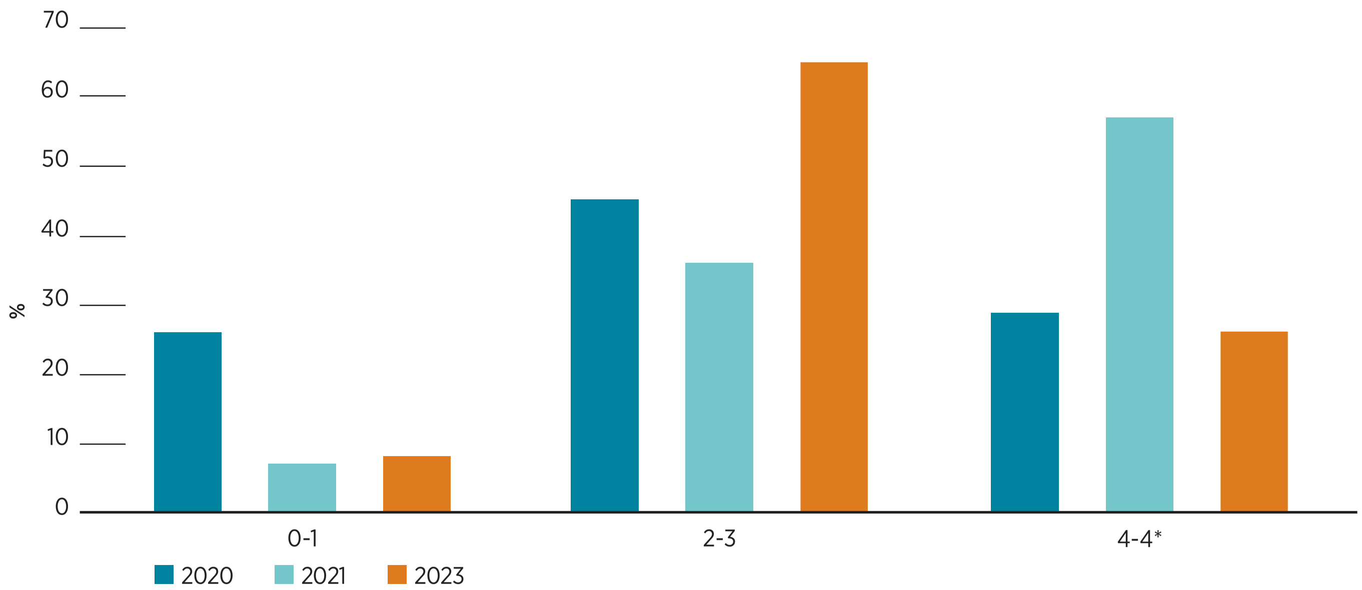
The Fund uses the TPI's Management Quality Score as an additional indicator of climate risk management. The TPI Management Quality Score evaluates and tracks the quality of companies' governance and management of their greenhouse gas (GHG) emissions.

The TPI Management Quality Framework tracks the progress of companies through the following five levels:

- Level 0 – **Unaware of (or not Acknowledging) Climate Change as a Business Issue**
- Level 1 – **Acknowledging Climate Change as a Business Issue:** the company acknowledges that climate change presents business risks and/or opportunities, and that the company has a responsibility to manage its greenhouse gas emissions. This is often the point where companies adopt a climate change policy.
- Level 2 – **Building Capacity:** the company develops its basic capacity, its management systems and processes, and starts to report on practice and performance.
- Level 3 – **Integrating into Operational Decision-Making:** the company improves its operational practices, assigns senior management or board responsibility for climate change and provides comprehensive disclosures
- Level 4 – **Strategic Assessment:** the company develops a more strategic and holistic understanding of risks and opportunities related to the low-carbon transition and integrates this into its business strategy and capital expenditure decisions.

The TPI also recognise companies that meet all of the TPI indicators – i.e., that return a 'perfect' Management Quality Score – as 'Four Star' companies.

Figure 5: TPI Management Quality Score



With a Management Quality Score of 0-1, 9% of companies are still at an early stage of establishing carbon management and reporting processes. 65% of companies have set greenhouse gas emission reduction targets and built climate risk into their operational decision making and the remaining 26% of companies have published details of their low-carbon research and development and investment strategies and aligned their strategic performance indicators on climate change with their executive incentives. While the proportion of companies with a Management Quality Score of 4-4* has reduced from the previous reporting period, we note that the number of companies included in the TPI analysis has significantly increased between 2021 and 2023. As per WMPF's Voting Principles 2023, we will consider voting against the company Chair, and other relevant directors or resolutions, if a company is assessed by TPI's management quality framework to be lower than level 4.

[8] **Source:** Transition Pathway Initiative, https://www.transitionpathwayinitiative.org/. Management Quality methodology used is V4.0. Further information on the methodology can be found on this link: https://www.transitionpathwayinitiative.org/publications/uploads/2021-methodology-report-management-quality-and-carbon-performance-version-4-0.

TCFD RECOMMENDED DISCLOSURE:

Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

METRICS AND TARGETS

WMPF is fully committed to aligning with the goals of the Paris Agreement and net zero ambition by 2050 or sooner.

The Fund's 2021 Climate Change Framework and Strategy reviewed the targets and metrics used by our organisation to manage climate-related risks and opportunities and performance against targets.

Our 2021 Climate Change Framework and Strategy outlines our climate-related targets:

50%
reduction in investment portfolio carbon emissions by 2030 (vs 2019 baseline).

60%
asset coverage by 2026 – expanding our measurement tools and methods of analysis across our property and infrastructure investments

Increase the awareness and measurement of our corporate emissions, aligning to net zero with a 50% reduction targeted by 2030.

As the suite of both backward and forward-looking climate risk metrics available to investors has evolved since we set our 2021 targets, in 2024 the Fund will review the metrics it uses to measure progress against its target. The Fund will continue to use the IIGCC's Net Zero Investment Framework to shape its climate-related financial disclosure moving forward.

GLOSSARY

Carbon Footprint/Portfolio Carbon Footprint
A proxy for a portfolio's exposure to potential climate-related risks (especially the cost of carbon), often compared to a performance benchmark. It is calculated by working out the carbon intensity (Scope 1+2 Emissions / $M sales) for each portfolio company and calculating the weighted average by portfolio weight.

Clean Technology/Weight in Clean Technology
The weight of a portfolio invested in companies whose products and services include clean technology. Following the MSCI classification, products, and services eligible for inclusion include alternative energy, energy efficiency, green building, pollution prevention, sustainable water.

Climate Solutions
We note here that there is currently no standard definition for investments which classify as climate solutions but this is an area the Fund is advocating development.

Engagement
Dialogue with a company concerning aspects of its strategy, governance, policies, practices, and so on. Engagement includes escalation activity where concerns are not addressed within a reasonable timeframe.

ESG Factors
Determinants of an investment's likely risk or return that relate to issues associated with the environment, society or corporate governance.

Fossil Fuel Reserves/Weight in Fossil Fuel Reserves
The weight of a portfolio invested in companies that own fossil fuel reserves.

Just Transition
A framework developed to encompass a range of social interventions needed to secure workers' rights and livelihoods when economies are shifting to sustainable production, primarily combating climate change and protecting biodiversity.

Net Zero Emissions
A state in which the greenhouse gas emissions created by an organisation are counterbalanced by the greenhouse gases sequestered by an organisation over a given timeframe.

Net Zero Target Coverage
The weight of the portfolio invested in companies that have set a "net-zero" emissions target, as defined by the company.

Paris Agreement
The Paris Agreement is a legally binding international treaty on climate change. Its goal is to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels.

Physical Risk/Climate Physical Risk
The financial risks and opportunities associated with the anticipated increase in frequency and severity of extreme weather events and other phenomena, including storms, flooding, sea level rise and changing seasonal extremities.

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

Scope 1 Greenhouse Gas Emissions
Direct emissions from owner or sources controlled by the owner, including: on-campus combustion of fossil fuels; and mobile combustion of fossil fuels by institution-controlled vehicles.

Scope 2 Greenhouse Gas Emissions
Indirect emissions from the generation of purchased energy.

Scope 3 Greenhouse Gas Emissions
Indirect emissions that are not controlled by the institution but occur as a result of those institutions activities. Examples include commuting, waste disposal and embodied emissions from extraction.

Stewardship
The promotion of the long-term success of companies in such a way that the ultimate providers of capital also prosper, using techniques including engagement and voting.

Thermal Coal Reserves/Weight in Thermal Coal Reserves
The weight of a portfolio invested in companies that own thermal coal reserves.

Transition Risk
The financial risks and opportunities associated with the anticipated transition to a lower carbon economy. This can include technological progress, shifts in subsidies and taxes, and changes to consumer preferences or market sentiment.

Voting
The act of casting the votes bestowed upon an investor, usually in virtue of the investor's ownership of ordinary shares in publicly listed companies.

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RESPONSIBLE INVESTMENT FRAMEWORK

DECEMBER 2023

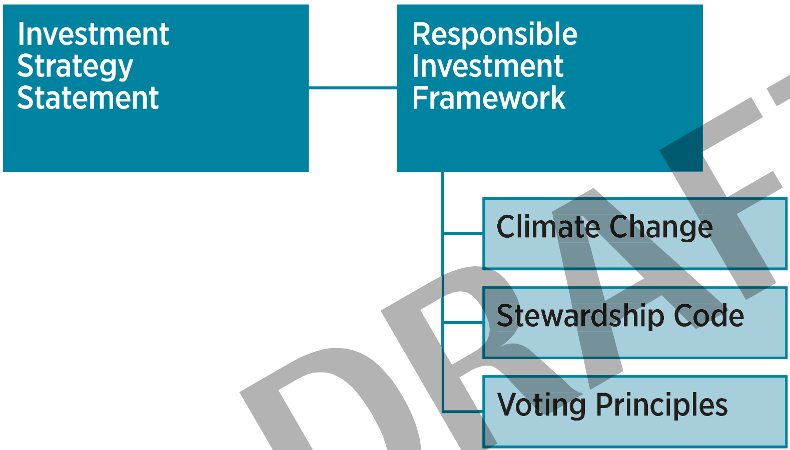
West Midlands Pension Fund

CONTENTS

1 PURPOSE

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

The Fund believes that the consideration of ESG factors in the investment strategy and implementation process protects and enhances the value of assets over the long-term and therefore align with its fiduciary duty to pay members' pension benefits when they fall due, both now and in the future.



This document sets out the overarching framework for Responsible Investment and supporting practical application of the Climate Change Strategy and Framework, Annual Stewardship Report (aligning with the Financial Reporting Council's 2020 UK Stewardship Code) and Voting Principles. This framework has been developed in the context of relevant regulations, statutory guidance, and the advice of the Law Commission. This also includes alignment with the principles set out by the Principles of Responsible Investment (PRI) to which the Fund is a signatory of.

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

The Pensions Committee reviews the framework annually, or at times the Fund sees fit to revise its RI policies and procedures. This statement updates and replaces the December 2022 Responsible Investment Framework. A draft statement was presented to the Pensions Committee on 13 December 2023.

2 BELIEFS AND GUIDING PRINCIPLES

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

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

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

Climate Change

Climate change is a systemic and financially material risk that has been highlighted by the industry as the greatest risk to investments[1] particularly spanning into the long-term. The Fund has developed evidenced-based beliefs relating to climate change to assist in monitoring and managing this specific area of risk and opportunity, which is outlined in more detail within the 2021 Climate Change Framework and Strategy.

As a responsible investor, the Fund will seek to proactively manage this risk factor through stewardship activities, using partnerships of like-minded investors where feasible. Real-world decarbonisation of the economy is necessary to address these risks with a priority on active engagement and driving outcomes from investee companies.

No individual investor nor the investment industry is influential enough to achieve the rate of change required to avoid catastrophic consequences of climate change highlighting the importance of collaborative and collective progress required by investors, regulators, governments, and companies alike.

The Fund is a strong supporter of the United Nations' Paris Agreement and believes that policy makers, consumers, companies, and investors have a role to play in increasing awareness and enabling a just transition through strong governance.

As part of our commitment to achieving net zero by 2050 or sooner, the Fund aims to continue to develop best practice strategies and solutions to support this change alongside other industry actors. Noting that climate-aware decisions will be better with accurate, relevant, complete, and comparable data, the Fund is engaging to increase disclosure and aid development of policy instruments.

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

Engagement and Collaboration

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

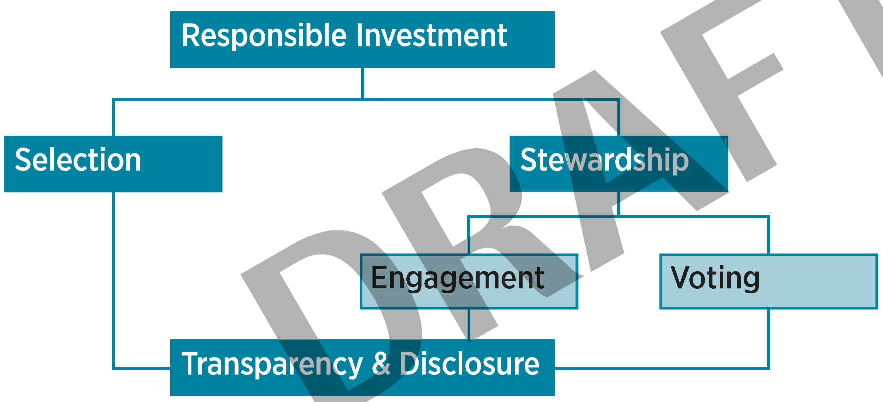
The Fund believes that it will improve its effectiveness by acting collectively with other like-minded investors because it increases the likelihood that it will be heard by the company, fund manager or other relevant stakeholder compared with acting alone. The Fund recognises the need to operate at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

[1] World Economic Forum: Global Risks Report 2023, Global Risks 2033, Tomorrow's Catastrophes

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

3 APPROACH

Either directly or through Fund management arrangements, the Fund aims to put its RI beliefs into practice both before the investment decision - through the selection and appointment of managers, and after - through the monitoring of managers and Fund performance, review of portfolio company holdings and ongoing implementation of the Fund's Strategic Asset Allocation and decision marking processes.



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

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

Selection
The Fund aims to be aware of and monitor financially material RI issues in the context of investment and manager selection, whether this is through directly appointed external managers, or funds managed by our pool company, LGPS Central Ltd ("LGPS Central").

The Fund collects the following information from each manager during the selection process, where applicable to the asset class:

- Copy of their RI or stewardship policies (or equivalent) which articulates how RI factors, whether stemming from research, stewardship activities or other sources, are integrated into their investment process.
- Case studies or examples of where RI issues have influenced an investment decision.
- Information on the process for integrating any third-party RI data into their company financial models, investment strategies and portfolio construction.
- RI reporting format, incorporating both quantitative and qualitative risk assessment.
- Whether they are a signatory of the Principles for Responsible Investment (PRI) and FRC UK (or other) Stewardship Code.
- Fee transparency and evidence of disclosure, noting commitment to sign-up to the 'LGPS Code of Transparency'[2] as a condition of appointment.

Appointment
The Fund assesses the RI capability of a fund manager as a factor within each of the people, process, and performance categories. In its decision to appoint a fund manager, the Fund takes a balanced consideration of all relevant factors including RI.

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

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

[2] LGPS Scheme Advisory Board - Code of Transparency (lgpsboard.org)

Monitoring
Each fund manager is expected to report[3] at agreed intervals to the Fund on how their RI activities are contributing to improved long-term risk-adjusted returns. Additionally, the Fund will routinely meet with its fund managers to monitor their performance and level of RI integration.

Examples of information that can be provided in aid of this objective include but are not limited to the following:

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

Transparency and Disclosure
The Fund aims to keep its beneficiary members, Governing Bodies, and regulators aware of its RI activities through:

- disclosing RI policy documents publicly, e.g. Responsible Investment Framework, Climate Change Framework and Strategy and Voting Principles;
- providing a public summary of the Fund's RI activities, including engagement and voting activity[4], in the Annual report and Accounts and the Annual Stewardship Report;
- providing a public summary of the Fund's RI activities in quarterly reports to the Fund's Pensions Committee;
- publishing aggregate voting and company engagement statistics on a quarterly basis; and
- disclosing the Fund's approach to managing climate change risk publicly in the Climate-Related Financial Risk report, using the recommendations made by the Taskforce on Climate-related Financial Disclosures framework (TCFD).

Additionally, the Fund has engaged directly with members via regular communications such as member newsletters and RI-specific leaflets as well as participating in face-to-face member events including Active and Pensioner Member Engagement Forums.

[3] Refers to either formal written reporting and to informal verbal communications, which can be regular and/or ad-hoc in frequency.

[4] In line with Regulation 57 of the 2013 Regulations.

LGPS Central Limited
Since April 2018, Fund assets have transitioned into the LGPS investment pool, and pooled vehicles created by LGPS Central. The pool company has developed a leading approach to RI, requiring all products to meet and retain a standard for RI-integration and thereby supporting Partner Funds in the execution of their individual RI policies.

RI integration features in the investment process for all major asset classes; a suite of RI polices are in place together with an appointed engagement provider to support regular engagement, monitoring and reporting, as detailed in the LGPS Central Responsible Investment and Engagement Framework , which the Fund reviews on an annual basis.

As part of an advisory agreement, LGPS Central provide the Fund with ongoing monitoring of the Fund's assets held outside the pool which incorporates views on the level of RI integration undertaken by fund managers.

4 STEWARDSHIP

Engagement
Engagement, either directly or collaboratively, plays a key part in the Fund's approach to risk management of financially material investment factors. The Fund holds the view that engagement positively influences company behaviour and enhances shareholder value, influence that would be lost through a divestment only approach. In scenarios in which engagement fails, an appropriate escalation methodology, such as voting, may be adopted.

Investee Companies
The Fund's approach includes bottom-up engagement – which targets improvements on specific issues at individual companies, predominantly through fund managers – and top-down engagement – which identifies themes of long-term economic significance and of relevance for stakeholders (see Section 5 - Engagement Themes for 2024 - 2027). The Fund will, either directly, collaboratively or through specialist service providers or fund management arrangements:

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

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

The engagement providers and partnerships the Fund leverages to drive positive outcomes are outlined in Section 6 – Memberships and Partnerships.

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

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

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

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

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

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

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

Voting
The Fund uses its shareholder rights to influence and signal to companies to address material ESG issues and escalate engagements where necessary by voting against company proposals, board members and directors of the company. The Fund's Voting Principles outline the Fund's approach and key considerations when exercising its voting rights. The Voting Principles is reviewed on an annual basis and has been developed in conjunction with LGPS Central and through dialogue with the Fund's equity managers.

The Fund's voting rights are executed by LGPS Central, and their appointed engagement provider, EOS at Federated Hermes. Voting recommendations, aligned with the Fund's Voting Principles, are input to the Institutional Shareholder Services (ISS) platform and are cast if there is no further intervention, except in the case of share-blocking votes. The Fund takes a pragmatic approach to ensure efficiency towards the voting process, alignment to the Fund's beliefs and to maximise the Fund's voting rights.

In instances where the Fund has core engagements or significant holdings, a "Voting Watch List" of approximately 50 companies is established to enable scrutiny ahead of a company's Annual General Meeting (AGM). This is shared with EOS, who provides detailed analysis to substantiate their voting recommendations and provide an opportunity for discussion before the vote where necessary. The Fund's pool provider attends the AGMs of core Climate Action 100+ engagements and for any company with which they have filed a shareholder resolution, where feasible. This priority list of companies provides a layer of assurance to ensure the Voting Principles are executed accurately.

The Fund has an active securities lending programme, therefore trading restrictions are placed on certain securities during the voting season to maximise voting impact and emphasise shareholder concerns during engagement. A targeted approach is adopted to balance the cost implications against the voting benefits to high-risk companies identified though the Fund's Climate Risk Reporting and/or Climate Action 100+ engagements. These restrictions are lifted after the AGM season.

5 ENGAGEMENT THEMES FOR 2024-2027

The Fund is currently in the process of reviewing its engagement themes for 2024-2027. The proposed themes below reflect latest thinking and are subject to further review prior to being finalised in Q1 2024.

Climate Change and the Net Zero Transition
Climate Change is integrated into the Fund's investment beliefs as part of the overwhelming evidence of the risks and opportunities that it presents to the Fund's investments. It is the Fund's view that the scale of the impact of climate change is such that a proactive and precautionary approach is needed to manage climate risks and opportunities through integration within the Fund's investment strategy and the commitment to achieve net zero by 2050. The Fund's approach, including identification, assessment and management of climate-related risks is detailed in a standalone policy and climate-related financial disclosures report. The Fund has a proactive programme of climate change stewardship, primarily by leveraging its strategic partnerships and through its support to the Transition Pathway Initiative, the Climate Action 100+ Initiative, and the Institutional Investor Group on Climate Change.

Resource Efficiency and the Circular Economy

Resource efficiency is increasingly important given the continued increase in demand for materials and resources. Natural ecosystems are intrinsically linked to all aspects of our economy from the supply of raw materials for consumer goods, providing and sustaining global food systems, to acting as carbon sinks to prevent disastrous effects of climate change. There is a strong need to integrate nature, address nature-related risk and transition towards a circular economy to help mitigate against the increasing loss of biodiversity, the increasing impacts of climate-related disasters and the fragility of the world's global food system. The Fund will look to partner and engage through its engagement providers and collaborations to actively promote resource efficiency and push towards a circular economy.

Social Equality

Human beings are pivotal in our companies, our societies, and therefore our global economies. Ensuring that people's needs are met, not only is a financial necessity and linked to higher financial returns but demonstrates a company's strength and ability to nvest into their workforce, consider the social impacts of their products on consumers and create positive impact to the communities they serve. The Fund aims to looks to consider various social factors during the investment process, not limited to Equality Diversity and Inclusion (EDI), human rights, working conditions, product safety, supply chain transparency and more. The Fund will continue to address these issues through the research, analysis and engagements conducted by all engagement partners including the Local Authority Pensions Fund Forum and LGPS Central pool.

Forward-Thinking Governance

Strong governance forms the foundation of a business, in the way that the company sets targets and ambitions, the identification and management of business-related risks and the efficiency and productivity of its operations. Change, driven through engagement with companies, is more effectively driven in companies with the effective governance structures and personnel in place to enact those changes. The Fund continues to identify and engage on a wide range of governance issues including but not limited to the composition of a company's Board, shareholder risks, remuneration practices, data security risks and responsible tax behaviour.

6 MEMBERSHIPS AND PARTNERSHIPS

Memberships are reviewed on a regular basis.

Organisation/Initiative Name	About the Organisation/Initiative Name
Local Authority Pension Fund Forum (LAPFF)	The Fund is a founding member of the Local Authority Pension Fund Forum (LAPFF) and the Fund's Executive Director of Pensions is currently LAPFF's Honorary Treasurer. LAPFF is the UK's leading collaborative shareholder engagement group encompassing 87 local authority pension funds and seven investment pools from across the country with combined assets of around £350 billion. The Fund is an active participant in LAPFF's engagement programs. Membership of LAPFF provides the Fund with: • independent research and advice on the RI risks of companies to inform further stakeholder engagement; • advice on the governance practices of companies; and • a forum to engage with companies to improve governance practices.
Institutional Investors Group on Climate Change (IIGCC)	The Fund is a member of the Institutional Investors Group on Climate Change (IIGCC), which is an influential asset owner and asset manager membership body and the largest one focusing specifically on climate change. IIGCC helps define the investment practices, policies and corporate behaviours required to address climate change.
Climate Action 100+	The Fund is a member of Climate Action 100+ - an engagement collaboration of more than 700 investors with a combined $68 trillion assets under management. CA100+ engages 166 companies on climate risk that are responsible for 80% of global industrial greenhouse gas emissions.
Transition Pathway Initiative (TPI)	The TPI is a global, asset-owner led initiative which assesses companies' preparedness for the transition to a low carbon economy. Rapidly becoming the go-to corporate climate action benchmark. The Fund, via LGPS Central, supports the TPI Global Climate Transition Centre, an independent source of research and data into the progress being made to transition to a low-carbon economy, created for the global investor community and supported by collective $50trn AUM.

Organisation/Initiative Name	About the Organisation/Initiative Name
Principles for Responsible Investment (PRI)	PRI is the largest RI-related organisation globally, and helps with research, policy influence and collaborative engagement. The Fund has been as a signatory of the PRI since 2010 and continues to annually assess the quality of our RI activities against PRI's requirements and assessments.
UK Stewardship Code 2020	The Fund is a signatory to the UK Stewardship Code 2020 which sets high stewardship standards for pension funds including the annual assessment of our Annual Stewardship Report.
Paris Aligned Asset Owners Initiative (PAII)	The Fund is a signatory to the PAII which is a collaborative investor-led global group made up of 56 asset owners with over $3.3tn in assets. The PAII helps support investors to align their portfolios and activities to the goals of the Paris Agreement.
Asset Owner Diversity Charter (AODC)	The Fund is a founding member of the AODC which looks to formalise a set of actions for asset owners to commit to in order to improve diversity across the investment industry.

7 APPENDIX: GLOSSARY OF TERMS

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

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

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

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

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

Pensions Committee
Body established by City of Wolverhampton Council (the administering authority) in charge of the management of the administration of benefits and strategic management of the Fund, including Fund assets. The Committee includes representatives from the seven West Midlands metropolitan district councils and local trade unions.

Socially Responsible/Social Impact Investments
Investments that deliver social impact as well as a financial return are often described as "social investments".

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

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

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

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

West Midlands Pension Fund
PO Box 3948
Wolverhampton
WV1 1XP

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LGPS Central Limited

Federated Hermes EOS

Engagement Report

Q3 2023

West Midlands Pension Fund

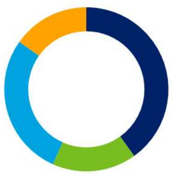
EOS at Federated Hermes

Engagement by region

We engaged with 221 companies held in the West Midlands Pension Fund portfolio on a range of 718 environmental, social and governance issues and objectives

Global

We engaged with 221 companies



Environmental 40.1%
Governance 16.6%
Social 28.1%
Strategy, Risk & Comm 15.2%

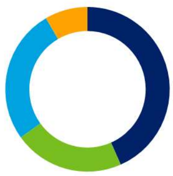
Australia & New Zealand

We engaged with 14 companies

Environmental 62.1%
Governance 13.8%
Social 13.8%
Strategy, Risk & Comm 10.3%

Developed Asia

We engaged with 34 companies



Environmental 43.4%
Governance 21.7%
Social 26.5%
Strategy, Risk & Comm 8.4%

Emerging & Developing Markets

We engaged with 26 companies

Environmental 37.6%
Governance 21.2%
Social 27.1%
Strategy, Risk & Comm 14.1%

Europe

We engaged with 53 companies

Environmental 38.8%
Governance 16.9%
Social 24.7%
Strategy, Risk & Comm 19.7%

North America

We engaged with 73 companies

Environmental 36.0%
Governance 14.4%
Social 33.5%
Strategy, Risk & Comm 16.2%

United Kingdom

We engaged with 21 companies

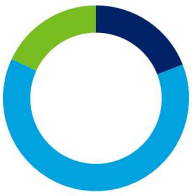
Environmental 50.8%
Governance 13.8%
Social 24.6%
Strategy, Risk & Comm 10.8%

Engagement by Meta theme

We engaged with 221 companies held in the West Midlands Pension Fund portfolio on a range of 718 environmental, social and governance issues and objectives

Environmental

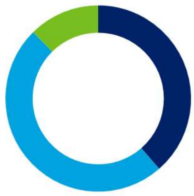
Environmental topics featured in 40.1% of our engagements



- Circular Economy & Zero Pollution 19.1%
- Climate Change 62.8%
- Natural Resource Stewardship 18.1%

Social

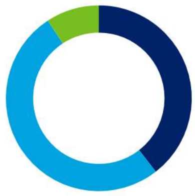
Social topics featured in 28.1% of our engagements



- Human & Labour Rights 38.6%
- Human Capital 49.0%
- Wider Societal Impacts 12.4%

Governance

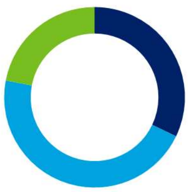
Governance topics featured in 16.6% of our engagements



- Board Effectiveness 39.5%
- Executive Remuneration 51.3%
- Investor Protection & Rights 9.2%

Strategy, Risk & Communication

Strategy, Risk & Communication topics featured in 15.2% of our engagements



- Corporate Reporting 32.1%
- Purpose, Strategy & Policies 45.9%
- Risk Management 22.0%

LGPS Central Limited

Federated Hermes EOS

Voting Report

Q3 2023

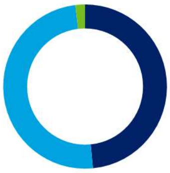
West Midlands Pension Fund

EOS at Federated Hermes

Over the last quarter we made voting recommendations at 262 meetings (3,205 resolutions). At 130 meetings we recommended opposing one or more resolutions. We recommended voting with management by exception at five meetings and abstaining at zero meetings. We supported management on all resolutions at the remaining 127 meetings.

Global

We made voting recommendations at 262 meetings (3,205 resolutions) over the last quarter.



- Total meetings in favour 48.5%
- Meetings against (or against AND abstain) 49.6%
- Meetings with management by exception 1.9%

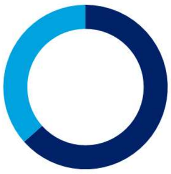
Australia & New Zealand

We made voting recommendations at 11 meetings (51 resolutions) over the last quarter.

- Meetings against (or against AND abstain) 100.0%

Developed Asia

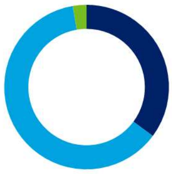
We made voting recommendations at 41 meetings (350 resolutions) over the last quarter.



- Total meetings in favour 63.4%
- Meetings against (or against AND abstain) 36.6%

Emerging & Developing Markets

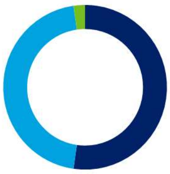
We made voting recommendations at 37 meetings (343 resolutions) over the last quarter.



- Total meetings in favour 35.1%
- Meetings against (or against AND abstain) 62.2%
- Meetings with management by exception 2.7%

Europe

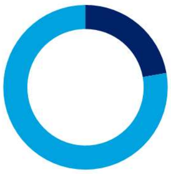
We made voting recommendations at 44 meetings (511 resolutions) over the last quarter.



- Total meetings in favour 52.3%
- Meetings against (or against AND abstain) 45.5%
- Meetings with management by exception 2.3%

North America

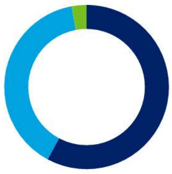
We made voting recommendations at 27 meetings (324 resolutions) over the last quarter.



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

United Kingdom

We made voting recommendations at 102 meetings (1,626 resolutions) over the last quarter.

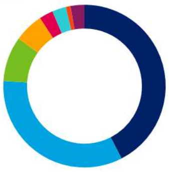


- Total meetings in favour 57.8%
- Meetings against (or against AND abstain) 39.2%
- Meetings with management by exception 2.9%

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

Global

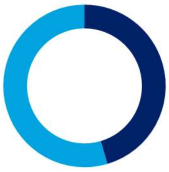
We recommended voting against or abstaining on 325 resolutions over the last quarter.



- Board Structure 42.5%
- Remuneration 33.5%
- Shareholder Resolution 8.9%
- Capital Structure + Dividends 5.8%
- Amend Articles 2.8%
- Audit + Accounts 2.8%
- Poison Pill/Anti-Takeover Device 0.9%
- Other 2.8%

Australia & New Zealand

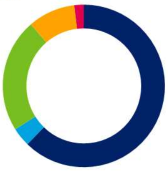
We recommended voting against or abstaining on 22 resolutions over the last quarter.



- Board Structure 45.5%
- Remuneration 54.5%

Developed Asia

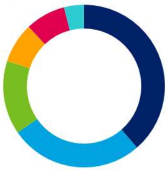
We recommended voting against or abstaining on 53 resolutions over the last quarter.



- Board Structure 62.3%
- Remuneration 3.8%
- Shareholder Resolution 22.6%
- Capital Structure + Dividends 9.4%
- Amend Articles 1.9%

Emerging & Developing Markets

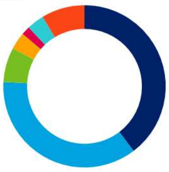
We recommended voting against or abstaining on 75 resolutions over the last quarter.



- Board Structure 38.7%
- Remuneration 26.7%
- Capital Structure + Dividends 14.7%
- Amend Articles 8.0%
- Audit + Accounts 8.0%
- Other 4.0%

Europe

We recommended voting against or abstaining on 58 resolutions over the last quarter.



- Board Structure 39.7%
- Remuneration 36.2%
- Shareholder Resolution 6.9%
- Capital Structure + Dividends 3.4%
- Amend Articles 1.7%
- Audit + Accounts 3.4%
- Other 8.6%

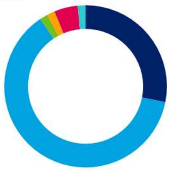
North America

We recommended voting against or abstaining on 53 resolutions over the last quarter.

- Board Structure 47.2%
- Remuneration 26.4%
- Shareholder Resolution 24.5%
- Amend Articles 1.9%

United Kingdom

We recommended voting against or abstaining on 64 resolutions over the last quarter.



- Board Structure 28.1%
- Remuneration 62.5%
- Capital Structure + Dividends 1.6%
- Audit + Accounts 1.6%
- Poison Pill/Anti-Takeover Device 4.7%
- Other 1.6%

Agenda Item No: 7

CITY OF WOLVERHAMPTON COUNCIL	**Pensions Committee** 13 December 2023

Report title	Budget Monitoring and Quarterly Accounts to 30 September 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 second quarter of the financial year, ended 30 September 2023, was £19.6 billion (£19.5 billion net investment assets).

2. As at the 30 September 2023, West Midlands Pension Fund forecast an underspend of £4.3 million at the year-end attributable to £2.0 million underspend on operational costs and £2.3 million underspend on investment management costs. Operational underspends primarily relate to employee costs. Forecast investment management expenses reflect that whilst the value of investments remains in line with the original budget, asset movements as part of the implementation of the strategic investment plan are expected to positively impact fees during the initial transition period.

1.0 Purpose

1.1 The purpose of this report is to update the Pensions Committee on the outturn at the end of the second 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 (September 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 September 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)	(581)	100
Total Operational Income	**(522)**	**(681)**	**(581)**	**-**
Employees	9,260	12,773	11,043	(1,730)
Professional Fees	1,872	1,921	1,883	(38)
Service Development	1,495	1,653	1,385	(268)
Communications and Computing	829	924	877	(47)
Premises	593	757	786	29
Support Services	705	860	860	-
Other Supplies and Services	429	746	720	1
Transport	36	47	32	(15)
Total Operational Expenditure	**15,219**	**19,681**	**17,586**	**(2,095)**
Net Operational Expenditure	**14,697**	**19,000**	**17,005**	**(1,995)**
External Investment Management Costs	90,404	97,558	95,732	(1,826)
LGPS Central Charges	5,047	6,181	5,721	(460)
Total External Investment Costs	**95,451**	**103,739**	**101,453**	**(2,286)**
Total Management Expenditure	**110,148**	**122,739**	**118,458**	**(4,281)**

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 the 6-month stage in the reporting cycle it is anticipated that there will be an underspend on employees (£1.7 million) reflecting vacancies and known staffing movements.

2.3 In monitoring the year to date operational spend against budget to date the Fund has noted additional underspends against budget. These are partially driven by the timing of confirming the annual pay award for 2023/24 (with pay rates only confirmed in November

2023), as well as the ongoing challenges around recruitment to new and existing positions within the budget. This is due to low levels of unemployment across the country and the specialist nature of many of the roles within the Fund, as well as the delay in agreement to pay rates. In a report to the most recent Audit and Risk Committee within City of Wolverhampton Council, the West Midlands Pension Fund was identified as having one of the highest recruitment rates across the Council, despite this headcount has remained static over the last 12 months with new posts remaining vacant due to the recruitment challenges. The development of Fund resource is discussed in a separate paper to this Committee meeting.

2.4 The Fund is monitoring these underspends and actively working to reallocate resources to further support the implementation of the Pension Administration System and support the achievement of the wider Corporate Plan. Forecasts will be updated throughout the year to reflect the use of resources and are expected to result in a reduced underspend by the year end, at this time.

2.5 Alongside the underspend against employee costs the Fund has reprioritised some of its Service Development projects to maintain focus on the Pension Administration System implementation, but also in response to changing legislative deadlines, for example the rescheduling at national level for the implementation of pension dashboards. These changes result in a forecast underspend during the year of £268,000 however many of these costs will now be incurred in future years.

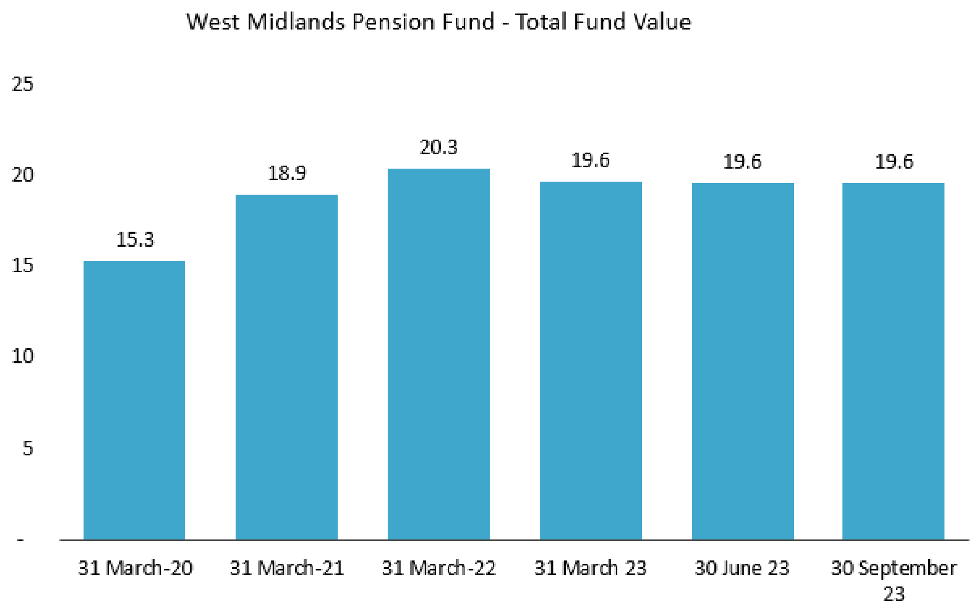
2.6 As previously noted, savings in Professional Fees relate to the additional funding the Fund has received backdated funding for the two previous financial years to support the increased external audit fees resulting from the expansion of the audit remit in recent years. This funding was not received until after previous years accounts had been finalised and is therefore included within the accounts for 2023/24.

2.7 The forecast for investment management expenses has been updated to reflect the holdings during the period with a higher level of assets held in cash during the period as part of the process of transitioning to the new investment strategy position, however overall asset values remain in line with the budget. Investment management costs are by their nature heavily influenced by market movements and investment performance and will therefore fluctuate during the year. The Fund continues 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. The outcome of these benchmarking activities is reported to Pensions Committee as they become available.

2.8 Investment costs remain a key component throughout the Fund's investment decision making as part of Value for Money considerations, this is particularly important as the Fund continues to implement 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 September 2023.



3.2 The Net Assets Statement estimates a value of £19.6 billion for the Fund at 30 September 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 September 2023.

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WEST MIDLANDS PENSION FUND ACCOUNTS FOR THE SIX MONTHS TO 30 SEPTEMBER 2023

Fund Account

2022/23 £m		6 months to 30 September 2023 £m
	Contributions & Benefits	
451.8	Contributions Receivable	240.6
19.7	Transfers In	11.7
13.0	Other Income	12.7
484.5	**Total Contributions and Other Income**	**265.0**
(722.7)	Benefits Payable	(362.6)
(40.9)	Payments To and On Account of Leavers	(13.3)
(0.1)	Other Payments	(0.4)
(763.7)	**Total Benefits and Other Expenditure**	**(376.3)**
(110.0)	**Management Expenses**	**(57.7)**
	Returns on Investments	
78.2	Investment Income	23.1
(355.4)	Changes in Value of Investments	109.1
(42.0)	Revaluation of bulk annuity insurance buy-in contract	-
(319.2)	**Net Return on Investments**	**132.2**
(708.4)	**Net Increase in the Fund During the Period**	**(36.8)**
20,334.4	**Net Assets of the Fund at the Beginning of the Period**	**19,626.0**
19,626.0	**Net Assets of the Fund at the End of the Period**	**19,589.2**

WEST MIDLANDS PENSION FUND ACCOUNTS FOR THE SIX MONTHS TO 30 SEPTEMBER 2023

Net Assets Statement

31 March 2023 £m		30 September 2023 £m
	Investment Assets (at Market Value)	
215.3	Bonds	194.9
43.0	UK Equities	53.3
2,389.4	Overseas Equities	2,344.8
15,121.9	Pooled Investment Vehicles	14,152.7
1,007.9	Property (Direct)	1,042.6
114.0	Foreign Currency Holdings	66.3
548.4	Cash Deposits	1,697.6
-	Other Investment Assets	-
5.7	Outstanding Dividend Entitlement and Recoverable With-Holding Tax	3.1
19,445.6	**Investment Assets**	**19,555.3**
	Investment Liabilities (at Market Value)	
(2.4)	Derivatives - Swaps	(3.0)
(2.4)	**Investment Liabilities**	**(3.0)**
19,443.2	**Net Investment Assets**	**19,552.3**
118.0	**Bulk annuity insurance buy-in policy**	**118.0**
6.0	**Long-Term Debtors**	**-**
82.2	**Current Assets**	**0.3**
(23.4)	**Current Liabilities**	**(81.4)**
19,626.0	**Net Assets of the Fund at the End of the Period**	**19,589.2**

Agenda Item No: 8

CITY OF WOLVERHAMPTON COUNCIL	**Pensions Committee** 13 December 2023

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 compliance monitoring activity undertaken during the quarter.
3. The Fund's Annual Report and Accounts which have been published on the Fund's website in accordance with the statutory deadline of 1 December 2023.

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 current business change and transformational program and the impact this is having on the Fund's customers, working with suppliers to monitor and prioritise workloads to ensure the calculation and payment of pension benefits.

2.3 Ongoing national and regulatory change with the published outcomes of anticipated consultations together with the increased reporting and oversight has the potential to disrupt focus on value added activity where there is a lack of consistency in approach.

2.4 Resource risk continues to be a focus for the Fund with the Fund's ability to attract and retain key knowledge and skill in an ever-competitive market.

2.5 The risk register is attached at appendix A.

3.0 Key Performance Indicators (KPIs)

3.1 Further to the transition to the new administration system, work is being undertaken to develop comparator reporting from the previous quarter (reporting from the previous system). Details outlining workload management during the transition period, workload volumes and delivery for the current period are covered in separate reports to the Committee. The Governance and Assurance team are working with Operation Managers to build comparator reporting as understanding of the data and process mapping in the new system develops.

3.2 The Governance and Assurance team are satisfied that there is effective workload monitoring and due diligence in place at this time to monitor and ensure timescales for current work are being monitored in the assessment and identification of workload priorities.

4.0 Compliance Monitoring

4.1 Data Protection

4.1.1 This quarter the Fund are reporting three data breaches, a reduction of seven from the previous quarter. Analysis of breaches identified that each was considered low risk 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. 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 five 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, asset holdings and queries around procurement of contracts. The information relating to which are publicly available to requestors by alternative means.

4.3 Subject Access Requests (SARs)

4.3.1 The number of SAR requests received this quarter has decreased by six, with six requests being received in total. The statutory deadline for responses was met in all instances. Four of the requests received were from third party companies, with one request 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 obtains consent from the member prior to releasing information to third parties.

5.0 Annual Report and Accounts

5.1 In accordance with the statutory deadline of 1 December 2023, the Fund's Draft Annual Report and Accounts have been placed on the Fund's website, a link to which is included within the background papers of this report.

5.2 As well as being published in the Fund's own Annual Report, the Fund's accounts are included in the Statement of Accounts of the City of Wolverhampton Council (CWC). The Fund's accounts will be certified by the external auditor, Grant Thornton, at the same time as CWC's accounts, an update on this process will be reported to the next meeting of the Committee. It should be noted that the audit of the Fund's accounts has been completed and the external auditor has indicated that an unmodified audit opinion will be issued.

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 Draft Annual Report and Accounts 2022-23: Corporate information | West Midlands Pension Fund (wmpfonline.com)

11.0 Schedule of Appendices

11.1 Appendix A - Strategic Risk Register.

Strategic Risk Register

October/November 2023

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	Regulatory	There continues to be an increased focus on the governance and regulation of LGPS Funds, including investment governance and decision making. A number of consultations are proposed/have been released which have the potential to generate reactionary responses to the governance of the LGPS.	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
		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 employers' auditors seeking independent assurance.	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. The Fund continues to engage with City of Wolverhampton Council and Grant Thornton on the completion of year end accounts.	HoF ADP
		Increasing focus on reporting and oversight which have the potential to misalign standards due to evolving metrics.	Increased reporting requests incoming from regulatory/national bodies in areas of Investment, climate, funding, customer servicing, with limited common industry	Compliance and risk				The Fund continues to enhance its reporting tools and data / information sets to meet multiple purpose, with current focus on supporting workload management,	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
			standards and potential for discrepancy with reporting useful information 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.					enabling statutory change (McCloud), Climate Reporting and Stewardship.	
2.	Economic Environment	Increased costs in service provision. Employer budgets/funding.	Continued cost of living and inflation pressures adding to increased cost to service delivery from third party suppliers as well as making products more expensive to buy from market. Continued pressures on employer finances in light of budget strains could see increased use/ask for employer flexibilities and/or funding and contribution considerations.	Operational Resilience Compliance and Risk People and Customers			⬇	The Fund has a long term outlook to funding and has an established employer risk management framework to support the review of covenant, including extended engagement and mitigation.	ALL
3.	Service delivery/business change	The ability of the Fund to maintain high standards of service delivery during periods of business change and transition. Service delivery by third party providers and their ability to keep the pace of change required in delivering Fund requirements and operations.	Ongoing service development to meet customer needs and improve overall experience resulting in short term impacts as the fund undergoes transformational change. The complex and moving environment in which the Fund operates requires it and its service providers to be flexible and able to adapt to business need.	Operational Resilience Compliance and Risk People and Customers			⬌	The Fund has a programme of customer engagement to support understanding of customer needs and builds a customer engagement plan each year to gain feedback on the enhancements to service offering. The Fund engages with suppliers throughout business change projects and ensures effective communication to the timings of service delivery needs. The Fund's contract management and oversight framework, ensures suppliers are managed	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
								against contracted service delivery.	
4	Resource risk	The Fund's ability to attract, retain and train our people in an ever evolving environment with competition for key knowledge resource and the ability of the Fund to ensure the long-term sustainability of Fund service delivery.	Increased market demand for specialist and scarce resource, creating turnover risk Employee wellbeing being impacted by high volume workloads and increasing demand on customer servicing needs during change.	People and Customers Operational Resilience				The Fund routinely reviews resourcing requirements and roles, informed by market research and benchmarking. The Fund has developed an extensive employee wellbeing program, with coaching sessions and mind set for success workshops offered in addition to the established Employee Assistance Programme and mental health first aid support.	ALL
5.	Investment	SAA/ISS implementation Risk of pace across LGPS Investment Pooling	Review and change in asset allocation and implementation takes longer than anticipated. Government has released it's outcome to the consultation on the future of LGPS Investments which seeks to drive forward the pooling agenda steer asset allocation. The Fund needs to work with partners to further develop the long term direction for LGPS Central pool	Investment strategy implementation Operational resilience Compliance and Risk				The Fund is supportive of the potential benefits offered by pooling and will work with relevant stakeholders to meet the objectives sought in the delivery of the Fund's adopted ISS.	ADIS ADIMS EDOP HGRA

Officers Responsible for Action

EDOP	Executive Director of Pensions
ADIS	Assistant Director Investment Strategy
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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Agenda Item No: 9

CITY OF WOLVERHAMPTON COUNCIL	**Pensions Committee** 13 December 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 July 2023 to 30th September 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 **1,294** members attended our presentations, webinars, workshops and other events. These were followed by **123** 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 **3** satellite support events to **84** 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 The Fund continues to promote aspects of our work via the social media platform LinkedIn. Since the last reporting period a further **10,198** people have interacted with a variety of articles. This is **2,513** more interactions than the same reporting period for 2022.

3.4 The Fund roadshow vehicle hosted events across the region, visiting educational establishments and commenced our annual District Roadshow events. During this reporting period we visited **16** locations and saw **827** members. Feedback from these events was **85%** of members rated them excellent, and **15%** rated very good.

3.5 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/navigation video.

3.6 The Fund continued to review and update our website, including revised publications, and we are also reviewing all website forms to ensure they are all fully electronic and up to date with current best practices and branding.

3.7 HR 360, the Coventry Bursars group, requested a member presentation at their schools and academies business meeting on the 30 June 2023. Feedback was very positive and also led to several school business managers booking further support to assist their members. We also received several requests to deliver Pension Roadshow events.

3.8 The Fund delivered its employer Mid-Year Review on the 4th July 2023. The event covered a variety of updates for employers and also an interactive employer panel.

3.9 Website content continues to be updated and there have been **401,857** web page views in this quarter. This is up by **154,116** compared to the last reporting period.

3.10 A new page on the website was designed called "**System Transition Update**", this page provides members with useful updates and progress on our system change, along with a host of FAQs and signposting to further support. Bulk emails have also been sent to members to provide relevant updates on our progress and achievements. Since this page was created in October 2023, **2,409** members have interacted with it.

3.11 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.

4.0 Customer Services

4.1 An overview of our front-line customer contact activity is shown in Appendix B. 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 July - September period when increased member communications were issued, which included new pensions portal registration letters, Be Smart newsletter, aged 55 campaign, deferred benefit statement and active benefit statement notification emails and text messages. The Fund has staggered mailings sent to members, which helps smooth 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 new pension administration system and the reduction in benefit processing which has led to delay in delivering information and benefits to members.

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 have continued to increase and are higher compared to previous years. 152 complaints were received during reporting period (compared to 57 in the previous quarter), of those complaints, 70% relate to processing delays resulting from the transition to the new Pensions Administration System and the planned period of downtime in July prior to go-live, together with ongoing internal training and development. The remaining 30% are related to Customer Experience resulting from increased customer contact, longer waiting and call handling times, and reduced service standards due to absences on the team.

6.0 Employer Engagement

6.1 Employer Peer Group

6.1.1 The Employer Peer Group is a collaborative working group driven by the Fund and employer representatives to collectively facilitate future improvement and change whilst helping to shape the support provided by the Fund.

6.1.2 The second session of the Fund's 2023/24 Employer Peer Group cycle, following initial meeting postponement, took place on 18th October via a hybrid meeting arrangement; 17 out of the 21 registered employer representatives were present. The nature of the meeting focused on the recent pension administration software transition, in order to gain valuable comments and feedback. As such, attendance was extended to one additional representative (per organisation) to include frequent system users. Outline meeting content included;

- **Functionality and processing within Employer Self-Service (ESS)**
  Employer representatives reflected on their own organisation's experience of the newly implemented system functionality such as navigation, processing and reporting capabilities within ESS, providing valuable feedback on system advantages, disadvantages and future considerations. Specific items addressed included matters relating to estimates, member change notifications, benefit processing and payment timescales, and additional reporting features.

- **Support available to employers in navigating ESS**
  Referencing the support and guidance available on the website – videos, FAQ's, troubleshooting guide, scheme packs, webinars etc – pertinent to the system transition, employer representatives outlined what worked well and recommended changes to support future improvements relating to guidance in order to support

self-service. Employer representatives were reminded to refer to the website to obtain the latest version of supporting guidance.

- **Member experience (to include Member Self Service)**
  Employer representatives referenced both primary and secondary feedback with regards to member experiences. The agenda segment included demonstrations from Fund representatives on additional screen views and employer representatives collectively suggested the introduction of receipt acknowledgment letters to members regarding the processing of pension benefits.

6.1.3 The feedback obtained following the meeting has been shared and actions recorded with a subsequent meeting due to be held in quarter 1 of 2024 to update on progress and provide a wider update on general system developments.

6.2 Employer Webinars

6.2.1 With focus on the delivery of training specific to the system transition, the Employer Services team has delivered a reduced programme of employer education over the quarter with 5 virtual sessions delivered to 50 attendees (a mix of both employers and payroll providers). Combined, these individuals represent over 70 employers and 16,000 active members within the Fund. The sessions are free to attend and provide a useful refresher for existing staff or as an introduction to processes for those who are new to Fund administration.

6.2.2 Sessions delivered over the quarter are set out below:

- WMPF Completing and Submitting your Final Statement
- WMPF Employer Discretions

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 4 meetings with organisations representing 26 employers. Collectively these employers are responsible for submitting data and payments for over 10,500 members.

7.0 Pension Administration System Transition Self-service Platforms

7.1 Member Self-Service

7.1.1 The new transition to the new Pensions Administration System brings a new and improved Pension Portal, with increased security to protect 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. Throughout this quarter the Fund has written to each member with their unique code to register for the portal. During this reporting period **33,637** members have registered with the new Portal. Total registrations currently stand at over **50,000.**

7.1.2 The Fund is in the process of writing again in print to all of our Active and Deferred members who have not registered on the new site to encourage members to take control of their benefits. This activity is taking place throughout the months of October to December.

7.1.3 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. During this reporting period **157,667** members have engaged with this portal support.

7.1.4 A suite of Pension Portal support is currently in design which includes member webinars to assist with members registering and navigating around the new site along with the opportunity to meet officers across the region face to face for help accessing our new member self-serve.

7.2 Employer Self-Service

7.2.1 Significant support continues to be offered to employers and delivered by the Employer team following the transition to Employer Self-Service (ESS), our new pension administration platform.

7.2.2 In total, **7** online training sessions have been delivered to employers as part of the transition. Across the sessions we have seen over **160** attendees, representing more than **90** employers within the Fund. The sessions covered the following topics:

- Reporting and Workflows
- Data Submission

7.2.3 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.

7.2.4 The team are continuing to support employers with queries regarding the new system by phone and email and they have also held 13 virtual meetings with employers to provide bespoke one to one support when using ESS. A plan is also underway to identify and reach out to more employers/payroll providers who we believe need greater support in these initial stages of go live.

7.2.5 In addition to the online training sessions, guidance documents and videos to assist with navigation can also be found on the Fund's website via the employer pages and also the dedicated systems transition page. A Frequently Asked Questions document has also been uploaded 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 Engagement since 30 September

8.1 Each Autumn the Fund provides Deferred & Active members with a newsletter which covers a variety of updates across the Fund, various important member information and covers topical issues in the LGPS. In October through to December the Fund has sent newsletters via paper print with a unique card to assist members to take control of their pension benefits and register for the Pensions Portal. A copy of the newsletter is also available for all to read on the Fund's Website.

8.2 The Fund offers bespoke member support to assist all employers with their individual workforce needs; we were approached by one large district council to request support with helping members understand the impacts that mandatory leave could have on benefits and also to show members how they buy back any lost periods. The Fund created a bespoke support package which included the delivery of several face to face and virtual events along with creating a video and an electronic leaflet.

8.3 The Pension Roadshow vehicle has been on the road delivering roadshow events at the **7** district locations across the West Midlands throughout September and October. **1,029** members came to see us with pension queries. This footfall represents a **30%** increase compared to the same district events last year. Extra resource was available at these events in anticipation of higher footfall due to members requesting pension portal support and help understanding their annual benefit statements.

8.4 A total of **388** Pension Saving Statements were sent to members on the 5 October 2023 who had exceeded the annual allowance limit. The Member Services team followed-up on the issue of these statements with offering high earners the chance to book on **4** Pension Tax Webinars, which **206** higher earners registered for (this was **75** more attendees than 2022). These webinars covered the changes to lifetime allowance and annual allowance along with signposting a range of support which is provided from videos to factsheets.

8.5 From October to December 2023 the focus of the hard-to-reach project has been to provide face to face support to adult services, library services and Parish councils across the region.

8.6 To encourage the further 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. These events are due to be advertised shortly and will be delivered in the first quarter of 2024.

8.7 The Fund delivered the 2023 pensioner engagement forum, designed for pensioner members to provide their feedback and thoughts to enhance a member's retirement journey for the future. Due to increased demand of attendees registering to be part of this event, the Fund held two forums, on the 27th October and the second on the 22nd November. Compton Care attended as a guest speaker along with a talk from Dementia friends. Pension Age and Alzheimer's UK also provided literature to assist members on a variety of subjects. The group provided some useful feedback in regard to advertising our "Tea & Teach" events which we will act upon when promoting these events next year. Other feedback will be published in the "You said, we did" part of the 2024 pensioner newsletter.

8.8 To support the ongoing transition to the new pensions administration system, on 16th November 2023 the Fund provided a tailored engagement session delivered to the seven local authorities, recognising their coverage of a significant proportion of the active membership. More recently, at the end of November 2023 the Fund issued a special Employer Briefing Note centred around employer self-service functionality and specifically the production of member benefit estimates.

9.0 Larger Fund Events

9.1 The Fund's Annual General Meeting, was held at i9 on the 30th November. The event was well attended and discussion extended to a wide range of topical issues, including the Autumn statement, progress following the pension administration system transition, changing funding and investment landscape and ideas for enhancing the Fund's customer engagement.

10.0 Financial Implications

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 2023 Active member newsletter: [Active Member Newsletter 2023 (wmpfonline.com)]

15.0 Appendices

15.1 Appendix A – Member Service Team Presentation Feedback – 1 July 2023 - 30 September 2023.

15.2 Appendix B – Customer Services Statistics.

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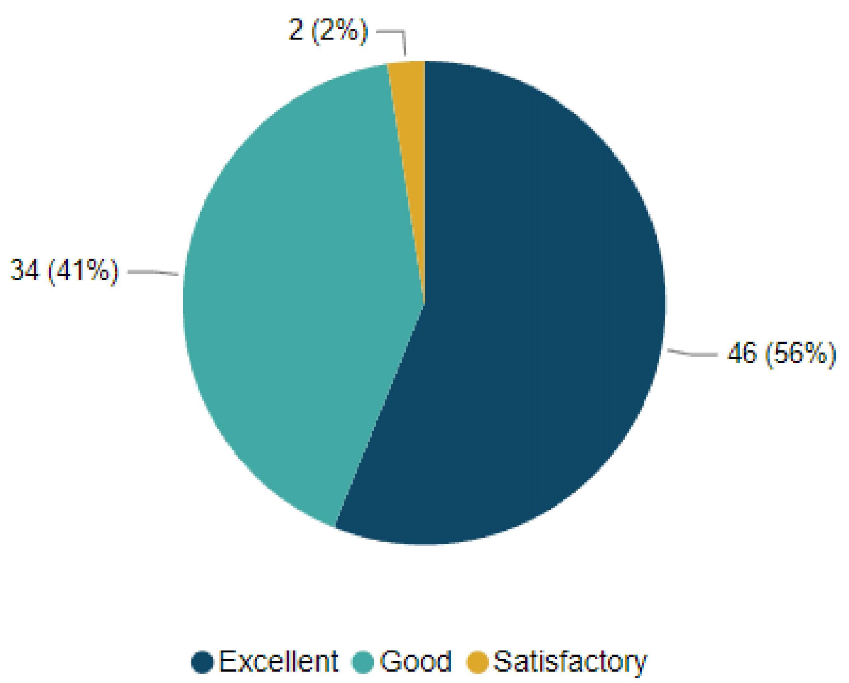
West Midlands Pension Fund

Member Service Team Presentation Feedback - 1st July 2023- 30th September 2023

Event Rating



Presenter Rating

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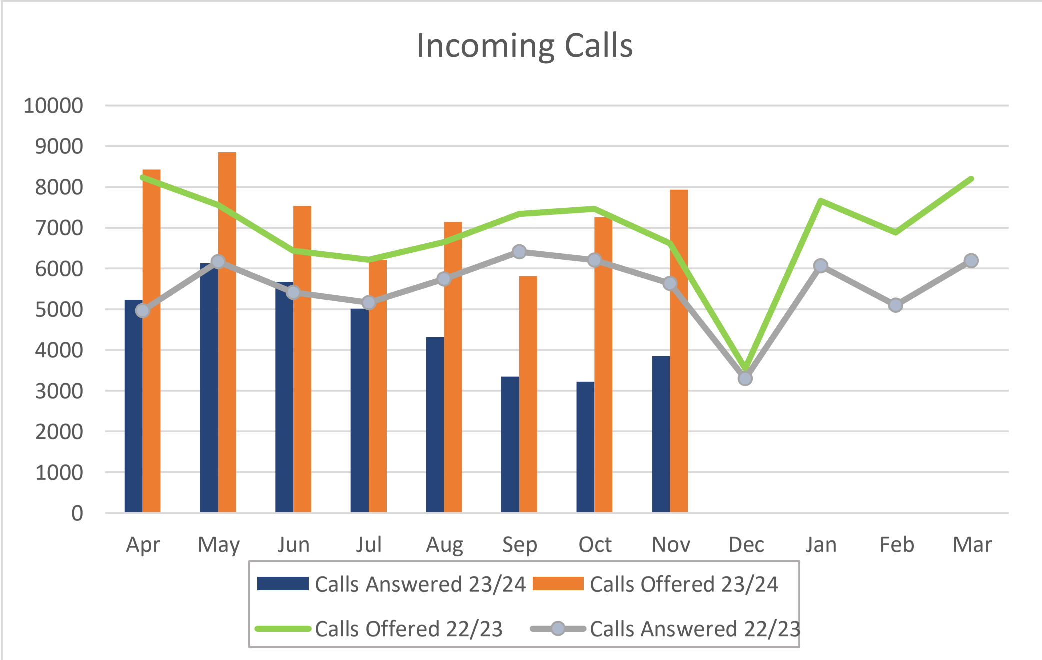
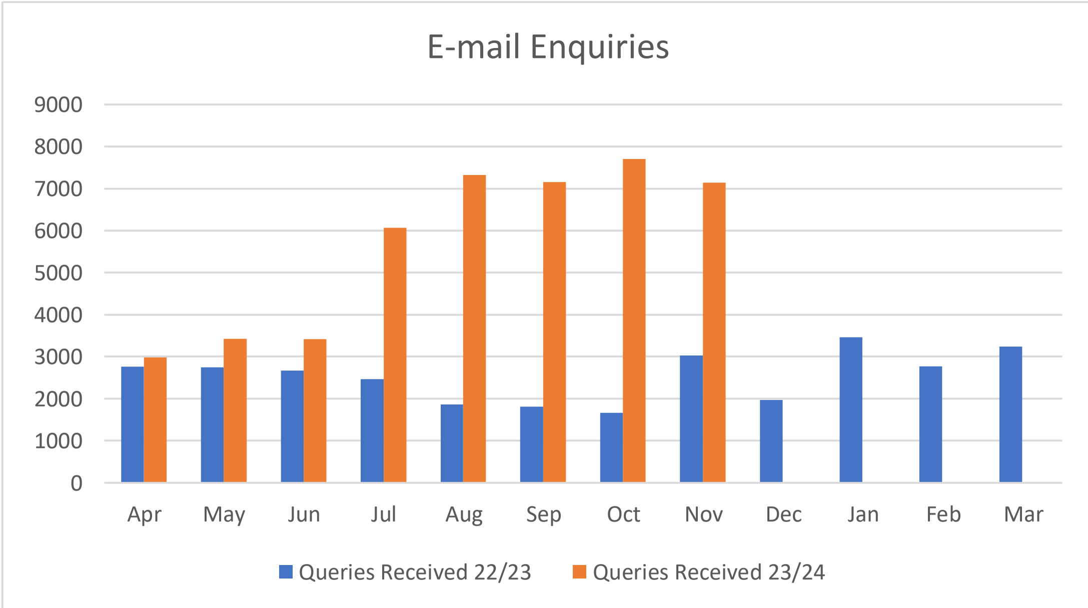
Appendix B: Customer Services Statistics



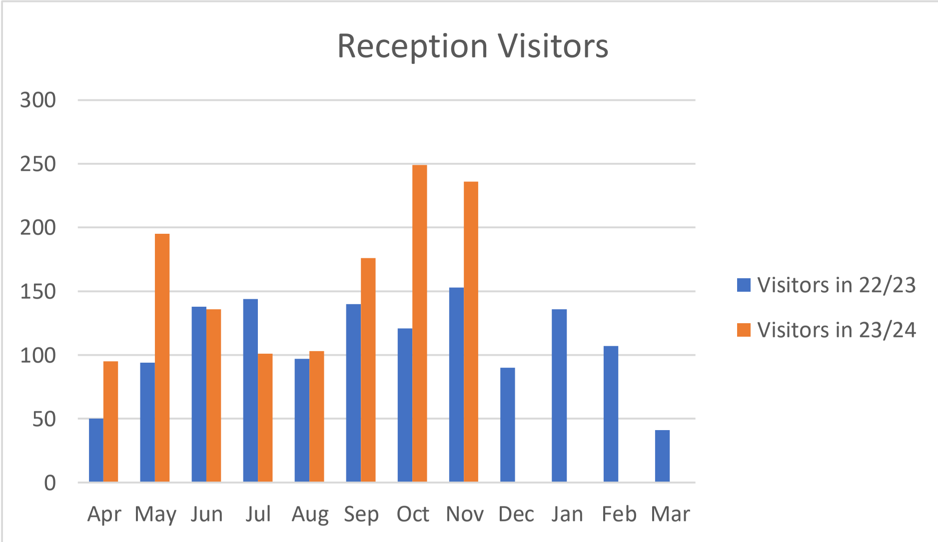
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Calls Offered 23/24	8427	8854	7537	6215	7143	5819	7262	7931		
Calls Answered 23/24	5234	6130	5674	5012	4319	3346	3216	3842		
Calls Offered 22/23	8231	7560	6432	6217	6647	7338	7465	6619	3540	7661
Calls Answered 22/23	4968	6171	5419	5166	5743	6414	6206	5635	3294	6064
Answer Rate	**62.11%**	**69.23%**	**75.28%**	**80.64%**	**60.46%**	**57.50%**	**44.29%**	**48.44%**		

Appendix B: Customer Services Statistics



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Queries Received 23/24	2980	3420	3412	6067	7327	7154	7707	7144		
Queries Received 22/23	2761	2741	2665	2460	1860	1807	1662	3023	1967	3456

Appendix B: Customer Services Statistics



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Visitors in 23/24	95	195	136	101	103	176	249	236		
Visitors in 22/23	50	94	138	144	97	140	121	153	90	136

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Agenda Item No: 10

CITY OF WOLVERHAMPTON COUNCIL	**Pensions Committee** 13 December 2023

Report title	Pensions Administration Report to 30 September 2023	
Originating service	Pensions 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

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Recommendation for decision:

The Pensions Committee is recommended to approve:

1. The delegation to the Chair of the Pensions Committee to approve the revised Internal Dispute Resolution Procedure (IDRP) policy statement change as detailed in Section 5 of this report following the required documentation review and consultation.

2. The 5 applications for admission from employers into the Fund as detailed in Section 8 and Appendix A of this report.

Recommendations for action:

The Pensions Committee is asked to note:

1. Performance and workloads of the key pension administration functions.

2. Development of the Fund's membership and participating employer base.

1.0 Purpose

1.1 To inform the Pensions Committee of the routine operational work undertaken by the Pensions Administration Service areas during the period 1 July 2023 – 30 September 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.

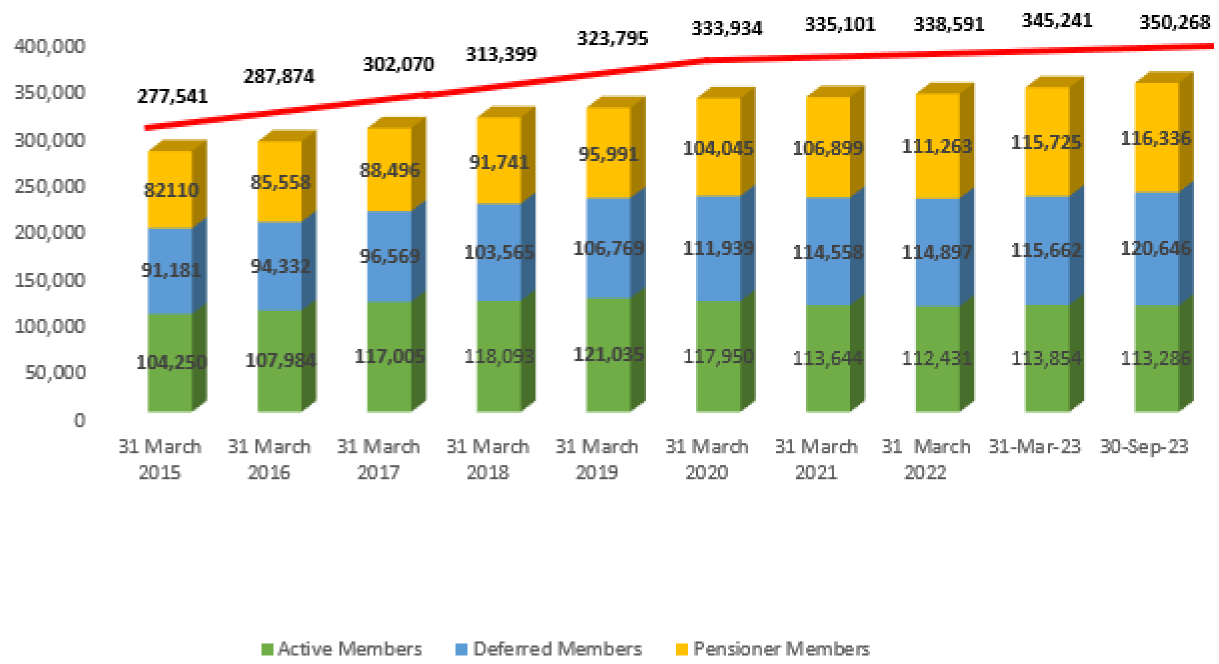
2.2 Noting this reporting period straddles the go-live date for the new pension administration system, the content may be slightly different to those in prior reports, with elements continuing to be developed for future reporting periods. The key information is expected to remain consistent and will develop during the year. We continue to work with our new provider to develop and analyse meaningful reporting metrics for quarterly and annual reporting, ensuring comparability and accuracy of reporting.

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 September 2023 stands at 350,268 with an overall increase since March 2023. 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 by more than active.

	Membership as at 30 June 2023	**Net Movements during the period**	**Membership as at 30 September 2023**
Active Members	113,224	62	113,286
Deferred Members	116,643	4,003	120,646
Pensioner Members	116,643	-307	116,336
Total Members	**346,510**	**3,758**	**350,268**



3.2 Workflow Statistics and Key Performance Indicators

3.2.1 To ensure all member records and live cases were transitioned across to the new system we had a planned period of downtime on processing prior to go-live. This, together with our continued and ongoing internal training and development means we have an increased volume of work to process, which will impact our delivery against normal service standards over the coming months. Casework and statistics are being monitored daily across a suite of new processes to monitor volumes incoming and completed and aid in the review and allocation of work. Processing rates during the quarter to 30 September were below the levels reported prior to go-live, with some improvement observed over October and November as experience improves and processes are refined.

3.2.2 Member quotations and payments, which includes Retirements, Refunds, Transferring of benefits in and out of the Fund, are being prioritised including review of payments following member bereavement. This prioritisation is in line with an established escalation process, based on individual circumstances and responsive to financial hardship, and with redistribution of internal resources to support.

3.2.3 Teams are focused on ensuring processes that include a payment are finalised for inclusion in the next available payroll. In addition, the Fund has also launched a supplementary payroll to ensure we can make payment of arrears throughout the month, allowing members to receive payments faster. All lump sum retirement payments are being paid as soon as possible (with daily runs) and an escalation process is available for the teams.

3.2.4 This process for escalation and prioritisation will continue to be monitored closely over the coming weeks and months as teams become more familiar with the new system and management reporting tools and processing rates increase.

3.2.5 Further information on initial processing rates and volumes is contained within the Pensions Administration System Transition update report. The Fund continues to develop reporting functionality to enable and track delivery performance aligned to established KPIs for use in case management and future reporting.

4.0 Transfer Out – All Casework

4.1 In total **19** individual transfer payments were made during the period, 1 July 2023 to 30 September 2023, resulting in a total amount transferred of £1,189,542. 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)	16	£1,077,914
Interfund (LGPS Fund)	0	£0
Additional Voluntary Contributions	3	£111,628

4.2 Non LGPS Transfers

4.2.1 During the period, 1 July 2023 to 30 September 2023, **65** transfer value quotations were issued to members considering transferring their benefits out of the scheme (by way of comparison, in the prior year, 1 July 2022 to 30 September 2022 418 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.

4.2.2 In total **19** transfer payments were made during the period, 1 July 2023 to 30 September 2023, (15 of these were to non-public sector schemes) resulting in a total amount transferred of £1,189,542, (in the prior year 1 July 2022 to 30 September 2022 a total of 33 transfer payments were made totalling £1,285,971). 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	9	2
£30,001 to £100,000	3	
£100,001 to £200,000	2	2
£200,001 to £300,000		
£300,001 to £400,000		
£400,001 to £500,000	1	
Above £500,001		
Total	**15**	**4**

4.2.3 Analysis has been undertaken of the Transfer out requests to non-public sector or occupational schemes over the period of July to September 2023 to review the volume and trends. During the period, a total of 15 non-public sector or occupational scheme transfer out reviews were undertaken by the transfer panel, to a total of 11 different receiving schemes. There were 9 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 48 years with the main reasons for members transferring out was release cash/flexible draw down (members over 55).

5.0 Internal Dispute Resolution Procedure (IDRP) Casework

5.1 For the reporting period, two cases have been referred to Stage One which were partially upheld (two cases have progressed to Stage Two and are under investigation).

5.2 A small amendment is proposed to the IDRP Policy Statement to remove the statement that unreasonable delays to payment of benefits can be raised as a dispute. This is because IDRPs are generally considered an escalation based upon decisions made and in accordance with the LGPS Regulations. As such, delays to payment fit better within the context of the complaints process as a means for member resolution.

6.0 Pensions in Payment

6.1 The gross annual value of pensions in payment to September 2023 was £641m, £15.6m of which (£8.8m for pensions increase and £6.8m for added year’s compensation) was recovered from employing authorities and other bodies as the expenditure was incurred.

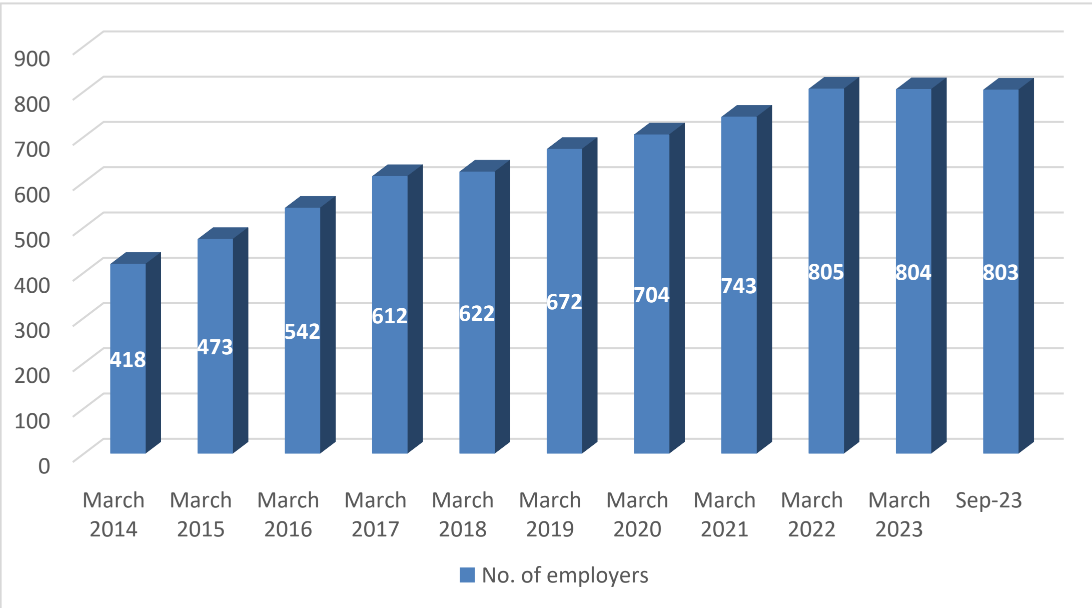
6.2 Monthly payroll details were:

Month	Number	Value £
July 2023	£94,594	£46,382,763
August 2023	£94,459	£45,819,993
September 2023	£105,947	£46,915,708

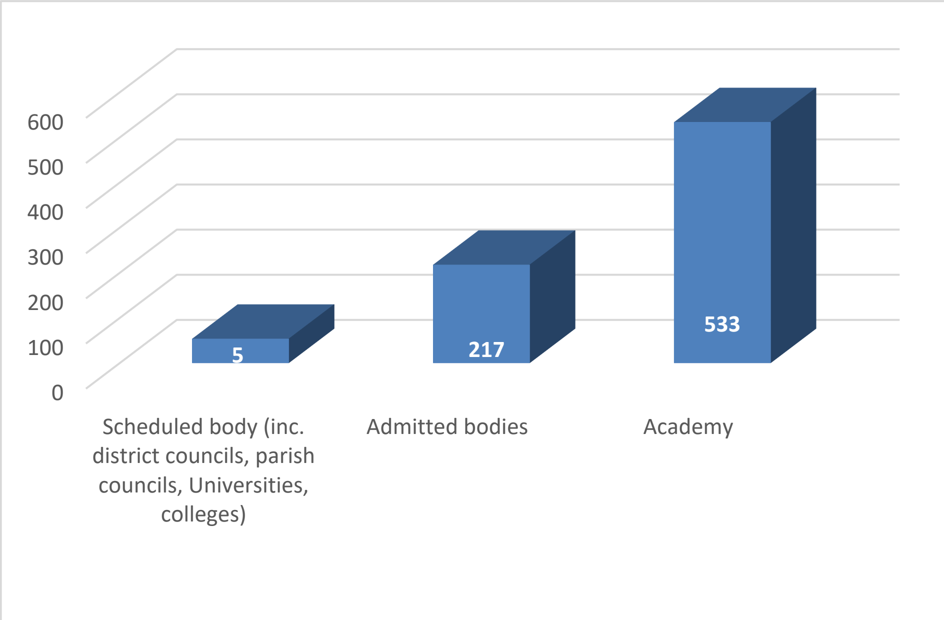
The September figure includes pensioners paid on a quarterly basis.

7.0 Employer Membership

7.1 During the period, the Fund has seen a decrease in employer numbers, with the overall number of employers registered with the Fund standing at 803 at 30 September 2023. Overall, there has been an 92% increase since March 2014 as shown in the graph below, however, for 2022/23 the rate of increase has slowed relative to previous years. It is anticipated that a more moderate increase will continue to be observed going forward, although the lower numbers since 2021 may in part be due to a reduced rate of outsourcing and increased employer exits exacerbated by the Covid pandemic.



7.2 The employer base as at 30 September 2023 is categorised into the following employer types:



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

- 79 admission agreements
- 19 academies
- 105 employer terminations

8.0 Application for Admission Body Status

8.1 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.

8.2 There are 5 approvals requested from Committee in regard to applications for admission to the West Midlands Pension Fund, these are detailed in Appendix A.

9.0 Financial Implications

9.1 The report contains financial information which should be noted.

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

10.0 Legal Implications

10.1 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.

11.0 Equalities Implications

11.1 There are no direct equalities implications.

12.0 All Other Implications

12.1 There are no other potential implications.

13.0 Schedule of Background Papers

13.1 IDRP Policy Statement: March 2021

14.0 Schedule of Appendices

14.1 Appendix A – Admitted Bodies Applications December 2023.

Appendix A: Admitted Body Applications December 2023

Employer name	Guarantee Status (Agreement)	No. of employees (Scheme members) Agreement type	Status (Approved/pending approval)
Solo Service Group Ltd - Walsall School	Walsall MBC	1 (1) Closed	Pending approval
Alliance in Partnership Ltd (King Edward VI Academy Trust)	KEVI Academy Trust	19 (8) Closed	Pending approval
Pendergate Limited (St Pauls School for Girls)	Birmingham CC	1 (1)	Pending approval
Taylor Shaw (United Learning Trust)	United Learning Trust	4 (4) Closed	Pending approval
Aspens Services Ltd (BOA Stage and Screen Production Academy)	Birmingham Ormiston Academy	2 (2) Closed	Pending approval

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