

**Time** 2.00 pm **Public Meeting?** NO **Type of meeting** Pensions  
**Venue** West Midlands Pension Fund, i9 Offices, Wolverhampton Interchange, Railway Drive, Wolverhampton, WV1 1LD

## Membership

### Employer Representatives

Paul Johnson (Chair)  
Joe McCormick  
Ian Martin  
Mark Smith  
Jacqueline Carman

### Member Representatives

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

### Observer Member

Steve Smith

The Quorum requires, at least one member from each category of member and employer representatives. If the Chair and Vice Chair are not present a Chair will be nominated by majority from those in attendance.

## Information for the Public

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

**Contact** Fabrica Hastings  
**Tel/Email** Fabrica.Hastings2@wolverhampton.gov.uk 01902 552873  
**Address** Democratic Services, Civic Centre, 1st floor, St Peter's Square, Wolverhampton WV1 1RL

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Please take note of the protocol for filming, recording and use of social media in meetings, copies of which are displayed in the meeting room.

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

# Agenda

## Part 1 – items open to the press and public

- | <i>Item No.</i> | <i>Title</i>  |
|-----------------|---|
| 1               | <b>Election of Local Pensions Board Chair</b>   |
| 2               | <b>Election of Local Pensions Board Vice Chair</b>  |
| 3               | <b>Apologies for Absence</b>  |
| 4               | <b>Declaration of Interests</b>   |
| 5               | <b>Minutes of Previous Meeting</b> (Pages 5 - 10)<br>[For approval.]  |
| 6               | <b>Matters Arising</b>  |
| 7               | <b>LPB Annual Governance Paper</b> (Pages 11 - 22)<br>[To seek approval for the Annual Governance matters of the Local Pensions Board (the Board).]   |
| 8               | <b>Risk and Assurance</b> (Pages 23 - 38)<br>[To provide the Board with an update on the work of the Fund to deliver a well governed scheme.]   |
| 9               | <b>Internal Audit Report 2022/23</b> (Pages 39 - 50)<br>[To provide the Board with the outcome of the work programme for Internal Audit for 2021-22.]   |
| 10              | <b>Statement of Accounts</b> (Pages 51 - 94)<br>[To update the Board on the preparation, approval and audit of the Statement of Accounts and the Annual Report for the year ending 31 March 2022 and the latter's publication on the Fund's website.]                       |
| 11              | <b>Investment Governance</b> (Pages 95 - 100)<br>[To update the Board on investment related matters, an update on responsible investment activities, together with the ongoing development of Local Government Pension Scheme (LGPS) Central Investment Pool.]              |
| 12              | <b>Pensions Administration Report to 31 March 2023</b> (Pages 101 - 136)<br>[To inform the Board of the routine operational work undertaken by the Pensions administration service areas during the period 1 January – 30 March 2023.]                                      |
| 13              | <b>Customer Engagement Update</b> (Pages 137 - 146)<br>[To receive an update on the Fund's customer engagement activity from 1 January – 31 March 2022 and to cover future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy.] |

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

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

**PART 2 - EXEMPT ITEMS, CLOSED TO PRESS AND PUBLIC**

- 15 **CEM Benchmarking** (Pages 147 - 162)

[To inform the Board of the outcome of the independent benchmarking exercise undertaken in relation to the 2021/22 scheme year.]

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

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### Attendance

#### Members of the Pensions Board

##### Employer Representatives

Paul Johnson (Chair)  
Joe McCormick  
Ian Martin  
Jacqueline Carman – Virtual Attendee

##### Member Representatives

Julian Allam (Vice-Chair)  
Sharon Campion  
Stan Ruddock  
Adrian Turner  
Terry Dingley – Virtual Attendee

##### Observer Member

Steve Smith

#### Employees

Rachel Brothwood	Executive Director of Pensions - West Midlands Pension Fund
Amanda MacDonald	Audit Business Partner
Chris Manning	Head of Finance
Laura Parker-Marsden	Governance Support Officer
Paul Nevin	Assistant Director - Investment Strategy
Amy Regler	Head of Operations
Hayley Reid	Senior Auditor
Holly Slater - Virtual Attendee	Governance Officer
Simon Taylor	Assistant Director - Pensions
Karina Thomas	Head of People

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## Part 1 – items open to the press and public

*Item No.*    *Title*

- 1 Apologies for absence**  
Apologies were received from Mark Smith, Employer Representative.
- 2 Declarations of interests**  
A disclosable non-pecuniary interest was declared by Paul Johnson, Local Pension Board Chair in relation to Item 10, the Compliance and Assurance Report,

specifically the approval of his re-appointment to the Local Authority Employer Representative seat on the Local Pensions Board.

3 **Minutes of the previous meeting**

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

4 **Matters arising**

There were no matters arising.

5 **Funding Strategy Statement**

Simon Taylor, Assistant Director – Pensions, presented the report providing an update on the finalisation of the 2022 actuarial valuation including the approval of the Funding Strategy Statement (FSS), Asset Share Policy and the updated Employer Risk Management Framework which had been approved by the Pensions Committee in March 2023 following consultation with employers.

In response to a question raised around affordability, the Assistant Director of Pensions, confirmed that the process had acknowledged employer affordability and budgets.

Resolved:

1. The Funding Strategy Statement (FSS), Asset Share Policy (ASP) which were approved by the Pensions Committee in March 2023 be noted.
2. The consultation undertaken in relation to the 2022 actuarial valuation and the associated Funding Strategy Statement be noted.
3. The delivery of the Fund actuary's valuation report and rate and adjustments certificate in accordance with the statutory deadline of 31 March 2023 be noted.
4. The updated Employer Risk Management Framework be noted.

6 **Investment Strategy Statement**

Paul Nevin, Assistant Director - Investment Strategy, presented the report on the Investment Strategy Statement which had been reviewed and updated in conjunction with the Fund's triennial actuarial valuation.

The Assistant Director of Investment Strategy confirmed that the Strategy had been written in consideration of the need to be flexible to the current market environment. It was noted that the Fund is a long-term investor therefore will examine long-term forecasts before making short-term changes.

Resolved:

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

7 **Corporate Plan**

Rachel Brothwood, Executive Director of Pensions, presented the report providing the Board with an update on the work of the Fund in achieving its deliverables and targets as set out in the Corporate Plan 2022-2027. The executive director of pensions further discussed the refreshed Corporate Plan for 2023-28, which was approved by Pensions Committee in March 2023.

In response to a question posed around the new 2023-28 Corporate Plan, the Executive Director of Pensions explained that the plan has retained stability around its original themes whilst also recognising change, additionally noting how this plan is a particularly useful communication document to provide information about the Fund to its stakeholders.

Resolved:

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

## 8 **External Audit Plan**

Christopher Manning, Head of Finance, presented the report on the External Audit Plan and explained that the Fund remains optimistic to deliver the audited Statement of Accounts to the Pensions Committee for formal approval by the statutory deadline of 30 September 2023.

The Head of Finance also clarified that updated guidance is also expected imminently from the Chartered Institute of Public Finance and Accountancy (CIPFA), to which the Fund will adapt and support.

Resolved:

1. The management responses to questions from the external auditors, Grant Thornton
2. LLP, as part of their audit planning [Appendix B] be noted.
3. The external Audit Plan for the 2022/2023 Audit Progress and Indicative Risks Report as prepared by Grant Thornton [Appendix A] be noted.

## 9 **Internal Audit Plan**

Amanda MacDonald, Audit Business Partner for the City of Wolverhampton Council, presented the Internal Audit Plan report, containing the outline work programme for internal audit during 2023-24. It was noted that the Internal Audit plan had been approved by the Pensions Committee in March 2023.

In response to a question raised regarding how timings are agreed for internal audits, the Audit Business Partner confirmed there is a good relationship between the internal audit team and managers at the Fund. Confirming that Audit Services will accommodate existing workloads and Fund capacity when agreeing timing for audit work.

Resolved:

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

## 10 **Compliance and Assurance**

Due to the conflict of interest declared in this item, Paul Johnson, Local Pension Board Chair left the meeting at this point. Vice Chair, Julian Allam chaired the meeting in his absence.

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

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

The Regulatory Governance Manager also highlighted that Governing Body Training hours continue to be recorded and reported in the Fund's Annual Report and KPIs.

An overview of the appointments process for the Employer Representative seat was provided and the Board were asked to approve the appointments panel unanimous recommendation of the re-appointment of Paul Johnson.

**Resolved:**

1. The re-appointment of Paul Johnson to the WMPF Local Pension Board, Local Authority Employer Representative seat be approved.
2. The latest Strategic Risk Register and areas being closely monitored in the current environment be noted.
3. The Fund's Key Performance Indicators (KPI) and action taken to support service delivery be noted.
4. The compliance monitoring activity undertaken during the quarter be noted.

Paul Johnson, returned to the meeting.

11 **Pensions Administration**

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

It was also noted that the KPIs are cumulatively achieving the 90% target for the year to date and the number of complaints was lower than average this quarter.

**Resolved:**

1. The 8 applications approved for employer admission into the Fund as detailed in Appendix E be noted.
2. Performance and workloads of the key pension administration functions be noted.
3. Development of the Fund's membership and participating employers be noted.

12 **Customer Engagement**

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

**Resolved:**

1. The engagement activity and informed service development be noted.



- 13      **Investment Governance**  
Rachel Brothwood, Executive Director of Pensions, presented the report on investment governance, drawing out key developments and items of interest based on Fund stewardship themes.
- It was noted that the Fund has reviewed and updated its Voting Principles.
- Resolved:
1. The update on investment governance matters including those in relation to responsible investment and investment pooling.
- 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      **Development of Fund Resource**  
Rachel Brothwood, Executive Director of Pensions, presented the report on the development of Fund resources.
- Resolved:
1. Progress with the Fund's recruitment and retention plans be noted.
  2. Action being taken to assess and support employee and service resilience be noted.
  3. Outcomes of the Fund's recent all-employee survey be noted.
  4. A further Development of Fund Resource update would be provided to the Board in 6 months.
- 16      **Cyber Security**  
Amy Regler, Head of Operations, presented the Cyber Security report.
- Resolved:
1. The Fund's reviewed and approved Cyber Security Strategy for 2023/24 be noted.
  2. The work undertaken in 2022/23 by the Fund to deliver its cyber security programme be noted.
  3. Annual assurance reporting from the City of Wolverhampton Council (CWC) IT Cyber programme be noted.
- 17      **Areas for Discussion**  
Fund Officers provided an update to the Board around both the regulatory changes and the investment guidance that are expected to be introduced over the next municipal year.

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<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Pensions Board</b> 4 July 2022
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<b>Report title</b>	Annual Governance Report	
<b>Originating service</b>	Pension Services	
<b>Accountable employee</b>	Rachel Howe Email	Head of Governance and Corporate Services <a href="mailto:Rachel.Howe@wolverhampton.gov.uk">Rachel.Howe@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Rachel Brothwood Email	Director of Pensions <a href="mailto:Rachel.Brothwood@wolverhampton.gov.uk">Rachel.Brothwood@wolverhampton.gov.uk</a>

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**Recommendation for decision:**

The Pensions Board is recommended to approve:

1. The revised Terms of Reference for the Local Pensions Board.

**Recommendations for action:**

The Pensions Board is asked to note.

1. The following dates and time of the meetings of the Local Pension Board (14.00):
  - i. 4 July 2023
  - ii. 17 October 2023
  - iii. 23 January 2024
  - iv. 23 April 2024
2. The Annual Cycle of Nominations and change to Board membership.

## **1.0 Purpose**

- 1.1 To seek approval for the Annual Governance matters of Local Pensions Board in line with the good governance requirements of statutory regulation and guidance.

## **2.0 Background**

- 2.1 The Local Pensions Board is a statutory Board created by the Public Services Pensions Act 2013 and governed in line with guidance from the Scheme Advisory Board with oversight from the Pensions Regulator.
- 2.2 The Local Pensions Board is required by statute to publish information about its membership, responsibilities and work within its Local Government Pension Scheme (LGPS) Fund.
- 2.3 The Local Pensions Board meets four times a year to review and consider the actions of the Fund in line with governance requirements, their role is to aid the Pensions Committee and ensure the Fund is managed taking into account, in equal measure the interest and representation of the Fund's customers (members and employers). The two bodies are collectively referred to as the Fund's Governing Bodies who aim to work collaboratively to ensure the Fund delivers its long-term obligations to pay benefits promised by employers to its members. Joint training sessions are held with the Pensions Committee throughout the year, providing the opportunity for engagement on topical issues between Pensions Board and Committee members.

## **3.1 Local Pension Board Terms of Reference**

- 3.1 Attached at Appendix A is the Local Pension Board Terms of Reference. The Terms of Reference for 2023/24 have been amended and updated to reflect statutory requirements, noting the various regulatory changes which have arisen over the 2022/23 year, anticipated areas of guidance forthcoming from the Scheme Advisory Board's Good Governance Review (knowledge and skills), and the Pension Regulator (Equality, Diversity and Inclusion). The Board are asked to approve the revised terms of reference, at appendix A.
- 3.2 Following approval, the Fund's Representation and Appointments policies will be updated to include details of the revised membership, a copy of both policies are available on the Fund's website and included as background papers to this report.

## **4.0 Board Membership**

- 4.1 In line with statutory requirements, the West Midlands Local Pension Board consists of an equal number of employer and member representatives. The Board has a cyclical membership with one member and one employer representative rotating on a biennial basis. This is to ensure the continuation of knowledge across the membership, while providing opportunity for new members to join and represent their relevant group (member or employer).

- 4.2 In accordance with the Fund's agreed nomination process, details of employer seats due for nomination are advertised through the Fund's Employer Peer group, within the employer newsletter and on its website. Nominations for member representatives are sought from the three main trade unions of the administering authority, who undertake a formal nomination process on behalf of the Fund. Board membership has been stable throughout 2022/23 with no unexpected vacancies occurring during the year.
- 4.3 The Board undertook its biennial nomination process during July 2022 where Paul Johnson, the Board's Local Authority Representative, was re-appointed for a second term. The nomination process for one recently vacated member representative seat is ongoing, the Fund are liaising with Unison with regards to the nomination process they are undertaking on behalf of the Fund.

## **5.0 Training**

- 5.1 The Fund offered a number of both face-to-face and virtual training opportunities for Board members over 2022/23, to aid ongoing development of knowledge and skills, supporting Board members' consideration of the broad range of topics and information reported to and discussed at Board meetings. A wide range of reading material has also been signposted to include relevant briefings and updates prepared by the Local Government Pension Scheme (LGPS) Scheme Advisory Board (SAB) and the Pensions Regulator.
- 5.2 The Fund endeavour to deliver joint training opportunities and events alongside the Pensions Committee to continue to build and strengthen relationships across the two governing bodies. During the 2022/23 year, in addition to the Fund's Annual General Meetings and Mid-Year Review, the Board were invited to attend a Responsible Investment Summit held by the Fund's Investment Pooling Company, LGPS Central, and joint induction and training events hosted by the Fund in June 2022, October 2022 and March 2023. The Fund will look to continue this collaborative engagement over the 2023/24 year, as well as responding to individual requirements and requests received through Governing Body member feedback.
- 5.3 Board members have continued to have access to a wide variety of reference and training materials including briefing notes and media updates, through continued use and update of a dedicated online learning platform available to both Pensions Committee and Local Pensions Board members, which also hosts relevant governance documents, handbooks, and training materials.
- 5.4 All members are encouraged to meet their training target to ensure that they obtain the relevant knowledge and skills required to undertake their role on the Board. Attached in Appendix B is a copy of the 2022/23 individual training hours recorded for members of the Board as at 30 April 2023.

## **6.0 Scheme Advisory Board Developments**

- 6.1 At the time of reporting the Scheme Advisory Board's (SAB) Annual Report was pending publication. The report seeks to draw information from across the LGPS Scheme as a whole highlighting year on year comparators of membership, funding and investment

performance, an update will be provided to Governing Bodies following the reports publication.

- 6.2 During 2022 the SAB established a new Compliance and Reporting Committee, the remit of which is to support Administering Authorities in delivering compliance and reporting requirements and to engage with regulators with the aim of clarifying compliance requirements, encouraging integration and where appropriate the simplification of regulations the LGPS is subject to. The SAB Committee has a developing programme to review and update guidance for the LGPS which in turn will inform the review of Fund policy's including the Governing Body training policy and the good governance knowledge and skills requirements. Updates on the work of the SAB Compliance and Reporting Committee will be provided to Governing Bodies in due course.
- 6.3 Throughout the year, the SAB has issued a number of communications reporting on the outcomes of their meetings and delivery of their own workplan, all of which have been presented to the Local Pension Board and Committee in update reports at formal meetings, through training events or communication roundups.

## **7.0 Forward Plan for 2023/24**

- 7.1 At this time, the Fund is awaiting a number of regulatory and statutory guidance on matters relevant to the governance and administration of the Pension Fund. As noted above, general themes deriving from regulatory bodies includes governance, knowledge and skills of governing bodies, conflict management, data management and reporting, together with ensuring the ongoing support to members in managing their pensions through the pensions dashboard. The work of the Local Pensions Board will continue to evolve in line with forthcoming guidance and regulation, which seeks to ensure the good governance and administration of the Fund. At this time, we are also awaiting the publication of the Scheme Advisory Board annual workplan.

## **8.0 Dates and Times of Meetings for 2022-23**

- 8.1 The Board are asked to note the following dates and times of meetings for the remainder of the current Municipal Year:

### **Pensions Board – 2pm**

- i. 19 July 2022
- ii. 18 October 2022
- iii. 24 January 2023
- iv. 25 April 2023

## **9. Financial Implications**

- 9.1 The cost of the Local Pensions Board is contained within the Fund's Governance budget approved by the Committee at its March meeting.
- 9.2 A failure to comply with statutory requirements and/or guidance could result in a fine imposed by the Pensions Regulator.

## **10.0 Legal Implications**

- 10.1 The requirement for a Local Pensions Board is set out in the Public Service Pensions Act 2013. It is a statutory body with statutory responsibilities. Failure by an LGPS Fund to comply with the statutory requirements could result in a fine or legal notice being imposed.

## **11.0 Equalities Implications**

- 11.1 There are no implications.

## **12.0 All Other Implications**

- 12.1 There are no other implications.

## **13.0 Schedule of Background Papers**

- 13.1 Public Service Pensions Act 2013  
<http://www.legislation.gov.uk/ukpga/2013/25/contents>
- 13.2 Scheme Advisory Board Guidance for Local Pensions Board  
[https://lgpsboard.org/images/Guidance/LGPS\\_Board\\_Guidance\\_FINAL\\_PUBLISHEDv1%201clean.pdf](https://lgpsboard.org/images/Guidance/LGPS_Board_Guidance_FINAL_PUBLISHEDv1%201clean.pdf)
- 13.3 Governing Body's Training Policy  
<https://wolverhamptonintranet.moderngov.co.uk/documents/s177477/Appendix%20B%20-%20Governing%20Bodies%20Training%20Policy.pdf>
- 13.4 Governing Body Representation Policy  
[Representation Policy 2022 \(wmpfonline.com\)](#)
- 13.5 Local Pensions Board Appointments Policy  
[Local Pensions Board Appointments Policy 2022.pdf \(wmpfonline.com\)](#)

## **14.0 Schedule of Appendices**

- 14.1 Appendix A Local Pensions Board Terms of Reference
- 14.2 Appendix B Local Pension Board Member Training hours

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## Pensions Board - Terms of Reference

1. This document sets out the terms of reference of the Local Pension Board of the City of Wolverhampton Council (the 'Administering Authority'), a Scheme Manager as defined under Section 4 of the Public Service Pensions Act 2013. The Local Pension Board (hereafter referred to as 'the Board') is established in accordance with Section 5 of that Act and under regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).
2. The Board is established by the Administering Authority and operates independently of the Pensions Committee. Relevant information about its creation and operation are contained in these Terms of Reference.
3. The purpose of the Board is to assist the Administering Authority (Scheme Manager), as follows:
  - secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme; and
  - to ensure the effective and efficient governance and administration of the Scheme.
4. All persons appointed to the Board will adhere to the Local Pensions Board Code of Conduct and the seven principals of public life (known as the Nolan Principles), including the duty to report conflicts and undertake training as required to ensure they meet the legislative requirement to have the knowledge and understanding required of them to undertake their role.
5. While not a formal committee of the Council, meetings of the Pensions Board will be formal occasions to be minuted adhering to the due process and rules of procedure so far as such do not make the business of the board unviable. Business to be conducted by the Pensions Board shall be noted on a formal Agenda at least five working days in advance of the meeting. Additional business may be added to the Agenda at a later date with the consent of the Chair. Business not noted on the Agenda may only be considered at the meeting if agreed by majority vote. This is to ensure all information is available and has been read and understood by Pensions Board members.
6. The Pensions Board shall meet a minimum of four times a year on a quarterly basis. The ability to call additional meetings rests with the Board such additional meetings to meet the minimum quorum requirement.
7. Persons appointed to the Pensions Board have the same right of access to information and documents to be considered as elected members as outlined in The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 and The Openness of Local Government Bodies Regulations 2014. Save as all other provisions of these regulations do not apply to the Pensions Board.

8. The Pensions Board shall adhere to the operational policies of the Fund.

### Membership

9. The Pensions Board consists of ~~12~~ **10** persons made up of ~~6~~ **5** employer and ~~6~~ **5** member representatives in equal proportion. ~~2 of which will be Elected Members of the Administering Authority.~~ Substitutes shall not be appointed. Further details with regards the membership can be found in the Fund's Representation Policy which is available on its website.
10. Representatives (both employer and member) should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.
11. Recruitment to the Board will follow the Fund's '*Pensions Board Appointments Policy*'.
12. The Quorum requires at least one member from each category of member and employer representatives. If the Chair and the Vice Chair are not present, a Chair will be nominated by majority from those in attendance.
13. The term of office for a person appointed to the Pensions Board shall be for a period no shorter than one year and no longer than two rotations of nominations or their term of office. (~~where the person is an elected councillor, whichever is the shortest~~). Nomination for employer and member representatives to the Pensions Board shall take biennial rotation. This is to ensure a consistency of knowledge within the Pensions Board and to assist with the development of knowledge and experience. Where vacancies occur in year the nomination process will follow and there will not be an annual nomination for that seat in the same year.
14. Nominations to the Pensions Board will be sought from the nominating body group on each occasion as the rotation for appointment arises. Trade Union member representatives will be nominated by the relevant Trade Union. Where more than one nomination is received for employer representatives from the Fund employer base, interviews for the vacant position will be held by the Chair or Vice Chair (where they are not on rotation) ~~one employer and one member representative,~~ together with the **Executive** Director of Pensions (or their nominated officer) and the ~~Head of Governance~~ **Head of Governance, Risk and Assurance**.
15. Persons appointed to the Pensions Board are expected to make themselves available to attend meetings and to complete relevant training. Persons appointed who fail to meet the 22 hour training target and/or attend less than two meetings and one structured training event each year will be asked to leave the Board and a replacement sought from their nominating body unless there are exceptional reasons for their failure to attend. Such reasons to be considered by the Pensions Board.
16. Other than by ceasing to be eligible to sit on the Pensions Board (to include failure to attend meetings), a person appointed to the Pensions Board may only be

removed from the position during their term of office by majority vote of the Pensions Board.

17. A person appointed to the Pensions Board may retire their position at any time. In such cases, a nomination will be sought from their nominating group.
18. **In line with guidance from the Pensions Regulatory, the Board will lead an inclusive governing body culture which seeks to ensure diversity and inclusion across the Fund's policies and working practice.**

### **Chairing the Board**

19. It shall be the first business of the Board's annual meeting to nominate the position of Chair and Vice-Chair with both the employer and member representatives considered with one position being allocated to each represented group.
20. In the event of a tie of votes of any business to be conducted, the Chair will have the casting vote. In circumstances where the vote is to appoint a new Chair, the outgoing Chair will have the casting vote in the event of a tie.

### **Conflicts of interest**

21. All members of the Board must declare to the Administering Authority on appointment and at any such time as their circumstances change, any real, potential or perceived conflict of interest which may impact their position on the Board.
22. A conflict of interest and the policy for their identification and management is defined in the Fund's Local Pensions Board Conflicts of Interest Policy.
23. On appointment to the Board and following any subsequent declaration of a potential conflict by a Board member, the Fund shall ensure that any potential conflict is effectively managed in line with both the internal procedures of the Board's conflicts policy and the requirements of the Code of Conduct.

### **Voting Rights**

24. Each member representative and employer representative will have one vote. Where there is the same number of votes the Chair shall have the casting vote.

### **Knowledge and understanding (including Training)**

25. Individual Pension Board members must ensure that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board.
26. To ensure that knowledge and understanding requirements are met the Fund have established a Governing Body Member Training policy that will be reviewed

and approved on an annual basis. Board members should attend and participate in training arranged in order to meet and maintain the minimum requirements set out in the policy.

### **Information**

27. Information relating to the work of the Pension Board (including any relevant minutes) is available to the public (with the exception of exempt matters) and will be published on the Administering Authority's website with the exception of when such information is confidential or exempt under Schedule 12A.
28. Information detailing the Pensions Board's terms of reference shall be published on the Fund's website together with the any vacancies as they arise.
29. An agenda will be agreed prior to each meeting. The agenda and supporting papers will be issued at least five working days in advance of the meeting (except in matters of urgency).
30. Draft minutes of each meeting (including actions and agreements) will be circulated to all Board members following the meeting and be subject to formal agreement by the Board at their next meeting.
31. In accordance with regulations the Fund will publish information about the Board, this information will include:
  - The names of Board members and their contact details.
  - The representation of employers and members on the Board.
  - The role of the Board.
  - These Terms of Reference.

All or some of this information is available on the Fund's website, within the Fund's Representation Policy and where appropriate as part of the Fund's Annual report and Governance Compliance Statement

### **Review of terms of reference**

32. These Terms of Reference shall be reviewed on each material change to those part of the Regulations covering local pension boards and at least annually.

## Appendix B

### Local Pension Board Training Hours – 2022/23

	Hours spent training
<b>Board</b>	
Adrian Turner	26.5
Ian Martin	24
Jacque Carman	7
Joe McCormick	42
Julian Allam	25.5
Mark Smith	60.83
Paul Johnson	24
Cllr Rupinderjit Kaur	0
Cllr Sandra Samuels	0
Sharon Champion	22
Stan Ruddock	27
Terry Dingley	18
<b>Grand Total</b>	<b>276.83</b>

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<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Pensions Board</b> 04 July 2023
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<b>Report title</b>	Risk and Assurance	
<b>Originating service</b>	Pension Services	
<b>Accountable employee</b>	Rachel Howe Email	Head of Governance, Risk and Assurance <a href="mailto:Rachel.Howe@wolverhampton.gov.uk">Rachel.Howe@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Rachel Brothwood Email	Executive Director of Pensions <a href="mailto:Rachel.Brothwood@wolverhampton.gov.uk">Rachel.Brothwood@wolverhampton.gov.uk</a>

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**Recommendations for action:**

The Pensions Board is asked to note:

1. The latest Strategic Risk Register and areas being closely monitored in the current environment.
2. The Fund's Key Performance Indicators (KPI) and action taken to support service delivery.
3. The compliance monitoring activity undertaken during the quarter.
4. The Fund's reaccreditation of Investors In People Gold Standard.

## **1.0 Purpose**

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

## **2.0 Risk Register**

- 2.1 Attached at Appendix A is the Strategic Risk Register for this quarter.
- 2.2 The Risk Register captures the potential for impact in the Fund's service delivery as a forward-looking review, together with horizon scanning for changes which may impact or require change to the Fund's processes and delivery model. As such, the risks are refreshed each quarter 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).
- 2.3 The Fund continues to await regulatory guidance and legislation on several key issues, including the Scheme Advisory Board's Good Governance Review, implementation of McCloud, Investment Pooling, Funding and Climate Risk. All of which have the potential to increase requirements on reporting and oversight of LGPS Funds and which, will require enhancements to data reporting tools by both the Fund and its service delivery partners.
- 2.4 Further developments in regulatory oversight also have the potential to increase knowledge and capacity requirements of those charged with the governance and administration of Local Government Pension Funds. Thereby increasing commitments on training and development of both the Fund's Governing Bodies and its officers. The Fund continues to develop and enhance its Governing Body training programme, together with developing its people strategy and career offering to its employees, noting the wider risk of industry wide resource constraints across the pensions sector. Further information about the Fund's resource and development over 2022/23 is outlined in the Fund structure report presented to this meeting.
- 2.5 In conjunction with the Fund's ability to keep pace of change with regulation, the Fund recognises and is cognisant of the potential impact those changes also have on the Fund's members and employers. The Fund is aware that many employers are facing resource and cost pressures impacting their ability to manage day-to-day activities in relation to the pension fund, as well as the impact of change, including increasing member queries.
- 2.6 The Fund is alive to the current economic and market volatility with consideration being given to the timely implementation of its investment strategy together with ongoing engagement with employers reporting and managing commitments relating to long term liabilities of pension benefits.



2.7 The Fund continues to engage with industry partners to understand all potential areas of change and impacts, together with developing its customer offering to support understanding and change in the current environment.

### **3.0 Key Performance Indicators (KPIs)**

3.1 Attached at Appendix B are the Fund's KPIs, noting the Fund's year on year performance from April 22 – March 23.

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

3.3 Updates have been provided throughout the year on the Fund's delivery of services with various issues driving Fund performance, from more complex information requests to regulatory change requiring re-prioritisation of work with the flexing of resource across several service areas. The Fund's web portal has shown high interest and use by members over the year, the Fund will now look to promote the new member web portal as part of the administration system transition with planned engagement and active reach out over the coming quarter.

3.4 Other areas of note reflect the work undertaken by the Fund over the last 12 months with the impact of McCloud on data quality and the active rectification work being undertaken to affect the remedy in line with regulations. The contribution monitoring for the Fund continues to evolve with some delays to information received creating a delay in reconciling monies received. However, this has been resolved throughout the year and is a timing issue on the reporting of the KPI.

3.5 Our Governing bodies continue to meet their requirements for knowledge and skills, with the final reported training hours to be published in the Fund's Report and Accounts. The attendance rate at Governing Body meetings reduced during the year, partly attributable to the move away from virtual meetings, and shortfalls in attendance have been raised with relevant bodies, including district Councils.

### **4.0 Compliance Monitoring**

#### **4.1 Data Protection**

4.1.1 This quarter the Fund are reporting eight data breaches, an increase on the previous quarter. The Governance Team continue to monitor breaches and identify actions to improve controls. The Fund hasn't identified any systemic issues in the management of its data and the Governance Team continues to work with service areas to implement ongoing enhancements in systems and individual knowledge.

- 4.1.2 In accordance with procedure, data breaches are reported to CWC (City of Wolverhampton Council), who will analyse the breach and determine if further action is required. In total for 2022/23, the Fund reported 20 Data Breaches, this compares to 18 during the 2021/22. It is noted that CWC did not require any further action in relation to the breaches reported during 2022/23. The Governance Team continue to analyse breaches and identify actions to improve procedures and make recommendations to enhance controls. The root cause of breaches during 2022/23 has been data input error, and where errors have occurred, feedback and if necessary additional training, is provided to Managers and Fund employees by the Governance Team.
- 4.1.3 The Fund continue to ensure that all staff undertake relevant data protection training in addition to the Council's mandatory training, it is noted that the number of breaches in comparison to the amount of member data held is comparably low and is not out of line with other areas of reporting across the Council.
- 4.1.4 In addition to the monitoring and management of data protection, the Fund has adopted a Cyber Resilience Strategy which outlines its management of potential cyber threat through regular penetration testing and monitoring of security measures. The Fund is alive to industry concerns and incidents of cyber threat/breach and continues to monitor the assurance of its third-party suppliers, and in particular, work with CWC IT in the protection of its data and systems. There have been no incidents of cyber breaches this quarter.

## **5.2 Freedom of Information (FOI) Requests**

- 5.2.1 The Fund received six FOI requests during the quarter, five were responded to in accordance with the internal deadlines set by CWC, with one being granted an extension to the internal deadline to allow information to be validated. As previously reported, requests are administered by CWC as the administering authority. CWC are ultimately responsible for responding to requests and set internal deadlines for the Fund to submit information to them prior to the statutory deadline. This allows sufficient time for CWC to check and validate responses before information is sent to the requester. Whilst this extension to internal deadlines was granted, all requests received by the Fund have been responded to within the statutory deadline. The Fund continue to liaise with CWC to ensure that requests are responded to correctly and within required timescales.
- 5.2.2 During 2022/23 the Fund has received 16 FOI requests, compared to 21 received during 2021/22. As previously reported, the Fund continues to see an increase in the complexity of FOI requests received with the majority of requests continuing to relate to investment holdings data and responsible investment. These types of requests are not unique to the Fund and are regularly submitted to several LGPS Funds and partner organisations. The Scheme Advisory Board have recently provided advice to LGPS Funds to support their responses to FOI requests, details of which have been included as a background paper to this report.

### **5.3 Subject Access Requests (SARs)**

- 5.3.1 The number of SAR requests received continued to increase, with nine requests received in total. All requests were responded to in accordance with the set deadlines.
- 5.3.2 Under the Data Protection Act, members are entitled to request copies of all the information held on their pension record. Most recently, the fund has seen these requests come from third parties acting on behalf of members who have previously transferred out of the LGPS and have later discovered that they were subject to a potential pension scam. The Fund has previously reported on the work we are doing in line with the Pension Regulator's Pension Scam Awareness campaign and ensures all members are kept informed of any personal information requests regarding their data. Authority from the member is always sought prior to providing information to third parties.
- 5.3.3 This year the Fund has received 25 SAR's in total, 21 of the requests received were from third parties.

### **6.0 Investors In People**

- 6.1 This quarter, the Fund undertook its 3-year reaccreditation of Investors In People, retaining for the 9<sup>th</sup> year running (and 3<sup>rd</sup> cycle of accreditation) the Gold Standard accreditation.
- 6.2 Investors In People is an accreditation that is known globally across both the public and private sector, with less than 1 in 5 of those accredited achieving the Gold Standard. The accreditation provides assurance to the Fund and its Governing Bodies on how we invest in our people, both in terms of training and development, but also the environment and culture we create which ensures a highly motivated and committed workforce.
- 6.3 The Investors in People assessment framework provides a clear benchmark against the very best performing companies, with in-depth employee interviews supported by fund-wide surveys, and key indicators of performance combining to not only 'score' our performance, but also inform ideas and focus areas to drive further improvement into the future.
- 6.4 Assessing the Fund's development over the last 3 years, the Fund's assessor noted that our people believe the Fund to be a great employer, with high levels of employee satisfaction, supported by a strong and engaging culture which empowers individuals and supports inclusive development. The Fund will continue to build on these achievements ensuring its performance against the standard grows year on year, with each annual review pending the 3-year reaccreditation in 2027.

### **7.0 Governing Body Training**

- 7.1 Governing Body training events undertaken during the reporting period included the following topics, with analysis undertaken to ensure the programme complies with

knowledge areas identified in the Chartered Institute of Public Finance and Accountancy's (CIPFA) Governing Body Knowledge and Skills Framework;

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

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

7.3 The Fund has a comprehensive Governing Body training programme which provides induction for new members together with more detailed information on complex LGPS issues, it is designed to grow the knowledge of members as their term of office develops.

## **8.0 Regulatory Updates - McCloud Remedy Consultation**

8.1 On 30 May 2023 the Department for Levelling Up Housing and Communities (DLUHC) published a second consultation concerning the McCloud remedy. As previously reported to the Board, the McCloud remedy relates to a successful legal challenge in 2018, (in "the McCloud ruling") that argued that the protections granted as part of changes to LGPS regulations in 2014 were unlawful under the grounds of age discrimination.

8.2 In 2019, Government stated it would make amendments to all Public Sector Pension Scheme regulations (including the LGPS) to remove the discrimination and following consideration during 2019/20, a consultation on the proposed changes to remedy the LGPS was issued in July 2020.

8.3 DLUHC is now consulting on new approaches to certain areas of the remedy which reflect the responses received as part of the 2020 consultation and are more closely aligned to the LGPS. The consultation also includes topics which were not covered by the 2020 consultation. The Fund is currently reviewing the consultation and is considering its response.

## **9.0 Financial Implications**

9.1 Effective monitoring of the management arrangements, facilitated by timely disclosure of information, is required to ensure the Fund is well placed to ensure the delivery of its administration, funding and investment strategy. Poor management of the Fund's data,

financial information and assets can result in additional costs and detract from investment returns.

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

## **10.0 Legal Implications**

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

## **11.0 Equalities Implications**

- 11.1 There are no direct equalities implications.

## **12.0 Other Potential Implications**

- 12.1 There are no other potential implications.

## **13.0 Schedule of Background Papers**

- 13.1 DLUHC McCloud Consultation: [‘McCloud’ remedy in the LGPS – supplementary issues and scheme regulations - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/mccloud-remedy-in-the-lgps-supplementary-issues-and-scheme-regulations)

## **14.0 Schedule of Appendices**

- 14.2 Appendix A: Risk Register
- 14.3 Appendix B: Key Performance Indicators

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APPENDIX A: West Midlands Pension Fund – Strategic Risk Register

May/June 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	Officer responsible for Action
1	Governance / Regulatory	Increasing focus on Governing Body Knowledge and Skills requirement	Pending statutory guidance from Scheme Advisory Board (SAB) and the Pensions Regulator on level of knowledge and understanding linked to review of requirements set out in CIPFA Knowledge and Skills	People and Customers Compliance and Risk Stewardship			↓	The Fund has an established training policy and programme which seeks to address the requirements the regulatory knowledge and skills requirements.	HGRA
			The potential for change in our Governing Body memberships following Annual Cycle may impact established knowledge and understanding.						
		Audit and provision of external assurance	Increased challenge on independent assurance from employers' auditors together with a lack of consistency in approach from audit firms on requirements	Compliance and Risk				↔	The Fund engages with employers' auditors to understand the requirements needed to provide assurance and works collaboratively with its employer groups to develop efficiency in the process while delivering value add services.
	2021/2022 accounts yet to be signed off (national not local issue) which may require additional assurance (resource) from the Fund's accounts.								
		Potential for increased regulatory change from a number of LGPS regulatory bodies which may see a divergence in	The LGPS is awaiting a number of national body consultations (some delayed from previous years, e.g., tPR code of practice), and some new consultations	Compliance and Risk			↔	The Fund's Senior Managers are members of and participate on several national working groups and policy committees which feed	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	Officer responsible for Action
		interpretation and practice across the LGPS.	relating to current issues (noting a further consultation was released on McCloud in May)					into the discussion and help shape focus and outcomes. These roles further enable the Fund to understand potential change and supports future planning to aid in meeting evolving requirements.	
		Increasing focus on reporting and oversight with evolving standards for governance and reporting.	Increased reporting from regulatory/national bodies in areas of Investment, climate, funding, customer servicing together with the need for more common industry standards of reporting will require the Fund and its suppliers to enhance data reporting and management tools.	Compliance and risk			↔	The Fund continues to enhance its reporting on data information with ongoing focussed resource to achieve key data targets, and support with data focussed projects such as McCloud, Climate Reporting and Stewardship.	ALL
		Industry wide resourcing constraints across the LGPS and wider pensions industry including regulatory and governing bodies.	Leading to delays or lack of knowledge/experience in wider LGPS, resulting in "short focus" change.	Compliance and Risk			↔	The Fund continues to engage with national bodies and groups to support understanding of local issues within the LGPS.	ALL
		Stewardship	Increasing responsibilities of the Fund as a steward of members benefits as well as assets (e.g. transfer out, scam and fraud management, ESG factors)	People and Customers Compliance and Risk Stewardship			↓	The Fund is a signatory to the Stewardship code and continues to build on the reporting and learning.  The Fund is a signatory to the Pension Regulator's Pension Scam Pledge.  The Fund has a comprehensive employee training programme that supports safeguarding of members.	ALL
2	Operational Resilience	The resilience in our human capital and our ability to adequately, resource, train, and retain.	With a number of changes on the horizon, from business change to regulatory change, the ability of the Fund to ensure its people resource is able to adapt and keep pace will be key to ensuring successful transitions.	Operational resilience People and customers			↓	The Fund is actively working across all departments on employee lifecycle from Recruitment and OD. Training is both bespoke per department, role profile and individually for employee	HoPCs



Risk Ref	Risk Theme	Risk Title	Current Drivers	Corporate Priority	Pre-control Risk Assessment	Post Control Risk Assessment	Risk Outcome post control	Actions/Mitigations	Officer responsible for Action
								growth and future development at the Fund.  These are complemented with our employee development plans and appraisal process, which is monitored throughout the year as per the goals set.	
		The resilience of our third-party suppliers	Ensuring our partners are able to meet our ongoing business change needs.	Operational resilience  People and customers			↓	Through effectively managing our contracts and supplier performance, we are able to challenge their ability to cope with change and respond to our growing business and customer needs.	ALL
		Cyber and Disaster Recovery	Ensuring our systems and those of our suppliers can withstand disaster and recover to provide continuity in our service delivery.	Operational resilience  People and customers			↓	The Fund undertakes an annual assurance and testing programme of all its IT systems and suppliers, ensuring all are capable of identifying and responding to potential external threats.	HOPs HGRA
3	Value Added Servicing	Keeping up with pace of change while limiting impacts on customers	Several business and regulatory change have the potential to change the way the Fund's customers will be required to interact and service their statutory duties.	People and Customers  Compliance and Risk			↔	The Fund has dedicated member and employer services teams with an active engagement programme that not only seeks to support customers, but also provides opportunities for customers to engage the Fund on issues relevant to them, enabling effective review and build out of services to ensure all processes are built out as efficiently as possible.	ALL
		Ability of Fund to maintain and evolve to meet growing customer expectations.	Potential reputational damage should the Fund be unable to meet customer servicing requirements.	People and Customers  Operational Resilience			↔	The Fund continues to review its customer offering ensuring it is adaptable to changing demands.	ADP

Risk Ref	Risk Theme	Risk Title	Current Drivers	Corporate Priority	Pre-control Risk Assessment	Post Control Risk Assessment	Risk Outcome post control	Actions/Mitigations	Officer responsible for Action
4	Funding and Economic Environment	Market volatility	Global markets reacting to geopolitical issues and short-term volatility impacting longer term outlook.	Investment implementation Operational Resilience Stewardship			↓	<p>The Fund is a long-term investor taking a strategic approach to asset allocation and building resilience across the investment portfolio in order to help manage the impact of short-term market volatility.</p> <p>The Fund actively monitors its asset positioning and broader markets and has undertaken a fundamental review of its investment strategy in conjunction with the triennial actuarial valuation with updates being reflected in the Investment Strategy Statement.</p>	ADI
		Implementation of the Fund's Revised Investment Strategy	The focus and scale of change in implementing the new strategy.	Investment implementation			↓	<p>The Fund continues to work with investment advisors to ensure the new strategy is delivered</p>	ADI
		Employer Risk	Employer funding in the current environment, leading to risk of termination/exit/restructures (including scheme wide merger) which have the potential to impact cashflows	People and Customers Compliance and risk			↓	<p>The Fund is sensitive to the issues facing employers and has undertaken a broad engagement programme as part of the 2022 actuarial valuation. The key risk being potential employer default on liabilities through non-payment of contributions and/or heightened cessations. The Fund is in the process of reviewing our employer exit strategy for consultation later in the year. The Fund continues to review employer covenant, maintaining and monitoring a 'watchlist' of the employers representing the greatest risk, with associated engagement with employers.</p>	ADP

Officers Responsible for Action

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

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Category	KPI Summary	KPI Description	Frequency	KPI Target	21/22	22/23
Customer Engagement and Communication	Operations - Benefit Operations Processes					
	KPI Summary	KPI Description	Frequency	KPI Target	21/22	22/23
	Refund Notification	Notify member of Refund within 10 days of receiving required information	Monthly	90%	94%	93%
	Refund Payment	Refund payments processed within 5 days of receiving required information	Monthly	90%	98%	98%
	Retirement Quote	Notification of Estimated Benefits within 15 days of retirement date	Monthly	90%	99%	99%
	Retirement Notification	Notification of the actual benefits within 5 days of receiving member option form (Retirement Notification)	Monthly	90%	83%	91%
	Retirement Payment	Payment of lump sum and creation of payroll record within 5 days of receiving election form (Retirement)	Monthly	90%	99%	96%
	Deferred Retirement Quote	Issue quote letter within 30 days of the members eligible payment date or receipt of request from member	Monthly	90%	78%	92%
	Deferred Retirement Notification	Notification of the actual benefits within 5 days of receiving member option form (Deferred Retirement Notification)	Monthly	90%	96%	95%
	Deferred Retirement Payment	Payment of lump sum and creation of payroll record within 5 days of receiving election form (Deferred Retirement)	Monthly	90%	94%	88%
	Transfer In Quote	Transfer in quotations processed within 10 days of receiving all the required information	Monthly	90%	97%	99%
	Transfer In Payment	Transfer notification of transferred in membership to be notified to the scheme member within 10 days of receiving payment	Monthly	90%	93%	97%
	Transfer Out Quote	Transfer out quotations processed within 20 days of receiving required information	Monthly	90%	99%	100%
	Transfer Out Payment	Transfer out payments processed within 20 days of receiving required information	Monthly	90%	97%	95%
Customer Engagement and Communication	Pension Services - Service Calls					
	KPI Summary	KPI Description	Frequency	KPI Target	21/22	22/23
	Customer Services Calls	Call answer rate of the customer helpline	Monthly	85%	79%	80%
	Employer Services Calls	Call answer rate of the employer helpline	Monthly	85%	95%	96%
	Pension Services - Customer Satisfaction					
	KPI Summary	KPI Description	Frequency	KPI Target	21/22	22/23
Customer Satisfaction	Customer satisfaction - feedback from events and interaction with members	Quarterly	90%	83%	92%	
Sum of Difference						
KPI Summary	KPI Description	Frequency	KPI Target	21/22	22/23	
Web Portal Registrations	Web Portal Registrations	Monthly	12,000 registrations per year	10817	10975	
Operations - Pension Portal Availability						
KPI Summary	KPI Description	Frequency	KPI Target	21/22	22/23	
Web Portal Availability	Pensions Portal to be available 95% of the time (based on working hours as monitored)	Monthly	95%	99%	99%	
Customer Engagement and Communication	Operations - IDRP Monitoring					
	KPI Summary	KPI Description	Frequency	KPI Target	21/22	22/23
	IDRP Combined	All IDRP cases completed within 2 months	Monthly	100%	55%	81%
	Pension Services - Complaints Monitoring					
	KPI Summary	KPI Description	Frequency	KPI Target	21/22	22/23
	Member Complaints	All member complaints to be responded to within 20 working days of receipt	Monthly	100%	92%	86%
	Employer Complaints	All employer complaints to be responded to within 20 working days of receipt	Monthly	100%	100%	100%
	Pension Services - Complaints Monitoring					
	KPI Summary	KPI Description	Frequency	KPI Target	21/22	22/23
	Member Complaints less than 1%	No of member complaints to be less than 1% of total membership	Monthly	<1%	✓	✓
Employer Complaints less than 1%	No of employer complaints to be less than 1% of total employer membership	Monthly	<1%	✓	✓	
Governance and Risk	Governance - Effective Decision Making					
	KPI Summary	KPI Description	Frequency	KPI Target	21/22	22/23
	Total PC/PB Training	Total training hours of Pensions Committee and Board	Biannually	22 hours pp	100%	100%
	Governance - Effective Decision Making					
	KPI Summary	KPI Description	Frequency	KPI Target	21/22	22/23
	Total PC/PB Attendance	Total attendance rate of Pensions Committee and Board	Biannually	4 per year	79%	57%
	Governance - Statutory Response Timeliness					
	KPI Summary	KPI Description	Frequency	KPI Target	21/22	22/23
	Combined Statutory Timeliness	All Fund responses to be submitted in line with service standard set to CWC	Monthly	100%	93%	90%
	Governance - Data Breaches Recorded					
KPI Summary	KPI Description	Frequency	KPI Target	21/22	22/23	
Data Breaches Recorded	Decrease in data breaches recorded	Monthly	Annual Reduction	18	20	
Data Management and Reporting	Governance - Data Quality					
	KPI Summary	KPI Description	Frequency	KPI Target	21/22	22/23
	Common Data	Common Data	Monthly	99%	98%	98%
	Operations - Data Improvement					
	KPI Summary	KPI Description	Frequency	KPI Target	21/22	22/23
ABS	ABS produced for 100% of active member records	Annually	100%	93%	91%	
DBS	DBS produced for 100% of deferred member records	Annually	100%	99%	100%	
Financial Management - Transparency	Finance - Contributions Received					
	KPI Summary	KPI Description	Frequency	KPI Target	21/22	22/23
Contributions	Contributions received from employers on time and allocated	Monthly	98%	98%	86%*	

\* Contributions reconciled and allocated at time of reporting.

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<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Pensions Board</b> 04 July 2023
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<b>Report title</b>	Internal Audit Annual Report 2022 – 2023	
<b>Originating service</b>	Pensions Services	
<b>Accountable employee</b>	Amanda MacDonald Email	Client Lead Auditor <a href="mailto:Amanda.macdonald@wolverhampton.gov.uk">Amanda.macdonald@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Rachel Brothwood Email	Executive Director of Pensions <a href="mailto:Rachel.brothwood@wolverhampton.gov.uk">Rachel.brothwood@wolverhampton.gov.uk</a>

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**Recommendations for action:**

The Pensions Board is asked to note:

1. The internal audit annual report for 2022 – 2023

## **1.0 Purpose**

- 1.1 To provide the Board with the outcome of the work programme for internal audit for 2022 – 2023.

## **2.0 Background**

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

## **3.0 Internal Audit Annual Report 2022 – 2023.**

- 3.1 A copy of the outcome report is attached at Appendix A.
- 3.2 The report confirms that no significant audit issues have arisen throughout the year and most importantly, where weaknesses / improvements have been identified during the course of audit work, management have agreed recommendations.
- 3.3 In presenting the report at high level, the Fund notes that the commentary is a snapshot of the work undertaken by the teams throughout the year in building controls and compliance which support key service delivery. Since the time of writing the report, actions undertaken by service areas have seen the majority of recommendations implemented with others ongoing in light of wider fund priorities.

## **4.0 Financial Implications**

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

## **5.0 Legal Implications**

- 5.1 This report contains no direct legal implications.

## **6.0 Equalities Implications**

- 6.1 This report contains no equalities implications.

## **7.0 Environmental Implications**

- 7.1 This report contains no environmental implications.



**8.0 All Other Implications**

8.1 This report contains no other implications to consider.

**9.0 Schedule of Background Papers**

9.1 None.

**10.0 Schedule of Appendices**

10.1 Appendix A – Annual Audit Report 2022-23

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West Midlands Pension Fund  
Internal Audit Annual Report  
2022-2023



## Introduction

Our internal audit work for the period from 1 April 2022 to 31 March 2023 was carried out in accordance with the approved Internal Audit Plan. The plan was constructed in such a way as to allow us to make a statement on the adequacy and effectiveness of the Fund's governance, risk management and control processes. In this way our annual report provides one element of evidence that helps to confirm the control environment of the Fund and supports, amongst others, the Annual Governance Statement for the City of Wolverhampton Council which it is required to make to accompany its annual financial statements. This is only one aspect of the assurances available to the Fund as to the adequacy of governance, risk management and control processes. Other sources of assurance on which the Fund may rely, could include:

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

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

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

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

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

## Executive Summary

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

- All audits undertaken for the year ended 31 March 2023.
- Any follow-up action taken in respect of audits from previous periods.
- Any key recommendations not accepted by management and the consequent risks.

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

*Internal Audit Opinion*

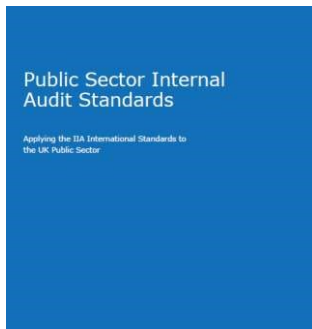
We have conducted our audits in accordance with the Public Sector Internal Audit Standards. Within the context of the parameters set out above, our opinion is as follows:

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

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

- We have had unfettered access to all records and employees during 2022-2023.
- The need for management to plan appropriate and timely action to implement our and other assurance providers’ recommendations.
- Key areas of significance identified as a result of our audit work performed in the year.

*Compliance with the Public Sector Internal Audit Standards*



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

*Summary of work completed*

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

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

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

*Summary of audit reviews completed*

The following audit reviews were completed during the 2022-2023 financial year.

Auditable area	Recommendations				Level of assurance
	Red	Amber	Green	Total	
Employer engagement	-	-	1	1	Substantial
Data management - McCloud	-	-	1	1	Substantial
Governing body- delegations	-	-	8	8	Satisfactory
Past service deficit monitoring	-	1	4	5	Satisfactory
Bank account control	-	3	4	7	Satisfactory
Contracts register establishment	-	-	-	-	N/A - Consultancy

## Key findings and recommendations

### Employer engagement

An audit of employer engagement was undertaken which focused on whether the Fund was delivering its employer engagement strategy and how the engagement of employers is monitored. The Fund's employer engagement strategy was examined against other LGPS funds where appropriate. One minor enhancement was made, to clarify the inter-relationships between documents relating to employer engagement.

Examples of good practice were noted, including:

- The Fund's Communication Policy included all LGPS regulatory requirements.
- With regard to the Communication Policy, Customer Engagement Strategy, Customer Engagement Plan and Employer Engagement Roadmap:
  - The documents were approved by Pensions Committee.
  - Employers were informed about them through email and an employer briefing note.
  - They were published on the Fund's website.
- An action log had been established to monitor feedback from employers.
- An annual survey of employers had been undertaken, with feedback shared with employers.
- Fund responsibilities stated in the Pensions Administration Strategy with regard to employer engagement were monitored – through monitoring the Customer Engagement Plan, and through KPI reports presented to senior managers. Testing of a sample of five scheduled events confirmed that in four cases that they had taken place. Where the event did not take place, it was appropriately recorded on monitoring records that it had been postponed.
- Regular reports on employer engagement were presented to Pensions Committee and Board. Testing confirmed that updates had been presented to all Pensions Committee and Board meetings held over the last twelve months. A similar level of transparent reporting was not identified with two other comparable LGPS funds.
- Senior managers received reports through KPI reporting, monitoring of the compliments and complaints registers, which include employer engagement activities.
- A benchmarking exercise had been undertaken by CEM, an independent specialist and pension administration benchmarking and research organisation, noted the Fund's good work regarding employer engagement. It highlighted that the Fund used more service targets and held a higher number of meetings with employers than its peer group.

### Data management - McCloud

A review of the arrangements for the data management project regarding the McCloud judgement, to date, was completed. The McCloud judgement identified that there was age discrimination for some members as a result of public service pensions services reforms in 2014 and 2015. This judgement applied to LGPS schemes. The audit reviewed the approach that the Fund has undertaken in addressing the data collection exercise, with reference to the Scheme Advisory Board (SAB) publication "McCloud data collection exercise – guidance for administrators" as appropriate. The Fund estimates that approximately 75,000 members are in scope for review, but it is anticipated that the review will result in an increased pension for only a small percentage of these members.

At the time that the audit was undertaken, no significant issues were identified regarding the internal management arrangements of the McCloud project. However, this does not necessarily guarantee the successful delivery of the McCloud project, as the Fund awaits relevant regulations to be issued. This will be dependent on the continued deployment of good practices and controls currently in place; together with the impact of other external factors that the Fund has limited control over but is keeping under review through the risk register.

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

- Documentation which presented three delivery options for the McCloud project to the Programme Board was observed, and a preferred option was approved.
- Project governance was established through the Programme Board, Project Team and supporting workstream groups.
- A project risk status and a risk register were established and have been reviewed regularly.
- The Fund adhered to the advice issued by the Scheme Advisory Board (SAB) for the data collection exercise. It was also noted that a member of the Fund's Senior Management Team was part of the SAB team which issued the guidance.
- The Fund was involved in establishing standard templates for data collection with the SAB and has used these in practice.
- Key workstreams were established, including communication, to ensure employers were informed and supported during the data collection exercise.
- Monthly highlight reports were produced which provide regular detailed statistics on employer submission, files in process, and completions.
- An approach on how to deal with non-responsive employers had been established.
- Reporting / updates to all key parties - Programme Board, trustees, employers and members - had been undertaken.

### **Governing body - delegations**

An audit of governing body delegations was undertaken. The review examined the responsibilities and operational arrangements for the delegations to the Fund's governing bodies (Pensions Committee and Pensions Board), with reference to the Pensions Regulator (tPR), the Scheme Advisory Board (SAB), CIPFA and other comparable LGPS pension funds, as appropriate. No significant issues were identified. However, we did identify a number of minor issues mainly relating to the completion of work to demonstrate compliance with tPR, SAB and CIPFA's requirements. It is acknowledged that the Fund's work in this area had been affected by the delay in the publication of finalised requirements.

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

- Responsibility for those acting as the 'scheme manager' had been formally defined, with the Pensions Committee been allocated this responsibility in its terms of reference.
- A Pensions Board had been established.
- Both governing bodies had established quorums.
- The Fund had established a representation policy.
- Gap analysis had been undertaken by the Fund for tPR singular code of practice, SAB good governance review and CIPFA's LGPS knowledge and skills framework.
- Detailed records on individual committee/board members and records of what training, linked to CIPFA requirements, were maintained.
- Transparent reporting process through the Pensions Committee and Board, and also through the minimal use of presenting reports with restricted access.



## Past service deficit monitoring

An audit review of past service deficit monitoring was undertaken. In accordance with LGPS Regulations 2013 (62), the Fund collects a secondary contribution rate (past service deficit) from employers, in accordance with the rates and adjustments certificate issued by the valuer every three years. The audit examined what controls the Fund had to ensure the amount collected is accurate and paid in a timely manner, and what escalation procedures were in place in the event of non-payment. The value of past service deficits (PSD) detailed in the valuation report for the years 2020/21 to 2022/23 was £354.5M.

We noted one amber recommendation which related to the over-reliance on spreadsheets to monitor PSD, with limited controls to prevent/identify errors. Some minor issues were raised, including the clarification of employer responsibilities, and additional reconciliation work.

Examples of good practice identified were as follows:

- Support to understand the results of the valuation process, which includes a statement of amounts due as PSD was provided to employers through workshops, individual meetings and answers to frequently asked questions.
- From a sample of ten employers, it was confirmed that:
  - Payments were made and allocated on a timely basis. It was noted in particular that the allocation of payments since September 2022 had been undertaken in a shorter timescale.
  - Payments were accurate. Where an early payment had been made, the discount had been accurately calculated and employers had paid the balance due before the relevant 30 April (three employers). For two district authorities who had made a prepayment, there was a minor discrepancy resulting from roundings, but this was less than 0.07% of the PSD value due and is not considered material. Where the employers had not made prepayment, all five employers had either made regular monthly payments (four employers) or paid an invoice raised (for one non-active employer) which either resulted in part or full payment of the amount due.
- The Finance team added notes to payments awaiting allocation within Business World.
- Regular monitoring of the current PSD due was undertaken and the Fund had a clear view of total balances outstanding and which employers these relate to.

## Bank account control

An audit of the control of operational bank accounts was undertaken. The audit reviewed the operational NatWest and HSBC bank accounts used by the Fund and examined the management of the accounts. The review also considered the cashflow forecasting processes used at the Fund. Reference was made to the Fund's Treasury Management Policy where appropriate.

Three amber issues were identified, arising from the following:

- Some key parameters in treasury management policy were not detailed, with the monitoring of compliance on other parameters needing to be formalised.
- The liquidity cash balance of £50M for operational accounts was exceeded by investment activity on occasions.
- Whilst in year reconciliations of the ICON system and HSBC are complete there are outstanding historic differences to resolve.

While we highlighted the above, we were able to provide a satisfactory opinion rating as the Fund was already aware of these issues and was in the process of addressing them. A number of minor issues, including suggestions to amend the format of the cashflow spreadsheet and improvements to monitoring records, were also made.

Examples of good practice were noted, including:

- The Fund was undertaking a review of all its bank accounts to assess their need, determine their purpose, and update signatory arrangements where required. It was also in the process of assigning responsibilities for duties across Finance, Fund accounting and Investments.
- Cash needs were monitored by Finance and communicated to the Investment team.
- Access controls in both banking partners required dual authorisation of payments.
- Access to the banks was removed as employees leave or change roles. At the time of audit, testing confirmed that all employees with access to the banks were current employees with appropriate access.
- Smart devices to access the bank were retained by the Fund in a safe and were checked annually, plus when devices were returned/issued to employees.
- Regular reconciliations of bank accounts were undertaken on a monthly basis.

#### *On-going assurance work*

As part of ongoing support to the Fund, we completed 30 credit checks using CreditSafe to review individual organisations financial stability when seeking admission to the Fund.

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

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

#### *Follow up of previous recommendations*

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

<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Pensions Board</b> 04 July 2023
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<b>Report title</b>	<b>Statement of Accounts 2022/23</b>	
<b>Originating service</b>	Pension Services	
<b>Accountable employee</b>	Christopher Manning Email	Head of Finance <a href="mailto:christopher.manning@wolverhampton.gov.uk">christopher.manning@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Rachel Brothwood Email	Executive Director of Pensions <a href="mailto:rachel.brothwood@wolverhampton.gov.uk">rachel.brothwood@wolverhampton.gov.uk</a>

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**Recommendation for action:**

The Pensions Board are asked to note:

1. The process for preparing the Fund's 2023 Statement of Accounts and Annual Report together with the process for approval and external audit.

## **1.0 Purpose**

- 1.1 The purpose of this report is to update the Board on the preparation and approval of the draft Statement of Accounts for the year ending 31 March 2023.

## **2.0 Background**

- 2.1 LGPS funds are required by law to produce an Annual Statement of Accounts. These form part of the wider Administering Local Authority's accounts and are subject to Local Government Accounts and Audit regulations and publication deadlines. They are also included in the LGPS Fund's own Annual Report and Accounts for audit and publication by 1 December each year.
- 2.2 In preparing their accounts, Funds must have regard to proper practice and to any guidance which has the effective standing of 'statutory guidance'. These are for the Statement of Accounts, 'The Code of Practice on Local Authority Accounting in the United Kingdom 2022/23' (Chartered Institute of Public Finance & Accountancy (CIPFA)) ('the Code').
- 2.3 In line with the above, as well as being published in the Fund's own Annual Report, the West Midlands Pension Fund accounts are included in the Statement of Accounts of the the City of Wolverhampton Council. In line with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, the transactions and balances of the Fund are completely separate and not combined with those of the Administering Authority. Monies held by the Fund are for the purposes of the pension fund only.
- 2.4 The Board will receive a further report in the Autumn presenting the final version of the Statement of Accounts, along with the draft Annual Report and the findings of the external auditor's work including their audit opinion. Under the City of Wolverhampton Council's constitution, formal approval of the audited Statement of Accounts rests with its Audit Committee; this does not apply to the other parts of the Annual Report, which will be presented to Pensions Committee for approval.

## **3.0 Draft Statement of Accounts 2022/23**

- 3.1 The purpose of the Statement of Accounts is to report the Fund's financial performance for the year and its balances and reserves at the year-end. There are two primary statements: the Fund Account, which is concerned with transactions during the year and the Net Assets Statement, which reports balances at the year-end. These are supplemented by a series of notes to the accounts which expand on items in the primary statements or provide further information about the Fund.
- 3.2 The draft Statement of Accounts show the estimated value of the Fund decreased by £0.6bn over the year due to changes in the value of investment assets (£0.3bn) and by benefits paid and expenditure in excess of contribution income (£0.3bn) during the financial year.

- 3.3 Overall, during 2022/23, volatility in investment markets resulted in them falling overall despite gains in the later part of the year, and contribution receipts were in line with the previous year as a result of advance payments received from employers during 2020/21. Cash receipts for advance contribution payments were fully recognised in the 2020/21 Statement of Accounts.
- 3.4 Net assets of the Fund at 31 March 2023 stood at £19.7bn, down from £20.3bn at 31 March 2022. This comprises investment assets of £19.4bn, an insurance contract valued at £160m and working balances of £72m.
- 3.5 The Fund has taken the option under the Code to disclose the present value of all Fund employer pension liabilities in a note to the accounts. This value, calculated on an International Accounting Standard Nineteen (IAS 19) basis, stood at £19.8bn at 31 March 2023. This is a decrease on the 31 March 2022 figure of £27.5bn due to adjustments to the actuarial assumptions.
- 3.6 The draft Statement of Accounts for the West Midlands Pension Fund is attached at Appendix A and has now been passed across to the external auditors.

#### 4.0 Investment Management Expenses 2022/23

- 4.1 CIPFA guidance, introduced in 2014, requires the disclosure of all investment management costs including fees, which are deducted at source by external investment managers. Total investment management expenses reported in the draft accounts for 2022/23 are £96 million, compared to £107 million reported for 2021/22.
- 4.2 The Fund continues to take a transparent approach with investment management costs using industry-wide cost capture templates to obtain even higher levels of cost transparency from the investment managers, most notably in the recording of performance fees and transaction costs associated with turnover within individual portfolios. The following table summarises the breakdown of the total investment management expenses noted above:

	<b>Actual 2021/22 £m</b>	<b>Actual 2022/23 £m</b>
External Investment Management Costs – Invoiced	14.5	13.1
External Investment Management Costs – Deducted at Source	87.6	77.3
External Investment Management Costs – LGPS Central	4.4	5.1
<b>Total External Investment Management Costs</b>	<b>106.5</b>	<b>95.5</b>
Custody Fees	0.2	0.1
<b>Total Investment Management Expenses</b>	<b>106.7</b>	<b>95.6</b>

- 4.3 Based on cost collection and analysis to mid-June, the investment management costs deducted at source can be broken down further, and included within Note 13 to the draft accounts is the split between management fees, performance fees and transaction costs.
- 4.4 The challenges of cost data collection and comparison have been previously highlighted by the Fund and in research by the Cost Transparency Initiative (CTI) published by the Pensions and Lifetimes Savings Association (PLSA) in May 2021. The Fund has once again used an external company to support on the collection of this data and whilst not all managers have returned cost reporting templates in time for review ahead of publication of the draft Statement of Accounts an increase in returns has been seen for the 2022/23 year end. Information returned to date represents 92.3% of the net asset value of the Fund's investments and 72.5% by number (52.8% at the same point last year). The balance of fees are calculated based on information available from the fund and investment managers.
- 4.5 It should be noted that actual investment management costs are linked to asset values and are therefore influenced by market movements and investment performance, and are therefore expected to fluctuate during the year and between years. Portfolio changes during the year and asset allocation or strategic changes will also impact the development of costs over time. It is therefore likely that costs will increase in 2023/24 as the Fund implements the new Investment Strategy.
- 4.6 The analysis of the benchmarking of investment management fees for 2021/22 are detailed within agenda item 11.

## **5.0 Financial Implications**

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

## **6.0 Legal Implications**

- 6.1 The Statement of Accounts of the Administering Authority (of which the Fund's accounts form part) must be prepared in accordance with the statutory framework established by the Accounts and Audit Regulations 2015 (together with any subsequent Amendments). The audit of the financial statements will be undertaken in accordance with the statutory framework established by sections 3 and 20 of the Local Audit and Accountability Act 2014.
- 6.2 Under LGPS Regulations, Administering Authorities are required to produce and publish a pension fund annual report, including information about the management and financial performance of the Fund by 1 December each year.

## **7.0 Equalities Implications**

- 7.1 This report has no direct equalities implications.

**8.0 All Other Implications**

8.1 This report has no other direct implications.

**9.0 Schedule of Background Papers**

9.1 This report has no schedule of background papers.

**10.0 Schedule of Appendices**

10.1 Appendix A – West Midlands Pension Fund Statement of Accounts for the year ending 31 March 2023

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**WEST MIDLANDS PENSION FUND STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31  
MARCH 2023**

**Fund Account**

2021/22 £m		Note	2022/23 £m
	<b>Contributions &amp; Benefits</b>		
420.1	Contributions Receivable	<b>P8</b>	459.3
19.1	Transfers In	<b>P9</b>	19.7
13.2	Other Income	<b>P10</b>	13.0
<b>452.4</b>	<b>Total contributions and other income</b>		<b>492.0</b>
(673.4)	Benefits Payable	<b>P11</b>	(722.7)
(34.8)	Payments to and on account of leavers	<b>P12</b>	(40.9)
(0.3)	Other Payments		(0.1)
<b>(708.5)</b>	<b>Total benefits and other expenditure</b>		<b>(763.7)</b>
<b>(256.1)</b>	<b>Net additions/(withdrawals) from dealings with members</b>		<b>(271.7)</b>
<b>(117.8)</b>	<b>Management Expenses</b>	<b>P13</b>	<b>(110.3)</b>
	<b>Returns on Investments</b>		
84.4	Investment Income	<b>P14</b>	80.2
1,719.6	Changes in Value of Investments	<b>P16</b>	(357.5)
(11.0)	Revaluation of bulk annuity insurance buy-in contract	<b>P17</b>	-
<b>1,793.0</b>	<b>Net return on investments</b>		<b>(277.3)</b>
<b>1,419.1</b>	<b>Net Increase/(decrease) in the Fund during the year</b>		<b>(659.3)</b>
<b>18,915.2</b>	<b>Net Assets of the Fund at the beginning of the year</b>		<b>20,334.3</b>
<b>20,334.4</b>	<b>Net Assets of the Fund at the end of the year</b>		<b>19,675.0</b>

## Net Assets Statement

31 March 2022 £m		Note	31 March 2023 £m
	<b>Investment Assets (at Market Value)</b>	<b>P15</b>	
563.6	Bonds		215.3
57.2	UK Equities		43.0
2,539.7	Overseas Equities		2,446.0
15,049.1	Pooled Investment Vehicles		15,122.0
1,142.8	Property		1,007.9
12.3	Derivatives - Futures		-
2.6	Derivatives - Swaps		-
617.0	Foreign Currency Holdings		114.0
136.4	Cash Deposits		491.8
16.6	Other Investment Assets		-
6.4	Outstanding Dividend Entitlement and Recoverable With-Holding Tax		5.8
<b>20,143.8</b>	<b>Investment Assets</b>		<b>19,445.6</b>
	<b>Investment Liabilities (at Market Value)</b>	<b>P15</b>	
(7.4)	Derivatives - Forward Foreign Exchange		-
-	Derivatives - Swaps		(2.4)
<b>(7.4)</b>	<b>Investment Liabilities</b>		<b>(2.4)</b>
<b>20,136.4</b>	<b>Net Investment Assets</b>		<b>19,443.2</b>
<b>174.0</b>	<b>Bulk annuity insurance buy-in contract</b>	<b>P17</b>	<b>159.5</b>
<b>11.4</b>	<b>Long-Term Debtors</b>	<b>P19</b>	<b>12.4</b>
<b>45.0</b>	<b>Current Assets</b>	<b>P20</b>	<b>83.3</b>
<b>(32.5)</b>	<b>Current Liabilities</b>	<b>P21</b>	<b>(23.4)</b>
<b>20,334.4</b>	<b>Net Assets of the Fund at the end of the year</b>		<b>19,675.0</b>

The accounts summarise the transactions of the Fund and deal with the net assets at its disposal. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits is disclosed at note 6.

The notes form part of these financial statements.

## Notes to the Pension Fund Statements

### Note P1 - General

The description in this note is a high-level summary of the Fund's activities and more detail is available in the Fund's Annual Report which can be found on its website.

West Midlands Pension Fund is part of the Local Government Pension Scheme and is administered by the City of Wolverhampton Council on behalf of all local authorities in the West Midlands and other employers who have members in the Fund. Membership of the Fund is available to all local government employees including non-teaching staff of schools and further and higher education corporations in the West Midlands region together with employees of scheduled and admitted bodies. At 31 March 2023, the Fund had 804 actively participating employers and 340,602 members as set out in the following table. A full list of participating employers can be found in the Fund's Annual Report.

31 March 2022		31 March 2023
No.		No.
112,431	Active Members	113,854
114,897	Pensioner Members	115,725
111,263	Deferred Members	115,662
<b>338,591</b>	<b>Total</b>	<b>345,241</b>

The responsibility for administering the Fund is delegated to the Council's Pensions Committee. It meets at approximately quarterly intervals and has members from each of the seven metropolitan district councils in the West Midlands. A Pensions Board was also in operation during 2022/23. Membership of the Committee and Board can be found on the City of Wolverhampton Council website:

<https://wolverhampton.moderngov.co.uk/mgListCommittees.aspx?bcr=1>

The scheme is governed by the Public Services Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- (i) The Local Government Pension Scheme Regulations 2013 (as amended)
- (ii) (ii) The Local Government Pension Scheme (Transitional Provisions, Saving and Amendments) Regulations 2014 (as amended)
- (iii) (iii) The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

The scheme is a contributory defined benefit pension scheme. Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme (LGPS) Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2023. In addition to employee contributions, employers' contributions are paid as set based on triennial actuarial funding valuations. The triennial actuarial valuation applicable to contributions payable in relation to contribution rates payable for 2021/22 and 2022/23 was conducted at 31 March 2019. Employer contribution rates during 2022/23 ranged from 15.5% to 38.6% of pensionable pay.

Scheme-wide benefit changes were made with effect from April 2014, with the most material change moving from an accrual of pensions based on final salaries to career-average revalued earnings (CARE) with an accrual rate of 1/49th and pensions uprated annually in line with the Consumer Price Index. Pension entitlements accrued prior to this date continue to be based on final salary.

Further to direction from the government, local authority investment pools have been created to bring together the investment assets of LGPS pension funds into eight Investment Pools. LGPS Central Limited (LGPSC), the company established to manage investments on behalf of eight LGPS funds including West Midlands Pension Fund (WMPF), received authorisation from the Financial Conduct Authority in 2018 and the LGPS Central regional investment asset pool has been in operation since 1 April 2018.

## Appendix A

As at 31 March 2023, WMPF had assets of £9,563m managed in LGPSC sub-funds comprising £8,794m managed through Authorised Contractual Scheme (ACS) sub-funds and a further £769m managed through vehicles.

Additions and changes to LGPS Central Limited sub-funds continue to be made in collaboration with LGPS Central investment asset pool Partner Funds. WMPF continues to engage in the development and review of sub-funds, taking decisions to transition assets on a case-by-case basis dependent on sub-funds meeting the strategic asset allocation and risk and return requirements of WMPF. The transition of the Fund's remaining assets into products offered by LGPS Central Limited is expected to take several years.

WMPF has several advisory arrangements in place with LGPSC to support with monitoring and oversight of investments outside of LGPSC sub-funds which may also facilitate execution on the underlying assets of legacy portfolios managed directly by the Fund. The advisory mandates are regularly reviewed and are expected to reduce but remain in place for some time due to the illiquid nature of the underlying investments and the cost effectiveness of transition.

### **Note P2 - Basis of Preparation**

The Statement of Accounts summarises the Fund's transactions for the 2022/23 financial year and its financial position as at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note P6 of these accounts.

The accounts have been prepared on a going concern basis.

### **Note P3 - Statement of Accounting Policies**

#### **A. Fund account**

In the Fund Account, income and expenditure are accounted for in the year in which they accrue by the creation of payables and receivables at the year-end where necessary.

#### **B. Contribution income**

Normal contributions, both from the members and from the employers, are accounted for on an accruals basis. Member contributions are made in accordance with the LGPS (Amendment) Regulations 2018 using common percentage rates for all schemes which rise according to pensionable pay. Employer contributions are set at the percentage rate recommended by the Actuary, in the payroll period to which they relate. Additional contributions (including past service deficit contributions and excluding additional voluntary contributions) as notified by employers for the period have also been included. Past service deficit contributions are accounted for in the year in which they are payable under the schedule of contributions set by the scheme actuary.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid is classed as a current financial asset with amounts due after the following year classed as long-term financial assets.

Where employing organisations have not submitted all of the certified returns of contributions payable by the due date for preparation of these accounts, an estimate has been made based on the monthly remittance advice received from these bodies.

## **C. Transfers to and from other schemes**

Transfer values represent the amounts received and paid during the year for members who had either transferred benefits in or out of the scheme as at 31 March 2023, calculated in accordance with the Local Government Pension Scheme Regulations (see notes to the accounts). Transfers in respect of individuals are accounted for when received or paid which is normally when the member liability is accepted or discharged. Bulk transfers in and out, where the receiving scheme has agreed to accept the liability prior to receipt and the necessary employee consents have been obtained, are accounted for in accordance with the bulk transfer terms signed by qualified actuaries appointed by the two pension schemes involved in the bulk transfer.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are reported within transfers in.

## **D. Investment Income**

### **i) Interest Income**

Interest income is recognised in the Fund Account as it accrues using the effective interest rate of the financial instrument as at the date of acquisition or origination.

### **ii) Dividend Income**

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

### **iii) Distributions from Pooled Funds**

Distributions (income) from pooled funds are recognised at the date of issue.

Investment income arising from the underlying investments of pooled investment vehicles is distributed back into the pooled investment vehicles throughout the year.

### **iv) Property-Related Income**

Property-related income (consisting primarily of rental income from operating leases) is recognised on a straight-line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.

### **v) Changes in the Value of Investments**

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

### **vi) Stock lending income**

Stock lending income is accounted for on a cash basis.

## **E. Taxation**

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin unless exemption is permitted. Irrecoverable tax is accounted for as an expense as it arises.

## **F. Benefits payable**

Pensions and lump sum benefits payable include all amounts known to be due as at 31 March 2023. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

## **G. Financial assets**

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised in the Fund Account.

The fair value is established in accordance with IFRS 13 for each category of investment by obtaining sufficient data as follows:

- I. Market-quoted investments are valued on the basis of the bid price (or, if unavailable, most recent transaction) on the relevant stock market. Fixed interest securities are recorded at net market value based on their current yields;
- II. Unquoted securities are valued by the fund managers at the year-end in accordance with generally accepted guidelines. Unquoted private equities are valued by the investment managers in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012) using guidelines of the British Venture Capital Association. This includes the use of discounted cash flow models which are independently valued; and
- III. Pooled investment vehicles are valued at the closing price under single pricing system, or bid price under dual pricing system, as advised by the respective fund manager.

Investment assets are allocated and disclosed within the fair value hierarchy, being within Levels 1, 2 or 3.

The LGPS Central pool trading company, LGPS Central Limited, became licensed to trade on 1 April 2018. The Pension Fund's view is that as at 31 March 2023, cost remains an appropriate estimate of the fair value of shares held in this company.

## **H. Freehold and leasehold properties**

Properties including farmlands and commercial properties are valued annually by independent valuers on a fair value basis in accordance with Royal Institute of Chartered Surveyors (RICS) valuation standards.

## **I. Foreign currencies**

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year-end. Foreign currency transactions are translated into sterling at the spot exchange rate at the date of the transaction. Gains and losses arising on conversion or translation are accounted for as part of the change in market value.

## **J. Derivatives**

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Purchases and sales of derivatives are recognised as follows: Futures – on close out or expiry the variation margins are recognised as cash receipts or payments depending on whether there is a gain or loss. Forward currency contracts settlements are reported as gross receipts and payments.

## **K. Movement in the net market value of investments**

Any gains or losses arising on translation of investments into sterling are accounted for as a change in the market value of investments.

## **L. Cash and cash equivalents**

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

## **M. Financial liabilities**

Financial liabilities are included in the Fund Account at fair value if they exist at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. From this date, any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

## **N. Management expenses**

The Fund discloses its management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses 2016.

All administrative expenses are accounted for on an accruals basis. The costs of Fund officers are recharged to the Fund along with all other costs incurred directly on Fund activities for corporate support services provided by the administering authority.

All investment management expenses are accounted for on an accruals basis. External investment management and custodian fees are agreed in management or custody agreements governing the administration of the individual mandates. Fees are generally based on the valuation of the underlying investments either being managed or in safe custody. In addition, performance-related fees are negotiated with a number of managers and the amounts of such fees are provided in a note to the accounts.

## **O. Actuarial present value of promised retirement benefits**

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (see note P5).

## **P. Additional voluntary contributions**

The Fund provides an additional voluntary contributions (AVC) scheme for its members the assets of which are invested separately from those of the Fund. The Fund has appointed Prudential Assurance Company Limited and Utmost Life and Pensions as its AVC providers. AVCs are paid to the provider by employers and are specifically for providing additional benefits for individual contributors. Each contributor receives an annual statement showing the amount held in their account and the movements in the year. AVCs are not included in the accounts in accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (see note P22).

## **Note P4 - Critical judgements in applying accounting policies**

It has not been necessary to make any material critical judgements in applying the accounting policies in 2022-23.

## **Note P5 - Assumptions made about the future and other major sources of estimation uncertainty**

### **Actuarial present value of promised retirement benefits**

#### ***Uncertainties***

## Appendix A

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate applied to future benefit payments due, the rate at which salaries and pensions are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Hymans Robertson LLP, the Fund's appointed Actuary, is engaged to provide expert advice about the assumptions to be applied.

### ***Effect if actual results differ from assumptions***

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability; however, an increase in assumed earnings inflation or assumed life expectancy would significantly increase the pension liability as detailed by the Fund's Actuary below:

<b>Change in assumptions - year ended 31 March 2023</b>	<b>Approx. % increase in liabilities</b>	<b>Approx. monetary value £m</b>
0.1% p.a. decrease in discount rate	2%	350.0
1 year increase in member life expectancy	4%	791.0
0.1% p.a. increase in salary increase rate	0%	39.0
0.1% p.a. increase in CPI inflation	2%	316.0

### **Fair value of investments**

#### ***Uncertainties***

Certain types of investments are not publicly listed and, as such, there is a degree of estimation involved in their valuation.

### ***Effect if actual results differ from assumptions***

The use of estimates for investment values is greatest for those assets classified at Level 3 which means there is a risk that these investments may be over/under stated in the accounts. The total value of Level 3 investments is £4,372.0m at 31 March 2023 (£3,920.7m at 31 March 2022). The assets classified as Level 3 and the sensitivity of the valuation methods employed is described in note 17.

### **Note P6 - Actuarial valuation of the Fund**

The contribution rates applicable to the period 1 April 2020 to 31 March 2023 were determined by the Fund's previous Actuary, G Muir of Barnett Waddingham LLP, as part of the triennial actuarial valuation of the Fund made as at 31 March 2019. The triennial actuarial valuation of the Fund as at 31 March 2022, undertaken by the Fund's current Actuary, C McFadyen of Hyman Robertson LLP, has determined the contributions rates applicable for the period 1 April 2023 to 31 March 2026 and funding position at 31 March 2022.

On the basis of the assumptions adopted, the 2019 valuation revealed that the value of the Fund's assets of £15,634 million represented 94% of the funding target of £16,648 million at the valuation date. The valuation also showed that a primary rate of contribution of 20.4% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

In general, the Fund applies a maximum deficit recovery period of 17 years. The aim is to achieve 100% solvency over the period and to provide stability in employer contribution rates.



Appendix A

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report dated 31 March 2020. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Different approaches adopted in implementing contribution increases and deficit recovery periods are as determined through the FSS consultation process.

As a result of the valuation, a revised Rates and Adjustments certificate was prepared for the three years commencing 1 April 2020. For comparison purposes, the figures for the two preceding years are also shown. The minimum payable by the seven councils was certified as follows:

	<b>Future Service Rate (% of pay) plus lump sum (£)</b>				
	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
Birmingham City Council	16.8% plus £61.8m (£124.0m)	18.3% plus £61.5m (£124.2m)	21.3% plus £48.2m (£124.2m)	21.3% plus £49.9m (£123m)	21.3% plus £51.8m (£121.9m)
Coventry City Council	16.8% plus £12m (£31.1m)	16.8% plus £12m (£31.1m)	20.4% plus £3.6m (£32.9m)	20.4% plus £3.7m (£32.6m)	20.4% plus £3.9m (£32.3m)
Dudley MBC	17.0% plus £9.7m (£31.3m)	18.6% plus £9.6m (£32.3m)	20.7% plus £3.0m (£31.5m)	20.7% plus £3.1m (£30.6m)	20.7% plus £3.2m (£29.9m)
Sandwell MBC	16.2% plus £17m (£17.0m)	17.7% plus £16.9m (£16.9m)	20.5% plus £10.5m (£10.3m)	20.5% plus £10.9m (£10.2m)	20.5% plus £11.3m (£10.1m)
Solihull MBC	16.5% plus £5.1m (£16.6m)	18.4% plus £5.1m (£17.4m)	20.7% plus £2.9m (£19.9m)	20.7% plus £3.0m (£19.4m)	20.7% plus £3.1m (£19.0m)
Walsall MBC	16.9% plus £14.8m (£30.2m)	18.3% plus £15m (£31.5m)	20.3% plus £9.8m (£30.2m)	20.3% plus £10.1m (£30.0m)	20.3% plus £10.5m (£29.7m)
City of Wolverhampton Council	16.8% plus £14m	18.1% plus £14.6m	20.0% plus £6.8m (£28.8m)	20.0% plus £7.1m	20.0% plus £7.3m

The amounts shown in brackets are due in the year where the Council has opted to make a cash payment in advance. These amounts were received by the Fund in April 2020. The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

	<b>2022</b>	<b>2019</b>
Rate of return on investments:	4.3% per annum	4.6% per annum
Rate of pay increases:	3.9% per annum	3.6% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension):	2.9% per annum	2.6% per annum

The assets were assessed at market value.

The 31 March 2019 Actuarial Valuation report can be found on the Fund's website.

## Appendix A

The 31 March 2022 Actuarial Valuation report can also be found on the Fund's website with the results of this report implemented from 1 April 2023.

### Actuarial present value of promised retirement benefits for the purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed and for this purpose, the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, the following financial assumptions have been used:

	31 March 2022	31 March 2023
Rate of return on investments (discount rate)	2.70% per annum	4.75% per annum
Rate of pay increases	4.20% per annum	4.00% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	3.20% per annum	3.00% per annum

The total value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2022 was estimated as £27,503 million. The impact of the changes in actuarial financial assumptions between 31 March 2022 and 31 March 2023 as described above is to decrease the liabilities by £10,040 million. The impact of the change in demographic assumptions between 31 March 2022 and 31 March 2023 is to decrease the actuarial present value by £172 million.

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2023 is therefore £19,771 million.

### Note P7 – Taxation

#### 1. Value added tax (VAT)

The Fund (as part of the City of Wolverhampton Council) pays VAT collected on income in excess of VAT payable on expenditure to HMRC. The accounts are shown exclusive of VAT.

#### 2. Taxation of overseas investment income

The Fund receives interest on its overseas bonds gross but a variety of arrangements apply for the taxation of dividends on overseas equities in the various markets.

In some markets, a lower-than-standard tax rate is available, either as a result of a double tax treaty in place between the UK and the investment country (e.g., Poland, Canada, Italy, Sweden) or based on favourable domestic legislation (e.g., Australia, Czech Republic, Singapore). Where this is the case, relief may be granted at source based on documentation already on file (e.g., USA, Belgium, Australia, Finland, France and Norway), or ex post via reclaim forms submitted to the local tax authorities (e.g., Austria, Denmark, Germany, Netherlands, Switzerland and Spain).

There are also markets where relief is not possible - either no double taxation agreement exists (e.g., Brazil, Colombia, Lebanon), or a 'subject to tax' clause prevents UK pension funds from benefiting from treaty rates (e.g., Israel, Malaysia, Portugal). In such cases, the full amount of tax is withheld and is final.

**Note P8 - Contributions receivable**

Contributions receivable by type

2021/22 £m		2022/23 £m
	<b>From employers</b>	
228.1	Contributions	257.4
43.3	Past service deficit	45.9
15.8	Additional cost of early retirement	12.3
<b>287.2</b>		<b>315.6</b>
	<b>From members</b>	
132.3	Basic contributions	143.0
0.6	Additional contributions	0.7
<b>132.9</b>		<b>143.7</b>
<b>420.1</b>	<b>Total contributions</b>	<b>459.3</b>

Following the actuarial valuation as at 31 March 2019, some employers chose to pay their full three-year future service and past service deficit contributions in advance as a lump sum in 2020/21. The lump sums paid by the seven councils have been accounted for fully in 2020/21 and are listed in the table in note 6. The additional contributions above represent the purchase of added membership or additional benefits under the pension scheme.

Contributions receivable by type of employer

2021/22 £m		2022/23 £m
32.3	Administering authority	36.0
344.4	Other scheduled employers	377.7
43.4	Admitted employers	45.6
<b>420.1</b>	<b>Total</b>	<b>459.3</b>

**Note P9 - Transfers in**

2021/22 £m		2022/23 £m
19.1	Individual transfers	19.7
<b>19.1</b>	<b>Total</b>	<b>19.7</b>

**Note P10 - Other income**

2021/22 £m		2022/23 £m
	<b>Benefits recharged to employers</b>	
6.9	Compensatory added years	6.6
6.3	Pensions increases	6.4
<b>13.2</b>	<b>Total</b>	<b>13.0</b>

**Note P11 - Benefits payable**

Benefits payable by type

2021/22 £m		2022/23 £m
	<b>Pensions</b>	
510.3	Retirement pensions	538.6
34.8	Widows' pensions	36.3
1.1	Children's' pensions	1.2
7.2	Widowers' pensions	8.0
0.2	Ex-spouses' pensions	0.3
0.2	Equivalent pension benefits	0.2
0.4	Co-habiting partners' pensions	0.5
0.1	Civil Partnership	0.2
0.1	Amounts due to Estate	-
<b>554.4</b>	<b>Total pensions</b>	<b>585.4</b>
	<b>Lump sum benefits</b>	
102.9	Retiring allowances	117.9
16.1	Death grants	19.4
<b>119.0</b>	<b>Total lump sum benefits</b>	<b>137.3</b>
<b>673.4</b>	<b>Total benefits payable</b>	<b>722.7</b>

Benefits payable by type of employer

2021/22 £m		2022/23 £m
52.4	Administering authority	54.9
564.4	Other scheduled employers	606.3
56.6	Admitted employers	61.5
<b>673.4</b>	<b>Total</b>	<b>722.7</b>

**Note P12 - Payments to and on account of leavers**

2021/22 £m		2022/23 £m
32.7	Individual transfers	38.7
2.1	Refunds of contributions	2.2
<b>34.8</b>	<b>Total</b>	<b>40.9</b>

**Note P13 - Management expenses**

2021/22 £m		2022/23 £m
7.3	Administrative costs	10.4
106.7	Investment management expenses	95.6
3.8	Oversight and governance costs	4.3
<b>117.8</b>	<b>Total</b>	<b>110.3</b>

Included in administrative costs of £10.4m above are anticipated external audit fees of £85,000 (2021/22: £73,000). External audit for the Fund are appointed by the City of Wolverhampton Council through the PSAA (Public Sector Audit Appointments) framework.

Appendix A

The guidance requires that external investment management fees that are deducted from asset values (rather than invoiced and paid directly) are shown gross. Wherever possible, the figures are based on actual costs disclosed by the manager; where actual costs were not available, best estimates have been made using other available information.

**Note P13 i) - Investment management expenses**

<b>2022/23</b>	<b>Total</b>	<b>Management fees</b>	<b>Performance related fees</b>	<b>Transaction costs</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Equities	13.5	10.5	-	3.1
Fixed interest	-	-	-	-
Pooled investments	28.1	11.4	-	16.7
Pooled property investments	-	-	-	-
Private equity	30.4	13.6	16.7	-
Property	6.4	4.2	0.3	1.9
Infrastructure	12.1	6.2	5.9	-
Absolute return	3.9	1.1	2.8	0.0
Derivatives	0.9	0.2	-	0.7
Cash, cash equivalents & fx contracts	0.2	0.2	-	(0.0)
	<b>95.5</b>	<b>47.3</b>	<b>25.7</b>	<b>22.4</b>
Custody fees	0.1			
<b>Total</b>	<b>95.6</b>			

<b>2021/22</b>	<b>Total</b>	<b>Management fees</b>	<b>Performance related fees</b>	<b>Transaction costs</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Equities	25.3	16.9	-	8.4
Fixed interest	0.4	0.4	-	-
Pooled investments	24.5	14.7	-	9.8
Pooled property investments	-	-	-	-
Private equity	40.5	14.3	26.0	0.2
Property	5.7	4.7	0.3	0.7
Infrastructure	9.5	7.2	2.3	-
Absolute return	0.1	0.1	-	-
Derivatives	0.4	0.2	-	0.2
Cash, cash equivalents & fx contracts	0.1	0.1	-	-
	<b>106.5</b>	<b>58.6</b>	<b>28.6</b>	<b>19.3</b>
Custody fees	0.2			
<b>Total</b>	<b>106.7</b>			

## Note P14 - Investment Income

2021/22 £m		2022/23 £m
	<b>Dividends and Interest</b>	
	<i>Bonds</i>	
9.2	UK private sector – quoted	10.7
	<i>Equities</i>	
0.6	UK private sector – quoted	-
20.8	Overseas	25.3
	<i>Pooled Investment Vehicles</i>	
0.7	UK private sector – quoted	0.3
6.3	Overseas equities	6.7
-	Interest on cash deposits	4.6
0.7	Stock lending	0.8
-	Other investment income	-
<b>38.3</b>	<b>Total dividends and interest</b>	<b>48.4</b>
60.2	Property management income	45.2
(14.1)	Property management expenses	(13.4)
<b>46.1</b>	<b>Total property management</b>	<b>31.8</b>
<b>84.4</b>	<b>Total investment income</b>	<b>80.2</b>

**Stock lending**

As at 31 March 2023, £291.7 million of stock was on loan to an agreed list of approved borrowers through the Fund's custodian in its capacity as agent lender (31 March 2022: £583.1 million). The loans were covered by non-cash collateral in the form of equities, gilts, Delivery by Values DBVs and G10 sovereign debt totalling £308.2 million and giving a margin of 6.0% (31 March 2022, £631.5 million, margin of 8.0%).

Collateral is marked to market, adjusted daily and held by a third-party agent on behalf of the Fund. Net income from stock lending amounted to £0.8 million during the year (2021/22: £0.7 million). The Fund retains its economic interest in stocks on loan and their value is included in the Fund valuation. There is, however, an obligation to return collateral to the borrowers and its value is therefore excluded from the Fund valuation. The securities lending programme is indemnified to give the Fund further protection against losses.

There are no liabilities associated with the loaned assets.

**Other investment income**

Other investment income includes the following: Class action income, liquidation proceeds and tax refunds.

## Note P15 - Net investment assets

31 March 2022 £m		31 March 2023 £m
	<b>Bonds</b>	
235.4	UK companies – segregated (external)	215.3
328.2	Overseas sovereign - index linked	-
<b>563.6</b>		<b>215.3</b>
	<b>UK equities</b>	
55.2	Quoted	41.0
2.0	Unquoted	2.0
<b>57.2</b>		<b>43.0</b>
	<b>Overseas equities</b>	
155.4	Quoted	115.0
2,384.3	Quoted – segregated (external)	2331.0
<b>2,539.7</b>		<b>2446.0</b>
	<b>Pooled investment vehicles</b>	
	<b>Managed funds</b>	
668.9	UK fixed interest	947.0
2,167.3	Other fixed interest	2,139.7
1,011.2	UK quoted, index linked	741.3
1,349.4	UK quoted equities (pooled assets)	1,325.7
6,801.8	Overseas quoted equities (pooled assets)	6,847.0
830.3	Infrastructure	1,036.2
1,439.2	Private equity	1,396.9
257.7	UK absolute returns	190.6
82.6	Overseas absolute returns	101.1
-	Multi asset credit	-
208.4	UK property	196.4
117.2	Overseas property	104.7
	<b>Unit trusts</b>	
115.1	UK property	95.5
<b>15,049.1</b>		<b>15,122.0</b>
	<b>Property</b>	
1,096.5	UK freehold	969.9
46.3	UK leasehold*	38.0
<b>1,142.8</b>		<b>1,007.9</b>
	<b>Derivative contracts</b>	
12.3	Futures	-
2.6	Swaps	-
<b>15.0</b>		<b>-</b>
	<b>Foreign currency holdings</b>	
0.5	Australian dollars	0.5
0.6	Canadian Dollars	0.6
1.5	Czech Koruna	2.2
0.6	Danish Kroner	0.6

## Appendix A

133.8	Euro	44.7
33.8	Hong Kong Dollars	0.0
0.7	Hungarian Forints	0.8
4.9	Japanese Yen	4.8
2.6	Mexican Peso	3.6
0.5	New Zealand Dollars	0.5
0.5	Norwegian Kroner	0.4
0.5	Polish Zloty	0.5
1.5	Singapore Dollars	1.6
2.9	Swedish Kroner	2.7
5.2	Swiss Francs	5.6
0.4	Turkish Lira	0.3
426.5	United States Dollars	44.6
<b>617.0</b>		<b>114.0</b>
	<b>Cash deposits</b>	
128.8	UK	107.6
7.6	US	384.2
<b>136.3</b>		<b>491.8</b>
	<b>Other investments</b>	
16.6	Broker balances	-
6.4	Outstanding dividend entitlement and recoverable with-holding tax	5.8
<b>23.0</b>		<b>5.8</b>
<b>20,143.7</b>	<b>Total investment assets</b>	<b>19,445.6</b>
	<b>Investment liabilities</b>	<b>-</b>
	<b>Derivative contracts</b>	
(7.4)	Forward currency contracts	(2.4)
-	Swaps	-
<b>(7.4)</b>		<b>(2.4)</b>
<b>(7.4)</b>	<b>Total investment liabilities</b>	<b>-</b>
<b>20,136.4</b>	<b>Net investment assets</b>	<b>19,443.2</b>

\* All leasehold properties are held on long leases

Segregated accounts are held separately from the main account by the global custodian and contain assets managed by some of the Fund's external managers.



Appendix A

The following investments represent more than 5% of the net assets of the Fund. All of these pooled funds are registered in the UK.

31 March 2022			31 March 2023	
Market value	% of total market value		Market value	% of total market value
£m			£m	
		<b>Security</b>		
2,754.3	13.7	LGPS Central Global Ex UK Passive Equity Fund	2,152.4	11.1
2,140.4	10.6	LGPS Central All World Equity Climate Multi Factor Fund	2,801.9	14.4
1,210.7	6.0	LGPS Central UK Passive Equity Fund	1,246.1	6.4
1,195.6	5.9	LGPS Central Global Equity Active Multi-Manager Fund	1,211.9	6.2
1,011.2	5.0	Legal & General - All Stocks Index-Linked Gilts Fund	741.3	3.8

The proportion of the market value of investment assets managed in the regional asset pool at the year-end is set out below.

31 March 2022			31 March 2023	
Market value	% of total market value		Market value	% of total market value
£m			£m	
<b>Investments managed by LGPS Central Limited regional asset pool:</b>				
6,712.4	33.9	Authorised Contractual Schemes (ACS) - global equities	6,793.1	34.9
1,210.7	6.1	Authorised Contractual Schemes (ACS) - UK equities	1,246.1	6.4
811.4	4.1	Authorised Contractual Schemes (ACS) - Fixed interest	754.7	3.9
283.2	1.4	Non ACS Private Markets	768.7	4.0
<b>9,017.7</b>	<b>45.5</b>		<b>9,562.5</b>	<b>49.2</b>
<b>Investments managed outside of LGPS Central Limited regional asset pool:</b>				
2,120.7	10.7	In-house: property, cash, quoted and unquoted equities	1,768.4	9.1
117.7	0.6	Managers: UK quoted	99.9	0.5
1,448.3	7.3	Managers: emerging markets	1,306.4	6.7
1,021.1	5.1	Managers: global equities	1,078.5	5.5
3,422.0	17.3	Managers: fixed interest	2,954.5	15.2
310.3	1.6	Managers: indirect property	301.1	1.5
819.7	4.1	Managers: infrastructure funds	936.2	4.8
410.7	2.1	Managers: absolute return	313.3	1.6
1,116.6	5.6	Managers: private equity	1,115.8	5.7
<b>10,787.1</b>	<b>54.4</b>		<b>9,874.2</b>	<b>50.8</b>
23.0		Outstanding dividend entitlement and recoverable withholding tax	6.5	

<b>19,827.8</b>		<b>Net investment assets</b>	<b>19,443.3</b>	
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## ANALYSIS OF DERIVATIVES

## Objectives and policies for holding derivatives

The Fund utilises derivative instruments in line with investment policy and investment management agreements in place with third party investment managers.

## a) Futures

In 2018/19, the Fund made a decision to transition assets out of an internal global equity portfolio and into a new sustainable global equities mandate. Recognising that there would be some lead time in implementing this strategy, as and when the existing portfolio was realised, proceeds were invested in global equity futures pending transition to the sustainables mandate. During 2022/23, the Fund completed this transition and has ended its exposure to futures accordingly.

## b) Forward foreign currency

To reduce the volatility associated with fluctuating currency rates, the Fund previously had a passive currency programme in place. The Fund commenced its currency hedging programme in 2017/18 following approval by Committee to amend the Strategic Investment Allocation Benchmark to reflect the passive currency management programme. The Fund's hedging programme aimed to protect returns in sterling terms and reduce currency risk. The concluded this programme in 2022/23.

## c) Open forward currency contracts

Settlement	Currency Bought	Local value m	Currency Sold	Local value m	Asset value £m	Liability value £m
One to six months	GBP	-	EUR			
One to six months	EUR	-	GBP			
Open forward currency contracts at 31 March 2023					-	-
Net forward currency contracts at 31 March 2023					-	-

## Prior year comparative:

Open forward currency contracts at 31 March 2022	(7.4)	
Net forward currency contracts at 31 March 2022	<b>(7.4)</b>	

## d) Open exchange traded futures contracts

Type	Expires	Economic exposure £m	Market value 31 March 2022 £m	Economic exposure £m	Market value 31 March 2023 £m
<b>Assets</b>					
UK equity	Under one year	55.5	3.6	-	-
Overseas equity	Under one year	141.4	10.0	-	-
UK bond	Under one year	148.3	(1.3)	-	-
<b>Total assets</b>			<b>(12.3)</b>	-	-

## Note P16 - Investment market value movements analysis

	Value as at 31 March 2022 £m	Purchases at cost and derivative payments £m	Sales proceeds and derivative receipts £m	Investment Management Fees Deducted at Source £m	Change in Market Value £m	Value as at 31 March 2023 £m
Bonds	563.6	213.9	(464.5)	-	(97.8)	215.2
UK equities	57.2	-	-	-	(14.2)	43.0
Overseas equities	2,539.7	0.1	(0.1)	-	(93.7)	2,446.0
Pooled investment vehicles	15,049.1	711.4	(593.0)	0.1	(45.6)	15,122.1
Property	1,142.8	97.9	(56.7)	-	(176.1)	1,007.9
	<b>19,352.5</b>	<b>1,023.3</b>	<b>(1,114.3)</b>	<b>0.1</b>	<b>(427.5)</b>	<b>18,834.2</b>
Derivative contracts						
Swaps	2.6				(5.1)	(2.5)
Futures	12.3				(12.3)	-
Forward foreign exchange	(7.4)				7.4	-
	<b>19,360.0</b>	<b>1,023.3</b>	<b>(1,114.3)</b>	<b>0.1</b>	<b>(437.4)</b>	<b>18,831.7</b>
Broker balances	16.6					6.5
Outstanding dividend entitlement and recoverable withholding tax	6.4					(0.8)
Foreign currency holdings	617.0					114.0
Cash deposits	136.4					491.8
<b>Total Investments</b>	<b>20,136.4</b>					<b>19,443.3</b>

The change in market value of investments comprises both increases and decreases in the market value of investments held at any time during the year and profits and losses realised on the sales of investments during the year.

Purchases also include transfers in of investments, take-over of shares etc. and invested income. Sales proceeds include all receipts from sales of investments, transfers out of investments, take-over proceeds etc. and reductions in cash deposits including profits or losses realised on the sale.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Fund such as fees, commissions, stamp duty and other fees. Transaction costs during the year amounted to £22.4 million (2021/22: £19.3 million). In addition to the transaction costs

Appendix A

disclosed below, indirect costs are incurred through the bid-offer spread of investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Fund.

The volatility of investment markets is an ever-present and longstanding feature of pension fund management and valuations may vary, either up or down, throughout each day when exchanges are open.

The change in the value of investments during 2022/23 is set out below:

<b>Value as at 31 March 2022</b>	<b>Transfer of assets from WMITA fund</b>	<b>Purchases at cost and derivative payments</b>	<b>Sales proceeds and derivative receipts</b>	<b>Investment management fees deducted at source</b>	<b>Change in market value</b>	<b>Value as at 31 March 2023</b>
<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Bonds	508.4	124.1	(88.6)		19.8	563.7
UK equities	27.0		(32.2)		62.4	57.2
Overseas equities	2,567.5				(27.8)	2,539.7
Pooled investment vehicles	13,640.8	643.3	(614.8)	(87.6)	1,467.4	15,049.1
Property	1,014.0		(62.3)		191.1	1,142.8
	<b>17,757.7</b>	<b>767.4</b>	<b>(797.9)</b>	<b>(87.6)</b>	<b>1,712.9</b>	<b>19,352.5</b>
Derivative contracts						
Swaps					2.6	2.6
Futures	(2.3)				14.6	12.3
Forward foreign exchange	3.1				(10.5)	(7.4)
	<b>17,758.5</b>	<b>767.4</b>	<b>(797.9)</b>	<b>(87.6)</b>	<b>1,719.6</b>	<b>19,360.0</b>
Broker balances	19.2					16.6
Outstanding dividend entitlement and recoverable withholding tax	7.5					6.4
Foreign currency holdings	399.6					617.0
Cash deposits	498.2					136.4
<b>Total Investments</b>	<b>18,683.0</b>					<b>20,136.4</b>

### 16 i) Property Holdings

The Fund's investment property portfolio comprises a number of directly owned properties which are leased commercially to various tenants. Details of these directly owned properties are as follows:

<b>2021/22</b>		<b>2022/23</b>
<b>£m</b>		<b>£m</b>
<b>1,014.0</b>	<b>Opening balance</b>	<b>1,142.8</b>
-	Additions	95.1
(62.3)	Disposals	(18.7)
191.1	Net change in market value	(211.4)
<b>1,142.8</b>	<b>Closing balance</b>	<b>1,007.8</b>

There are no restrictions on the realisability of the property or the remittance of income or proceeds on disposal and the Fund is not under any contractual obligation to purchase, construct or develop any of these properties nor does it have any responsibility for any repairs, maintenance or enhancements.

The future minimum lease payments receivable by the Fund are as follows:

## Appendix A

31 March 2022 £000		31 March 2023 £000
40,028	Within one year	37,539
140,018	Between one and five years	130,352
182,744	Later than five years	152,479
<b>362,790</b>	<b>Total future lease payments due under existing contracts</b>	<b>320,369</b>

The receivables above have been reduced by a credit loss allowance of 1% per annum reflecting the Fund's expected loss from late or non-recovery of rents from tenants. This deduction is based on advice from the Fund's property letting agents.

**Note P17 - Fair value - basis of valuation**

The basis of the valuation of each class of investment assets is detailed below. There has not been any change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Asset type	Valuation level	Basis of valuation	Observable and unobservable inputs	Key sensitivity
Market quoted investments	1	Published bid market price ruling on 31 March 2023.	n/a	n/a
Quoted bonds	1	Market bid price based on current yields.	n/a	n/a
Futures	1	Published exchange prices at 31 March 2023.	n/a	n/a
Unquoted bonds	2	Average of broker prices.	Evaluated price feeds.	n/a
Pooled Investment vehicles-unit trusts and property funds	2	PIV are stated at the bid price quoted or the closing single market prices.	Net asset value (NAV) based pricing set on a forward pricing basis.	n/a
Forward foreign exchange derivatives	2	Market forward exchange rates at 31 March 2023.	Exchange rate risk.	n/a
Freehold and leasehold properties	3	Valued at fair value at the year-end using the investment valuation reports of appointed independent valuers. One third of the commercial property portfolio is valued fully in March each year, with the remaining two thirds being a 'desktop' valuation.	Existing lease terms and rentals, independent market research, tenant covenant strength, estimated vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or discount rate could affect valuations

Appendix A

		Agricultural properties are valued by specialist independent valuers at the year end.		
Unquoted equity (includes Private Equity, Infrastructure and Absolute Return/Diversified Growth Funds)	3	Value is based on the latest investor reports and financial statements provided by the fund managers of the underlying funds, adjusted for transactions arising after the date of such reports.	Earnings before interest, tax, depreciation and amortisation (EBITDA) multiple, revenue multiple, discount for lack of marketability.	Could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.
Bulk annuity insurance buy-in	3	Provided by the Fund's Actuary based on a roll-forward of the value placed on the buy-in held within one of the Admitted Body Separate Funds and most recently valued as part of the Fund's triennial actuarial valuation as at 31 March 2022 allowing for estimated level pensions paid and the change in the discount rate used to value the buy-in.	Key underlying inputs for the valuation are the discount rate and life expectancy. Discount rate has been set at 1.68% with reference to the 11 year point of the Bank of England nominal gilt yield curve, consistent with the 2022 valuation of the Admitted Body Separate Fund.	Adjustments to discount rate and life expectancy.

**Sensitivity of assets valued at level 3**

The table below details the Fund's review of financial information as provided by appointed independent investment consultants. The valuation methods detailed above are likely to be accurate to within the ranges and, as set out below, the consequent potential impact on the closing value of investments at 31 March 2023 and 31 March 2022.

Appendix A

Level 3 assets	Valuation range	Valuation at 31 March 2023	Valuation Increase	Valuation Decrease
	% (+/-)	£m	£m	£m
Freehold and Leasehold Property				
Private Equity				
Infrastructure				
Absolute Return/Diversified Growth				
Unit Trusts - UK Property				
Fixed Interest				
<b>Total</b>				

\* At the time of publishing this Statement of Accounts in June 2023, the Fund was awaiting confirmation of values as at 31 March 2023 from its investment advisors. The table above will therefore be updated upon receipt of these values.

Level 3 assets	Valuation range	Valuation at 31 March 2022	Valuation Increase	Valuation Decrease
	% (+/-)	£m	£m	£m
Freehold and Leasehold Property	11.8	1,142.8	1,277.7	1,008.0
Private Equity	31.2	1,439.2	1,888.3	990.0
Infrastructure	13.3	734.4	831.7	637.0
Absolute Return/Diversified Growth	14	414.0	471.9	356.1
Unit Trusts - UK Property	11.8	145.3	162.5	128.2
Fixed Interest	12.1	206.5	231.5	181.5
<b>Total</b>		<b>4,082.2</b>	<b>4,863.6</b>	<b>3,300.8</b>

The key underlying inputs for the annuity insurance buy-in level 3 valuation are the discount rate and life expectancy. The impact of changes as calculated by the Fund's Actuary is shown below:

Change in assumptions - year ended 31 March 2022	Adjustment	Valuation at 31 March 2023	Valuation Increase	Valuation Decrease
		£m	£m	£m
Adjustment to discount rate	(-/+ ) 1%			
Adjustment to life expectancy assumptions	(+/-) 1 year			

\* At the time of publishing this Statement of Accounts in June 2023, the Fund was awaiting confirmation of values as at 31 March 2023 from its investment advisors. The table above will therefore be updated upon receipt of these values.

Change in assumptions - year ended 31 March 2021	Adjustment	Valuation at 31 March 2022	Valuation Increase	Valuation Decrease
		£m	£m	£m
Adjustment to discount rate	(-/+ ) 0.5%	174.0	181.0	167.0
Adjustment to life expectancy assumptions	(+/-) 1 year	174.0	197.0	151.0

## 17 i) Fair value hierarchy

The valuation of financial instruments has been classified into three levels according to the quality and reliability of information used to determine fair values. Criteria utilised in the instrument classifications are detailed below:

### Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed interest securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

### Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

### Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in the determining appropriate assumptions.

The values of the investments in private equity, infrastructure and absolute return/diversified growth funds are based on the latest investor reports and financial statements provided by the fund managers of the underlying funds. Valuations are undertaken quarterly, and an adjustment is made to roll forward the latest available valuation to 31 March as appropriate.

The values of the investments in hedge funds are based on the net asset value provided by the fund manager. Fund valuations are obtained through external experts with assurance provided via the audit opinion. The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which fair value is observable.



Appendix A

Value at 31 March 2023	Quoted market price Level 1 £m	Using observable inputs Level 2 £m	With significant unobservable inputs Level 3 £m	Total £m
<b>Financial assets</b>				
Financial assets at fair value through profit and loss				
Non- financial assets at fair value through profit and loss				
Financial liabilities at fair value through profit and loss				
Bulk annuity insurance buy-in at fair value through profit and loss				
<b>Net financial assets</b>				

\* At the time of publishing this Statement of Accounts in June 2023, the Fund was awaiting confirmation of values as at 31 March 2023 from its investment advisors. The table above will therefore be updated upon receipt of these values.

Value at 31 March 2022	Quoted market price Level 1 £m	Using observable inputs Level 2 £m	With significant unobservable inputs Level 3 £m	Total £m
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	10,589.6	4,695.6	2,939.4	18,224.6
Non- financial assets at fair value through profit and loss			1,142.8	1,142.8
Financial liabilities at fair value through profit and loss		(7.4)		(7.4)
	<b>10,589.6</b>	<b>4,688.2</b>	<b>4,082.2</b>	<b>19,360.0</b>
Bulk annuity insurance buy-in at fair value through profit and loss			174.0	174.0
<b>Net financial assets</b>	<b>10,589.6</b>	<b>4,688.2</b>	<b>4,256.2</b>	<b>19,534.0</b>

Note 17 ii) - Reconciliation of fair value measurements within level 3

	Market value 31 March 2022 £m	Purchases during the year £m	Sales during the year £m	Unrealised gains / losses £m	Realised gains/losses £m	Market value 31 March 2023 £m
Freehold and Leasehold Property	1,143					
Private Equity	1,439					
Infrastructure	734					
Absolute Return/Diversified Growth	414					
Unit Trusts - UK Property	145					

## Appendix A

Bonds	206				
<b>Total</b>	<b>4,082</b>				

\* At the time of publishing this Statement of Accounts in June 2023, the Fund was awaiting confirmation of values as at 31 March 2023 from its investment advisors. The table above will therefore be updated upon receipt of these values.

### Bulk annuity insurance buy-in contract

The transfer of assets from the former WMITA Fund to Admitted Body Separate Funds (ABSFs) within WMPF included a bulk annuity insurance buy-in contract with Prudential Retirement Income Limited. The insurance cover provides that the insurer underwrites the risk for meeting the liabilities of a specified group of pensioners on the former West Midlands Travel Limited pensions payroll as at 11 August 2011. The insurance provider will pay the cost of the monthly pension payments for this group whilst they or their dependants are entitled to a pension.

Benefits recharged to Prudential during the year have been credited to the Fund account (and relevant ABSF) and the value of the buy-in recalculated at year end by the Fund Actuary and recognised in the Net Assets Statement as follows:

31 March 2022 £m		31 March 2023 £m
<b>200.0</b>	<b>Bulk annuity insurance buy-in contract value at start of year</b>	<b>174.0</b>
	Actuarial revaluation of insurance contract:	
2.0	Interest on buy-in	
(2.0)	Change in demographic assumptions	
-	Actuarial experience	
<b>(11.0)</b>		
(15.0)	Level pensions paid by insurer	(14.5)
<b>174.0</b>	<b>Bulk annuity insurance buy-in contract value at end of year</b>	<b>159.5</b>

\* At the time of publishing this Statement of Accounts in June 2023, the Fund was awaiting confirmation of valuation as at 31 March 2023 from the actuary. The table above will therefore be updated upon receipt of these values.

### Note P18 - Investment capital commitments

Investment commitments at the end of the financial year in respect of future payments were:

31 March 2022 £m		31 March 2023 £m
1,469.6	Non-publicly quoted equities and infrastructure	2,042.3
55.4	Property	44.6
<b>1,525.0</b>	<b>Total</b>	<b>2,086.9</b>

Appendix A

These amounts relate to outstanding commitments due on funds held in the private equity, fixed interest, absolute return and alternative investment portfolios.

**Note P19 - Long term debtors**

31 March 2022 £m		31 March 2023 £m
6.4	Early retirement costs	6.4
5.0	Reimbursement of lifetime tax allowances	6.0
<b>11.4</b>	<b>Total</b>	<b>12.4</b>

The Fund has agreed for certain employers to defer payment of amounts due to meet early retirement costs and £nil is due after the following financial year (2021/22: £6.4m). The instalments due in 2022/23 are reported in Current Assets.

**Note P20 - Current Assets**

31 March 2022 £m		31 March 2023 £m
	<b>Receivables and prepayments</b>	
	Contributions Receivable	
20.7	- Employers' future service	27.8
3.7	- Employers' past service deficit	3.7
12.5	- Members	12.1
8.1	Other Receivables	8.7
<b>45.0</b>	<b>Total Receivables and Prepayments</b>	<b>52.3</b>
-	Cash at bank	31.0
<b>45.0</b>	<b>Total Current Assets</b>	<b>83.3</b>

**Note P21 - Current liabilities**

31 March 2022 £m		31 March 2023 £m
	<b>Payables and receipts in advance</b>	
(3.5)	Pensions and lump sum benefits	(2.0)
(0.7)	Receipts in advance	(0.1)
(23.9)	Other payables	(21.3)
(4.4)	Cash at bank	-
<b>(32.5)</b>	<b>Total</b>	<b>(23.4)</b>

**Note P22 - Additional voluntary contributions**

As well as joining the Fund, scheme members can pay into an additional voluntary contribution (AVC) scheme run by two AVC providers. Contributions are paid directly from scheme members to the AVC providers.

The contributions are not included within the Fund accounts, in line with regulation 4 (2) (b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009. The table below shows the activity for each AVC provider in the year.

31 March 2022			31 March 2023	
Utmost Life £m	Prudential £m		Utmost Life £m	Prudential * £m
1.7	37.2	<b>Opening value of the fund</b>	1.5	36.6
0.1	6.0	Income	0.1	5.4
(0.3)	(6.1)	Expenditure	(0.3)	(7.4)
-	(0.5)	Change in market value	-	3.9
1.5	36.6	<b>Closing value of the fund</b>	1.3	38.5

\* Prudential Assurance Company provided details from the Statement of Accounts (unaudited) at a specific point in time. Audited values are due September 2023.

## Note P23 Financial instruments

Net gains and losses on financial instruments

31 March 2022		31 March 2023
£m		£m
	<b>Financial assets</b>	
1,731.3	Fair value through profit and loss	(364.9)
	<b>Financial liabilities</b>	
(10.5)	Fair value through profit and loss	7.4
1,720.8	<b>Total</b>	<b>(357.5)</b>

## Classification of financial instruments

The following table analyses the carrying amounts of financial instruments by category. No financial instruments were reclassified during the accounting period.

31 March 2022			31 March 2023		
Fair value through profit and loss £m	Assets at amortised cost £m	Financial liabilities at amortised cost £m	Fair value through profit and loss £m	Assets at amortised cost £m	Financial liabilities at amortised cost £m
			<b>Financial assets</b>		
563.6			Bonds	215.2	
57.2			UK equities	43.0	
2,539.7			Overseas equities	2,446.0	
15,049.1			Pooled investment vehicles	15,122.1	
15.0			Derivative contracts		
174.0			Bulk annuity Insurance buy-in	159.5	
	753.3		Cash	605.8	
	23.0		Other investment balances	5.8	
	45.8		Debtors	83.3	
18,398.6	822.1			17,985.8	694.9
			<b>Financial liabilities</b>		
(7.4)			Derivative contracts	(2.5)	

Appendix A

		-	Other investment balances			-
		(31.0)	Creditors			(23.4)
<b>18,391.2</b>	<b>822.1</b>	<b>(31.0)</b>		<b>17,983.3</b>	<b>694.9</b>	<b>(23.4)</b>
		<b>19,182.3</b>			<b>18,654.8</b>	

**Note P24 – The nature and extent of risks arising from financial instruments**

**Risk management**

The main investment objective of the Fund is to optimise return whilst managing market risk exposure within an acceptable tolerance. This is achieved by investing assets across a diversified portfolio. The Fund also manages its liquidity risk to ensure there is sufficient liquidity to meet forecasted cash flows.

The Fund's activities expose it to a variety of financial risks, including:

- **Investment risk** – the possibility that the Fund will not receive the expected returns.
- **Counterparty and credit risk** – the possibility that other parties might fail to pay amounts due to the Fund.
- **Liquidity risk** – the possibility that the Fund might not have funds available to meet its commitments to make payments as they fall due.
- **Valuation risk** – the possibility that the value of an illiquid asset, when realised upon sale, differs from the valuation placed on it based on a valuer's opinion.
- **Market risk** – the possibility that financial loss might arise as a result of market movements. This is split into the following subsections:
  - **Currency risk** – the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
  - **Interest Rate risk** – the risk that future cash flows will fluctuate because of changes in market interest rates.
  - **Other Price risk** – the risk that the value of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

**Investment risk**

To achieve its statutory obligations to pay pensions, the Fund invests its assets, including employer and employee contributions, in a way that allows it to meet its liabilities as they fall due for payment. It does this by investing with regard to its liabilities assessed through the triennial actuarial valuation followed by an appropriate asset allocation, which is monitored on an ongoing basis to ensure it remains appropriate.

**Counterparty risk**

In deciding to effect any transaction for the Fund, steps are taken to ensure that the respective counterparty is suitable and reliable, that the transaction is in line with the Fund's strategy and that the terms and circumstances of the transaction are the best available in the relevant market at the time. Comprehensive due diligence processes are in place to ensure that any potential counterparty is authorised and regulated, competent to deal in investments of the type and size contemplated and has appropriate administration

arrangements with regard to independent auditors, robust administration and accounting, relevant legal structure and experienced staff.

### Credit risk

The Fund's credit risk is largely associated with its Fixed Income investments. This risk stems from third parties potentially failing to meet interest payments or failing to return the Fund's principal at the end of the investment period. There is also credit/counterparty risk associated with derivative instruments within the Fund's illiquid investments and those used to hedge certain risks, such as foreign currency exposures as well as with rental income earned within the Fund's property portfolios.

The Fund's surplus cash may be placed with an approved financial institution on a short-term basis and in accordance with the cash management policy and restrictions set out in the Treasury Policy. The policy specifies the cash deposit limit with each approved counterparty, as determined by a review undertaken by Fund officers using rating and market research data, which is reviewed on a regular basis. Due diligence is conducted on potential money market funds with criteria such as credit rating, same-day access and minimum assets under management being prerequisite.

The tables below outline the Fund's money market and bank deposit holdings, by long-term Fitch rating, as at 31 March 2022 and 31 March 2023:

<b>Credit rating sensitivity analysis</b>			
<b>Fund/Account</b>	<b>Long term Fitch rating</b>	<b>Value at 31 March 2022 £m</b>	<b>Value at 31 March 2023 £m</b>
<b>Money market funds</b>			
HSBC GBP Liquidity Fund Class H		5.8	13.3
HSBC USD Liquidity Fund Class H		7.6	384.2
LGIM GBP Liquidity Fund		4.0	13.3
Insight GBP Liquidity Fund		8.0	13.4
Invesco GBP Liquidity Fund		2.4	13.8
<b>Custody and deposit accounts</b>			
CBRE Client Account West Midlands Met Authority		21.2	17.2
HSBC GBP Cash		87.3	36.7
HSBC Non-GBP Cash <sup>4</sup>		617.0	114.0
<b>Total</b>		<b>753.3</b>	<b>605.8</b>

\* At the time of publishing this Statement of Accounts in June 2023, the Fund was awaiting confirmation of rating values from its investment advisors. The table above will therefore be updated upon receipt of these values.

### Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due, especially pension payments to its members. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. The appropriate strategic level of cash balances to be held forms part of the Fund's investment strategy and the Fund carries out cash flow planning in respect of contributions, benefit payments, investment income and capital calls/distributions on an ongoing basis.

The risk that the Fund will be unable to raise cash to meet its liabilities is considered low. Due to having cashflow management procedures in place, the Fund is able to invest in illiquid asset classes and take advantage of the illiquidity premium that can be earned on these investments where appropriate.

## **Valuation risk**

Valuation risk represents the risk that the value of an illiquid asset, when realised upon sale, differs from the valuation placed on it based on a valuer's opinion. The valuation of assets, and thus the management of valuation risk, is delegated to the Fund's appointed investment managers.

IFRS 13, Fair Value Measurement, seeks to increase consistency and comparability in fair value measurements through a 'fair value hierarchy', which categorises the inputs used in valuation techniques into three levels. Level 1 assets are those for which fair value can be measured via quoted prices in active markets for identical assets (such as those traded on stock exchanges). Level 2 assets require inputs other than quoted market prices falling under level 1 for fair value assessment (such as prices quoted in inactive markets, interest rates or credit spreads, for example). Level 3 assets require unobservable (non-public) inputs for fair value assessment and in practical terms, are those considered to be the most illiquid and difficult to value.

The majority of the Fund's underlying investments are in liquid quoted assets, representing minimal valuation risk (falling under level 1 and 2 of IFRS 13's fair value hierarchy). The Fund has investments in Property, Infrastructure and certain other illiquid assets that are classified as level 3 assets with a fair value of £4,372.0m as at 31 March 2023 (2022: £4,082.2m), which represents 22% of total assets (2022: 21%). The guidance of IFRS 13 includes additional disclosures for level 3 measurements that include the reconciliation of opening and closing balances and quantitative information about unobservable inputs and assumptions used. Valuation of the Fund's investments falling under the scope of this guidance is conducted by their respective appointed investment managers.

## **Market risk - currency risk**

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any financial instruments not denominated in GBP sterling, the functional currency of the Fund. The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP. The table below indicates a measure of the sensitivity of the investment assets and cash balances within each asset class to currency market movements, based on the expected 1-year standard deviations of each of the underlying foreign currency exposures within the respective asset classes.

The calculations behind these potential market movements account for the diversification effects between currencies within each holding. However, the calculations do not account for the Fund's use of foreign currency forwards and exchange traded futures contracts, which are held to hedge certain currency exposures for the purpose of risk reduction. The extent of this hedging activity is subject to change over time.

## Currency risk sensitivity analysis

Asset Type	Asset value as at 31 March 2023 £m	Potential market movement £m	Value on Increase £m	Value on Decrease £m
Equities <sup>3</sup>				
Property				
Fixed Interest <sup>4</sup>				
Private Equity				
Alternatives <sup>5</sup>				
Liquid Assets				
<b>Total<sup>6</sup></b>				

\* At the time of publishing this Statement of Accounts in June 2023, the Fund was awaiting confirmation of values as at 31 March 2023 from its investment advisors. The table above will therefore be updated upon receipt of these values.

Asset Type	Asset value as at 31 March 2022 £m	Potential market movement £m	Value on Increase £m	Value on Decrease £m
Equities*	10,679.2	715.9	11,395.1	9,963.3
Property	1,520.8	10.8	1,531.6	1,510.0
Fixed Interest**	4,469.0	100.2	4,569.2	4,368.8
Private Equity	1,439.2	76.8	1,516.0	1,362.4
Alternatives***	1,244.3	38.4	1,282.7	1,205.9
Liquid Assets	776.2	52.7	828.9	723.5
<b>Total****</b>	<b>20,128.7</b>	<b>994.8</b>	<b>21,123.5</b>	<b>19,133.9</b>

\* Currency exposures of the overseas equity holdings have been calculated using generic indices.

\*\* Includes exposure to fixed interest gilts, index-linked gilts, overseas government bonds, US TIPS, corporate bonds, emerging market debt, multi-asset credit and private credit.

\*\*\*Includes exposure to absolute return and infrastructure investments.

\*\*\*\*Excludes exposure to futures and forwards.

## Market risk - interest rate risk

The Fund recognises that movements in interest rates can affect both income to the Fund and the value of the Fund's assets, both of which affect the value of the assets available to pay benefits. The tables below estimate the impact of a 100 basis points (bps) interest rate movement on the value of the Fund's Fixed Income assets, using the duration of the underlying positions in each asset class which have been obtained from the fund managers, to approximate the sensitivity to interest rate movements. This analysis assumes that all other variables (such as exchange rate movements) are constant, assessing only the impact of interest rate movements in isolation.



## Interest rate risk - sensitivity analysis

Asset Type	Carrying amount as at 31 March 2023 £m	Change in year in the net assets available to pay benefits	
		+100BPS £m	-100BPS £m
Index-linked Gilts			
Gilts			
Gilt Future			
Overseas Government Bonds			
US TIPS			
Corporate Bonds			
Emerging Market Debt			
Mult-Asset Credit			
Private Credit			
Swaps			
<b>Total</b>			

\* At the time of publishing this Statement of Accounts in June 2023, the Fund was awaiting confirmation of values as at 31 March 2023 from its investment advisors. The table above will therefore be updated upon receipt of these values.

Asset Type	Carrying amount as at 31 March 2022 £m	Change in year in the net assets available to pay benefits	
		+100BPS £m	-100BPS £m
Index-linked Gilts	1,034.5	(210.1)	210.1
Gilts*	206.2	(28.5)	28.5
Gilt Future	(1.3)	(11.7)	11.7
Overseas Government Bonds	99.6	(7.6)	7.6
US TIPS	328.2	(36.9)	36.9
Corporate Bonds	1,129.1	(70.8)	70.8
Emerging Market Debt	717.2	(43.4)	43.4
Mult-Asset Credit	683.3	(24.2)	24.2
Private Credit**	206.5	(0.2)	0.2
Swaps	2.6	-	-
<b>Total</b>	<b>4,405.9</b>	<b>(433.3)</b>	<b>433.3</b>

\* The impact of a 100bps increase/decrease has been calculated using the exposure provided by the Future (£140.9m).

\*\* Excludes legacy and immaterial positions (total: £6.4m).

Note: Durations are as at 31 March 2022.

**Market risk - other price risk**

The Fund is exposed to other market risks, such as share and derivative price risks, which arises from investments held by the Fund of which the future price is uncertain. The Fund aims to reduce the exposure to this price risk by ensuring appropriate levels of diversification in its asset allocation. The asset allocation is monitored on an ongoing basis to ensure it remains in line with the limits specified in the Fund's investment strategy.

The tables below indicate a measure of sensitivity of the returns of each major asset class in which the Fund is invested, based on the 1-year standard deviation of returns within the respective asset classes, excluding the effects of interest rate risk and currency risk which are disclosed separately above. The tables also show an estimate of the impact of this potential volatility on asset values.

**Other price risk - sensitivity analysis**

Asset Type	Value as at 31 March 2023 £m	Assumed 1 Year Volatility of Asset Class	Value on increase £m	Value on decrease £m
UK equities				
Global equities (ex UK)				
Property				
Fixed interest				
Private equity				
Alternatives				
<b>Total Fund</b>				

\* At the time of publishing this Statement of Accounts in June 2023, the Fund was awaiting confirmation of values as at 31 March 2023 from its investment advisors. The table above will therefore be updated upon receipt of these values.

Asset Type	Value as at 31 March 2022 £m	Assumed 1 Year Volatility of Asset Class	Value on increase £m	Value on decrease £m
UK equities	1,337.6	19.0%	1,591.9	1,083.4
Global equities (ex UK)	9,341.5	16.2%	10,851.7	7,831.3
Property	1,520.8	11.8%	1,700.3	1,341.3
Fixed interest*	4,469.0	5.1%	4,696.9	4,241.1
Private equity	1,439.2	31.2%	1,888.3	990.0
Alternatives**	1,244.3	12.8%	1,403.7	1,084.9
<b>Total Fund *** (See note below)</b>	<b>19,352.5</b>		<b>21,752.2</b>	<b>16,952.8</b>

\*includes exposure to fixed interest gilts, index-linked gilts, overseas government bonds, US TIPS, corporate bonds, emerging market debt, multi-asset credit and private credit.

\*\*includes exposure to absolute return and infrastructure investments.

\*\*\*excludes futures, forwards, cash deposits, foreign currency holdings, broker balances and the outstanding dividend entitlement.

The total Fund volatility taking into account the expected interactions between the different asset classes shown, based on the underlying volatilities and correlations of the assets, in line with mean variance portfolio theory is 12.4%. On this basis, the total value on increase is £21,752.2 million and the total value on decrease is £16,952.8 million. Due to the approach taken to determine the total Fund volatility (in which the beneficial impact of diversification is recognised), the monetary impact on the total Fund assets is determined using the total Fund volatility, which is lower than the sum of the monetary impact for each asset class.

**Reputational risk**

The Fund's prudent approach to the collective risks listed above and compliance with best practice in corporate governance ensures that reputational risk is kept to a minimum.

**Note P25 - Impairment for bad and doubtful debts**

The following additions and write offs of pension payments were reported in this financial year, in line with the Fund's policy:

<b>Additions analysis 2022/23</b>		
<b>Individual Value</b>	<b>Number</b>	<b>Total £</b>
Less than £100	6	181
£100 - £500	-	-
Over £500	-	-
<b>TOTAL</b>	<b>6</b>	<b>3,985</b>

<b>Write off analysis 2022/23</b>		
<b>Individual Value</b>	<b>Number</b>	<b>Total £</b>
Less than £100	408	18,289
£100 - £500	11	2,306
Over £500	3	48,125
<b>TOTAL</b>	<b>422</b>	<b>68,720</b>

**Note P26 - Related parties**

Pensions administration and certain investment functions are performed by the City of Wolverhampton Council and the costs shown in Note P13 above are recharged to the Fund. Contributions of £24.7 million were receivable from the City of Wolverhampton Council for 2022/23 (2021/22: £31.8 million) - City of Wolverhampton Council had paid its 2022/23 future service contributions in advance as part of a lump sum payment of £57.3m on 30 April 2018. Balances owed by and to the Council at the year-end are included within Notes P19, P20 and P21.

Pensions Committee

Nine members of the Pensions Committee are also members of the Fund as set out below:

Pensioner:	Councillors: M Jaspal, P Page, P Davis, and T Singh. Trade Union Representatives: M Clift and M Cantello
Deferred:	None to report
Active:	Trade Union Representative: J Wadrup

Each member of the Pensions Committee is required to declare any interests relevant to the matters being discussed at each meeting.

There are five employing bodies of the Fund in which a member of the Committee has declared an interest for 2022/23. Contributions from each of these employers are set out below:

Contributions receivable 2021/22 £000		Contributions receivable 2022/23 £000
-	Birmingham City Council	26,299
-	Goldthorne Park Primary School	140
27	Kingswood Trust	29
4,624	Sandwell Children's Trust	4,856
2,239	West Midlands Combined Authority	4,356
4,953	Wolverhampton Homes	-

LGPS Central Limited

LGPS Central Limited has been established to manage investment assets on behalf of nine Local Government Pension Scheme (LGPS) funds across the Midlands. It is jointly owned in equal shares by the eight administering authorities participating in the LGPS Central Pool, of which City of Wolverhampton Council, as the administering authority for West Midlands Pension Fund, is one of the shareholders. Each authority has one Class A voting share in LGPS Central Limited.

City of Wolverhampton Council (via the Pension Fund) has invested £1.315m in LGPS Central Limited class B shares and £0.685m in class C shares in 2017/18 and these are both carried as balances in net investment assets at this yearend.

The Fund has agreed a number of advisory agreements covering a range of asset classes for which LGPS Central has provided services to the Fund. The charges in respect of these services totalled £2.150m in 2022/23 (2021/22: £2.085m). The amount outstanding in respect of these services at 31 March 2023 was £0.552m (31 March 2022: £0.985m).

As part of the Pool Cost Sharing Arrangement, the Pension Fund was invoiced £2.873m in respect of Governance, Operator Running and Product Development costs by LGPS Central Limited for 2022/23

## Appendix A

(2021/22: £2.017m). The amount outstanding in respect of these services at 31 March 2023 was £0.742m (31 March 2022: £0.633m).

LGPS Central Limited previously let office space from City of Wolverhampton Council from 1 April 2018 to 1 April 2022 on a sub leasing arrangement. The rental income and rates receivable by City of Wolverhampton Council from LGPS Central Limited in 2022/23 totalled £nil (2021/22: £68,549) and the reimbursement of associated utilities and maintenance charges for 2022/23 totalled £nil (2021/22: £13,455).

LGPS Central Limited is an admitted body and employs staff that are active members of the West Midlands Pension Fund. Normal contributions receivable from LGPS Central Limited for the year to 31 March 2023 were £613,900 (2021/22: £519,800).

### Key management personnel

The Fund has identified the Executive Director of Pensions, West Midlands Pension Fund and the Chief Executive, City of Wolverhampton Council as key management personnel with the authority and responsibility to control or exercise significant influence over the financial and reporting decisions of the Fund. The combined compensation for these officers attributable to West Midlands Pension Fund is shown in the table below:

2021/22 £000		2022/23 £000
142	Short-term benefits	146
37	Post-employment benefits	38
<b>179</b>		<b>184</b>

### **Note P27 - Events after the reporting date**

No post balance sheet events have occurred which impact upon the balances and transactions reported for the year.

The "McCloud" Court Judgement will have significant impact for all public sector pension schemes. When reforms were introduced in 2014 and 2015, protections were put in place for older scheme members. In December 2018, the Court of Appeal ruled that younger members of the Judges and Firefighters Pension schemes were discriminated against because the protections did not apply to them also. The Government has undertaken a number of consultations from 2020, with the most recent being received in May 2023, and due to close in June 2023. The remedy will be implemented in two phases; Phase one involves moving all remaining active members of legacy schemes (members with protection) into the new schemes on 1 April 2022 so that, going forward, all accruals will be in the new schemes (and so all active members will be treated equally). Phase two is implementation of the deferred choice underpin. That is, giving eligible members a choice between legacy scheme and new scheme benefits for service between 1 April 2015 and 31 March 2022. The final regulations are expected in the late summer of 2023, with the regulations being live from October 2023.

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<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Pensions Board</b> 4 July 2023
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<b>Report title</b>	<b>Investment Governance</b>	
<b>Originating service</b>	Pension Services	
<b>Accountable employee</b>	Paul Nevin Email	Assistant Director, Investment Strategy <a href="mailto:Paul.nevin@wolverhampton.gov.uk">Paul.nevin@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Rachel Brothwood Email	Executive Director of Pensions <a href="mailto:Rachel.brothwood@wolverhampton.gov.uk">Rachel.brothwood@wolverhampton.gov.uk</a>

**Recommendations for action:**

The Pensions Board is asked to note:

1. The update on investment governance matters including those in relation to responsible investment and investment pooling.
2. The publication of the Fund's Annual Stewardship Report 2023 outlining the Fund's stewardship activities during 2022 aligned with the 2020 Stewardship code: [Annual Stewardship Report 2023](#)

## 1.0 Purpose and Background

- 1.1 This report provides an update on investment related matters and an update on responsible investment activities, together with the ongoing development of Local Government Pension Scheme (LGPS) Central Investment Pool.
- 1.2 The Fund has a longstanding policy of supporting good corporate governance in the companies in which it invests. The Fund will also challenge companies who do not meet either the standards set by their peers or reasonable expectations as measured by best practice. The Fund's approach is part of its overall investment management arrangements and its active Responsible Investment Framework. There are three main pillars to the framework: **selection** (of assets), **stewardship** (of assets), and **transparency & disclosure**. The Fund's Responsible Investment Framework incorporates four targeted engagement themes including Climate Change, for which the Fund has developed a policy framework and risk management strategy.
- 1.3 LGPS Central Ltd ("the Company") is a jointly owned investment management company established by West Midlands Pension Fund and seven Partner Funds to deliver investment pooling for the LGPS Central pool in accordance with the criteria laid down by the Secretary of State. The pool plays a role in enabling and supporting the implementation of the Partner Fund Investment Strategies.
- 1.4 Investment products and services to Partner Funds are developed, supported, and overseen by the governance structures established within the Company and across the wider investment pool. The Shareholder Forum and Joint Committee each meet at least twice annually with the Shareholder Forum considering shareholder related matters such as the Company's strategic business plan, annual budget and annual report and accounts. The Joint Committee is focused on the client deliverables of investment pooling, together with governance and oversight of pooling arrangements.

## 2.0 Investment Strategy and Implementation

- 2.1 The Fund's Investment Advisory Panel (IAP) plays a key role in supporting discussion and decision making of the Fund's officer's in undertaking their delegation from the Pensions Committee to implement the Fund's investment strategy. The IAP includes two external advisers, alongside the Executive Director of Pensions, Assistant Director of Investment Strategy and Assistant Director of Investment Management and Stewardship. The Panel provides challenge to the Internal Investment committee (IIC) on asset allocation and investment strategy as well as bringing a market view on investment implementation. The Pensions Committee received an annual report from the IAP, including a review from the external members, at their meeting on 21 June.
- 2.2 The Pensions Committee approved a revised Investment Strategy Statement (ISS) at their March meeting. The IIC, with advice from their Investment Consultant and with input from the IAP, have developed a three-step plan to implement the revised ISS in the period up to March 2025.



### **3.0 Responsible Investment**

- 3.1 The Fund continues to engage with its investee companies and other key stakeholders through partnerships and on its own. The Fund aims to protect and increase shareholder value by engaging on a range of financially material economic, social and governance (ESG) investment factors. A significant part of the Fund's engagement programme is implemented through partnerships including the Local Authority Pension Fund Forum (LAPFF), EOS at Federated Hermes ('EOS' - via a contract held by LGPS Central Ltd, the Fund's investment pool operator), the Institutional Investors Group on Climate Change (IIGCC), Climate Action 100+ (CA 100+), the Transition Pathway Initiative (TPI), and the Principles for Responsible Investment (PRI).
- 3.2 The Fund's engagement activity is monitored and reported to the Pensions Committee on a quarterly basis. Engagement activity includes a number of direct company engagements, on a range of themes, voting activity and working in partnership with other institutional investors to consider shareholder resolutions. Activity and progress are included in published reports from LGPS Central Limited, LAPFF and EOS at Federated Hermes.
- 3.3 The Fund submitted the third iteration of its Annual Stewardship Report (ASR) to the Financial Reporting Council (FRC) on 31<sup>st</sup> May 2023. The report outlines the Fund's alignment to the UK Stewardship Code 2020, which sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them. The ASR outlines the Fund's continued focus on stewardship activities both as a responsible asset owner and employer. The report comprises the Fund's key stewardship achievements and responsible investment, engagement, and voting activity for the 2022 calendar year.
- 3.4 During the year the Fund enhanced its reporting in relation to climate-related risks which includes new climate scenario modelling. Key focus areas for the Fund over the next few years will be developing its internal reporting, oversight, and data framework across its investment portfolio to enable more meaningful analysis and reporting across all the Fund's assets and improving the quality of decision-making as well as meeting the expected increase in climate related disclosure requirements. The Fund will continue to work with its investment partners, including LGPS Central Limited, to enhance the quality and coverage of data across our portfolio so that we can monitor progress of our climate strategy and net zero ambitions. The Fund believes that having a flexible approach is of great importance in the current environment and we expect our approach to evolve as the landscape and industry develops. The Fund expects to receive confirmation of retention of its 2020 Stewardship Code signatory status along with feedback on the report from the FRC in September 2023

### **4.0 LGPS Central Investment Pool Governance**

- 4.1 As previously reported to the Board, the governance arrangements for the LGPS Central pool include a Shareholder Forum (as the group of "owner" representatives) and the Joint Committee (focused on investment matters and client-side).
- 4.2 At the Shareholder forum and Company meeting in February 2023, Shareholders welcomed two incoming Non-Executive Directors (appointed to replace those reaching end of term) and received an update on the implementation of the Board's succession plan. In line with

the plan, approved by Shareholders in February 2022, recruitment of an additional Non-Executive Director concluded in June 2023 and subject to Shareholder approval, the new hire will join the Board at the end of this month, bringing additional customer and commercial experience to the Board.

- 4.3 Following the departure of the CEO in June, the Company continues to progress and deliver the business plan approved by Shareholders in February 2023. Partner Funds have received assurances on the day-to-day operation of the Company, with the Deputy Chief Executive stepping into the Chief Executive Officer role interim, subject to FCA approval. The Executive Director of Pensions is currently Chair of the Shareholder Forum and will continue to monitor developments and consult Partner Funds and the Chair of Pensions Committee, as recruitment progresses and the Board continues to support the Company's ongoing development and Executive Committee.
- 4.4 The Chair of the Pensions Committee is appointed West Midlands' representative to the Pool's Joint Committee, with invite and attendance at the Committee extended to Malcolm Cantello. The next meeting of the Joint Committee is due to take place in July 2023 following Local Government Elections.
- 4.5 Board members will continue to receive invites to pool-wide events including stakeholder days and the Responsible Investment summit, as these are arranged during the year.

## **5.0 Financial Implications**

- 5.1 The cost for setting up and running the jointly owned company is shared equally between the Partner Funds. There are significant transition costs involved in unwinding and transferring as investment mandates into new collective investment vehicles. Transition costs are shared between the Partner Funds on a fair and equitable basis and are incurred when assets are transitioned.
- 5.2 West Midlands Pension Fund's share of all costs (including the regulatory capital provided to LGPS Central Ltd) are met from the Fund, and there is therefore no direct impact on the administering authority's revenue or capital budgets and no impact on member benefits.
- 5.3 All cost sharing principles together with financial modelling of the operational costs and fee models are monitored by Partner Funds.

## **6.0 Legal Implications**

- 6.1 The requirement to pool Fund investments is a requirement of law, failure to work collaboratively and meet the Government's criteria for delivery may result in Government intervention.

## **7.0 Equalities Implications**

- 7.1 There are no direct equalities implications arising as a result of this report.

**8.0 All Other Implications**

8.1 There are no other implications arising as a result of this report.

**9.0 Schedule of Background Papers**

9.1 WMPF Annual Stewardship Report 2023: [Annual Stewardship Report 2023](#)

**10.0 Schedule of Appendices**

10.1 None.

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<b>Report Title</b>	Pensions Administration to 31 March 2023	
<b>Originating service</b>	Pension Services	
<b>Accountable employee</b>	Amy Regler Email	Head of Operations <a href="mailto:Amy.Regler@wolverhampton.gov.uk">Amy.Regler@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Rachel Brothwood Email	Executive Director of Pensions <a href="mailto:Rachel.Brothwood@wolverhampton.gov.uk">Rachel.Brothwood@wolverhampton.gov.uk</a>

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**Recommendations for action:**

The Pensions Board is asked to note:

1. Development of the Fund's membership and participating employers.
2. Performance and workloads of the key pension administration functions.
3. The 5 applications for admission from employers into the Fund as detailed in Section 9 and Appendix E of this report, approved by Pension Committee.
4. The review of the Fund's Administering Authority Policy Statement 2023.
5. Progress of the transition to the new pension administration system.

## 1.0 Purpose

1.1 To inform the Pensions Board of the routine operational work undertaken by the Pensions Administration Service areas during the period 1 January 2023 – 31 March 2023.

## 2.0 Background

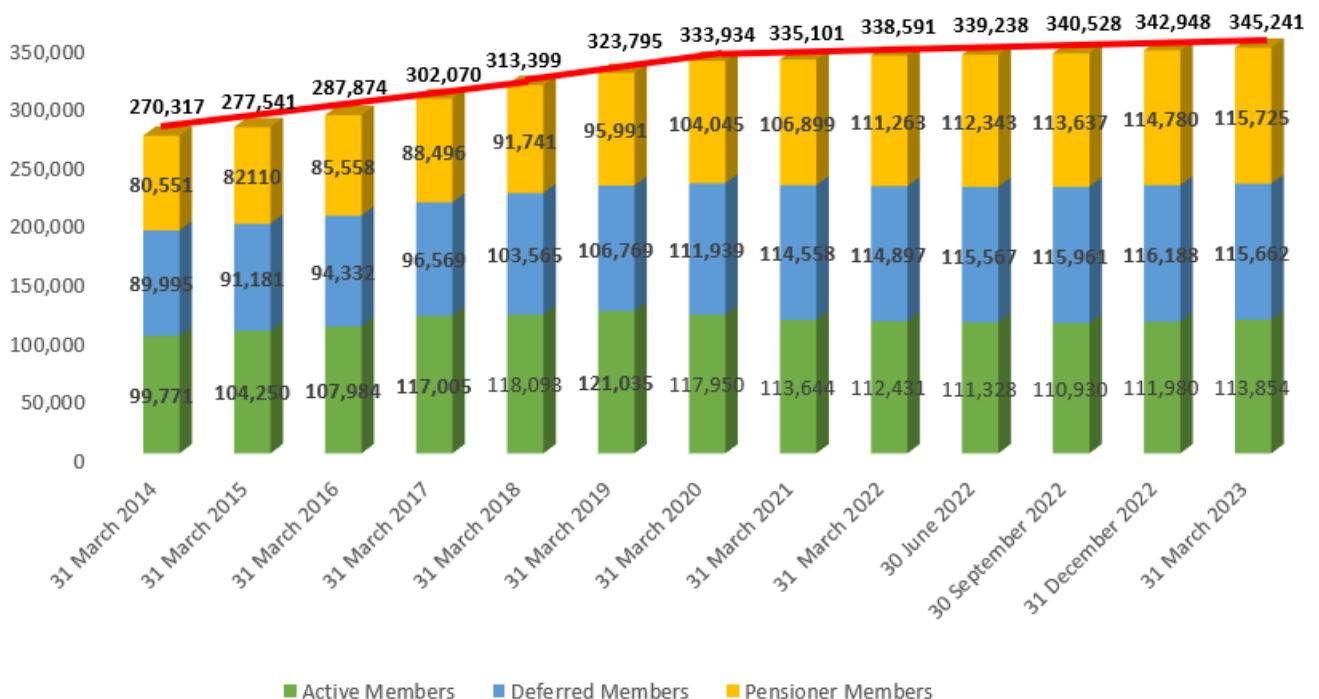
2.1 The Fund provides a pension administration service covering employer, customer and member services, data processing, benefit operations, payroll and systems/technical support. A report is provided to Pensions Board on a quarterly basis to assist monitoring of the activity and performance of these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

## 3.0 Scheme Activity

### 3.1 Membership Movement – Main Fund

3.1.1 The total number of scheme member records in the Fund at 31 March 2023 stands at 345,241 with an overall increase since December 2022. The long-term trend over a 12 year period in membership continues to illustrate a move towards a more mature profile whereby, in general, pensioners and deferred memberships continue to rise.

	Membership as at 31 December 2022	Net Movements during the period	Membership as at 31 March 2023
Active Members	111,980	1,874	113,854
Deferred Members	116,188	-526	115,662
Pensioner Members	114,780	945	115,725
<b>Total Members</b>	<b>342,948</b>	<b>2,293</b>	<b>345,241</b>



## **3.2 Workflow Statistics**

- 3.2.1 The process analysis statistics in Appendix A show details of overall workflow within the Pensions Administration Service during the period 1 January 2023 to 31 March 2023. During the period covered by this report, 41,677 administrative processes were commenced, and 42,925 processes were completed.
- 3.2.2 As we continue to see an increase in member movements, the workload volumes will also naturally remain high. On 31 March 2023 there were 40,631 items of work outstanding. This represents a decrease of 927 items outstanding compared to 31 December 2022 (41,558). This decrease is mainly due to the focused work being undertaken to continue to target the clearance of work in preparation for the change in pension administration software system.
- 3.2.3 Of the 40,631 items of work outstanding, 4,164 items are pending as a result of information awaited from a third party e.g. scheme members, employers or transferring authorities and 36,467 processes are now either proceeding to the next stage of the process or through to final completion.
- 3.2.4 Appendix B provides a summary of the key processes completed by volume across benefit operational functions e.g. calculating benefits for retirements, pensioner member data changes as well as the maintenance of updating membership details. The Fund continues to monitor the level of members opting out of the scheme which remain at a low level, and is currently c40% lower than for the previous year to date. Overall, we have seen another year on year increase in processing across a number of key areas.

## **4.0 Key Performance Indicators (KPIs)**

- 4.1 The Fund uses a number of KPIs to measure performance when processing items such as Transfers In and Out, Retirements and Deferred Retirements.
- 4.2 For 2022/23, one KPI did not cumulatively achieve the target:
- Deferred Retirements – payment of lump sum and creation of payroll record (October and December)
    - The KPI fell short of the 90% target, achieving 88%, due to restricted timescales for payroll closedown and delayed re-opening. However, on average, casework was completed within 4 days against the target of 5 over the period.
- 4.3 Further information on achievement of target KPIs by process by month over the reporting period and Scheme year is included in Appendix C.

## **5.0 Customer Services**

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

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

5.3 Contact volumes have been higher than usual over the January - March period when increased member communications were issued, which included data cleanse email address letters, pensioner annual and quarterly payslips/P60s and pensioner newsletter. Overall for the 2022/23 year, the Fund saw a slight increase in call volumes of c1% compared to 2021/22. The team have continued to work closely with Member Services to stagger mailings sent to members, which smooths the impact on the contact centre and reduces call queues/written response times, allowing us to better serve our customers and reduce the number of chaser requests received.

## **6.0 Complaints**

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

6.2 Complaint numbers were higher than the last quarter, however the average remains low compared to previous years and overall the number of complaints received by the Fund is proportionally low compared to the number of scheme members, with 52 complaints received for the last quarter. Of those complaints, 1 in 4 were upheld and lessons learned were incorporated in training and process development. The percentage of upheld complaints have largely remained stable over the last two years, allowing for variation relating to specific events outside of the control of the Fund.

6.3 For the 2022/23 year, the Fund has seen a 50% decrease in received complaints compared to the previous year. Of the total complaints received 1 in 3 were upheld.

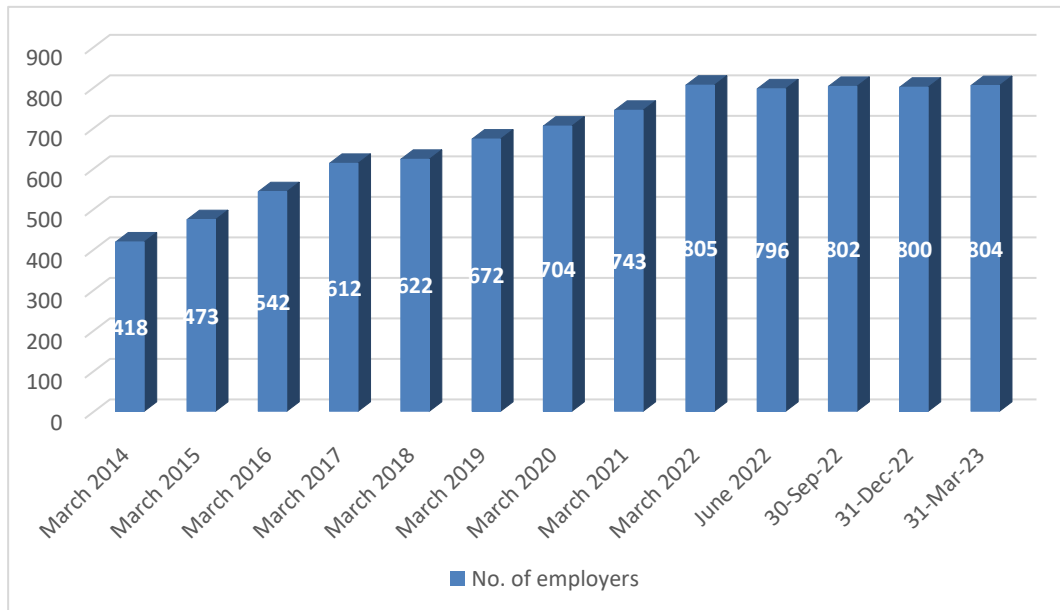
## **7.0 Internal Dispute Resolution Procedure (IDRP) Casework**

7.1 For 2022/2023, four cases have been referred to Stage One (two partially upheld, one not upheld and one under investigation). Nine cases have been referred to Stage Two of the procedure on appeal against the Fund, seven of which have not been upheld and two are currently under investigation.

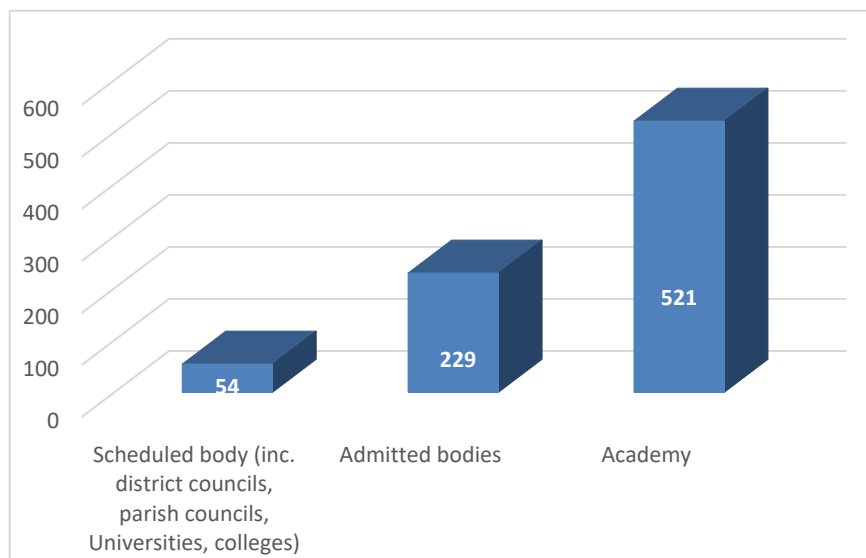
## **8.0 Employer Membership**

8.1 During the period, the Fund has seen an increase in employer numbers, with the overall number of employers registered with the Fund standing at 804 at 31 March 2023. Overall, there has been an 82% increase since March 2014 as shown in the graph below, however, for 2022/23 the rate of increase has slowed relative to previous years, and it is anticipated that a more moderate increase will continue to be observed going forward.





8.2 The employer base at 31 March 2023 is categorised into the following employer types:



*\*The increase in Scheduled employers is due to to an new subsidiary created for an existing Scheduled employer*

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

- 52 admission agreements
- 28 academies
- 89 employer terminations

## 9.0 Application for Admission Body Status

9.1 Organisations must satisfy one or more of the admission criteria before they can be admitted to the Fund following approval of applications. Where applications need to be progressed outside of the Committee meeting cycle, Pensions Committee has delegated

responsibility for approving such applications to the Executive Director of Pensions in consultation with the Chair or Vice Chair of Pensions Committee.

9.2 There were 5 admissions to the West Midlands Pension Fund approved by Committee , these are detailed in Appendix E.

## 10.0 Pensions in Payment

10.1 The gross annual value of pensions in payment to March 2023 was £585.3m, £16.4m of which (£9.4m for pensions increase and £7.0m for added year's compensation) was recovered from employing authorities and other bodies as the expenditure was incurred.

10.2 Monthly payroll details were:

Month	Number	Value (£)
January 2023	93,295	42,994,384
February 2023	93,540	43,074,067
March 2023	110,892	44,704,481

The March figure includes pensioners paid on a quarterly basis.

## 11.0 Transfer Out – All Casework

11.1 In total 255 individual transfer payments were made during the period 1 January 2023 to 31 March 2023, resulting in a total amount transferred of £14.6 million. This is broken down into the following categories:

Type of transfer	Number of transfer payments	Value of Transfer Payments (£000s)
Non Local Government Pension Scheme (LGPS)	34	£2,712
Interfund (LGPS Fund)	219	£11,851
Additional Voluntary Contributions	2	£6

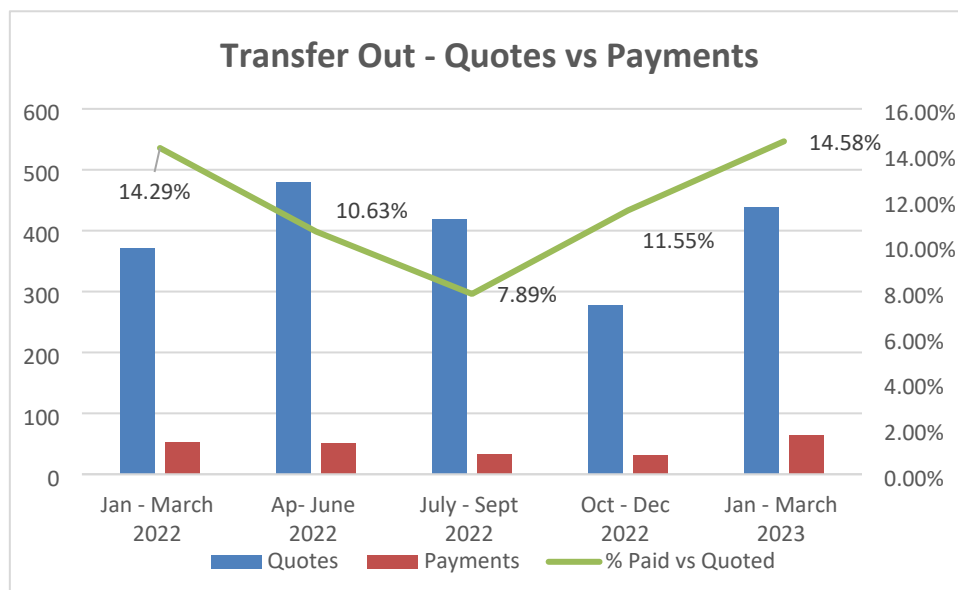
## 11.2 Non LGPS Transfers

11.2.1 During the period 1 January 2023 to 31 March 2023, 315 transfer value quotations were issued to members considering transferring their benefits out of the scheme (in the prior year 1 January 2022 to 31 March 2022, 371 transfer value quotations were issued to members). The Fund continues to monitor any trends and increases in demands, as part of its programme of work to protect members from potential pension scams.

11.2.2 In total 36 transfer payments were made during the period 1 January 2023 to 31 March 2023 (21 of these were to non public sector schemes) resulting in a total amount transferred of £2.7 million (in the prior year 1 January 2022 to 31 March 2022 a total of 53 transfer payments were made totalling £2.1 million). The payments by value and value break down are as follows:

Value of Transfer Payments	Number of Transfer Payments to Public Sector Schemes	Number of Transfer Payments to Other Schemes
0 to £30,000	13	15
£30,001 to £100,000	0	3
£100,001 to £200,000	1	1
£200,001 to £300,000	1	0
£300,001 to £400,000	0	0
£400,001 to £500,000	0	1
Above £500,001	0	1
<b>Total</b>	<b>15</b>	<b>21</b>

11.2.3 The Fund has seen a gradual increase in the number of requests from members for transfer out quotes, however the number of members electing to progress with the transfer of their benefits out of the Fund remains fairly low and stable (c11% of the quotations requested year to date). The peak in volumes for this reporting period is in line with the same period the previous year (14.29%). This is shown in the graph below:



11.2.4 Analysis has been undertaken of the Transfer out payments to non-public sector or occupational schemes over the period of January to March 2023 to review the volume and trends. During the period, of the 36 completed, a total of 21 non-public sector or occupational scheme transfer out payments have been processed, to a total of 11 different receiving schemes. There were 15 transfers under £30,000 in value, meaning members were able to transfer these payments without a requirement to take financial advice. The average age of members transferring out was 51 years with the main reasons for members transferring out was either to consolidate their benefits into one provider or release cash/flexible draw down (members over 55).

## **12.0 Administering Authority Policy Statement 2023**

- 12.1 Under the LGPS Regulations, the Fund is required to formally publish its policy on its 'discretions'. Administering authorities have certain powers which enable them to choose how they will apply the scheme in respect of certain provisions. These are called discretions. Discretions is taken to include where the administering authority is required to carry out a task, but an element of choice is seen to exist as to how the task is completed.
- 12.2 The Fund are obliged to consider how to exercise their discretion and, in respect of some (but not all) of these discretionary provisions, to have a written policy on how they will apply their discretion, these are also to be published and kept under review. Within the policy there are circa 50 areas covered, and these include; admission of admission bodies, commutation of small pensions, management of funding strains, for example on members taking unreduced benefits on early retirement.
- 12.3 The Fund has undertaken a review of the policy and as there have not been any major scheme changes since the statement was approved in 2021, no changes to the discretion statements have been made. The Fund will continue to review the document on a triennial basis or as and when significant circumstances change.
- 12.4 The policy statement was approved by Committee and is, applicable from June 2023, a copy is attached at Appendix F.

## **13.0 Transition to the New Pension Administration System**

- 13.1 The Fund's pension administration system manages all of the Fund's membership data and is used to process and calculate all member benefits in line with the scheme regulations. It provides a fully integrated document management solution, managing all incoming and outgoing documentation to members. In addition, it supports the administration and engagement with employers. Under this contract the Fund also procures the online services for the Fund's members and employers, which enable self-service and enhanced electronic working for exchanging data and customer support.
- 13.2 The Fund is in the final stages of its transition to a new supplier Equiniti, and system Compendia, with the planned go live date summer 2023. The Fund is working closely with the supplier to undertake thorough testing of the new system and associated functionality in advance of the change over. As part of the transition the Fund is mapping the data held in the current system to the new system, which will require a short period of downtime for core processing prior to the go live with the new system, as the data is extracted and mapped across. The Fund are working to minimise the impact on the members and employers and will continue to offer support to members during this period.
- 13.3 During the summer the Fund will write to all members about the change in system and provide them with details of how to register on their new online portal and to enable them to self serve and manage their pension account. A suite of supporting materials will also be available to members, including videos and frequently asked questions, with face to face support available in the Autumn at the Fund's roadshow events.

## **14.0 Financial Implications**

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

## **15.0 Legal Implications**

- 15.1 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.

## **16.0 Equalities Implications**

- 16.1 There are no direct equalities implications.

## **17.0 All Other Implications**

- 17.1 There are no other potential implications.

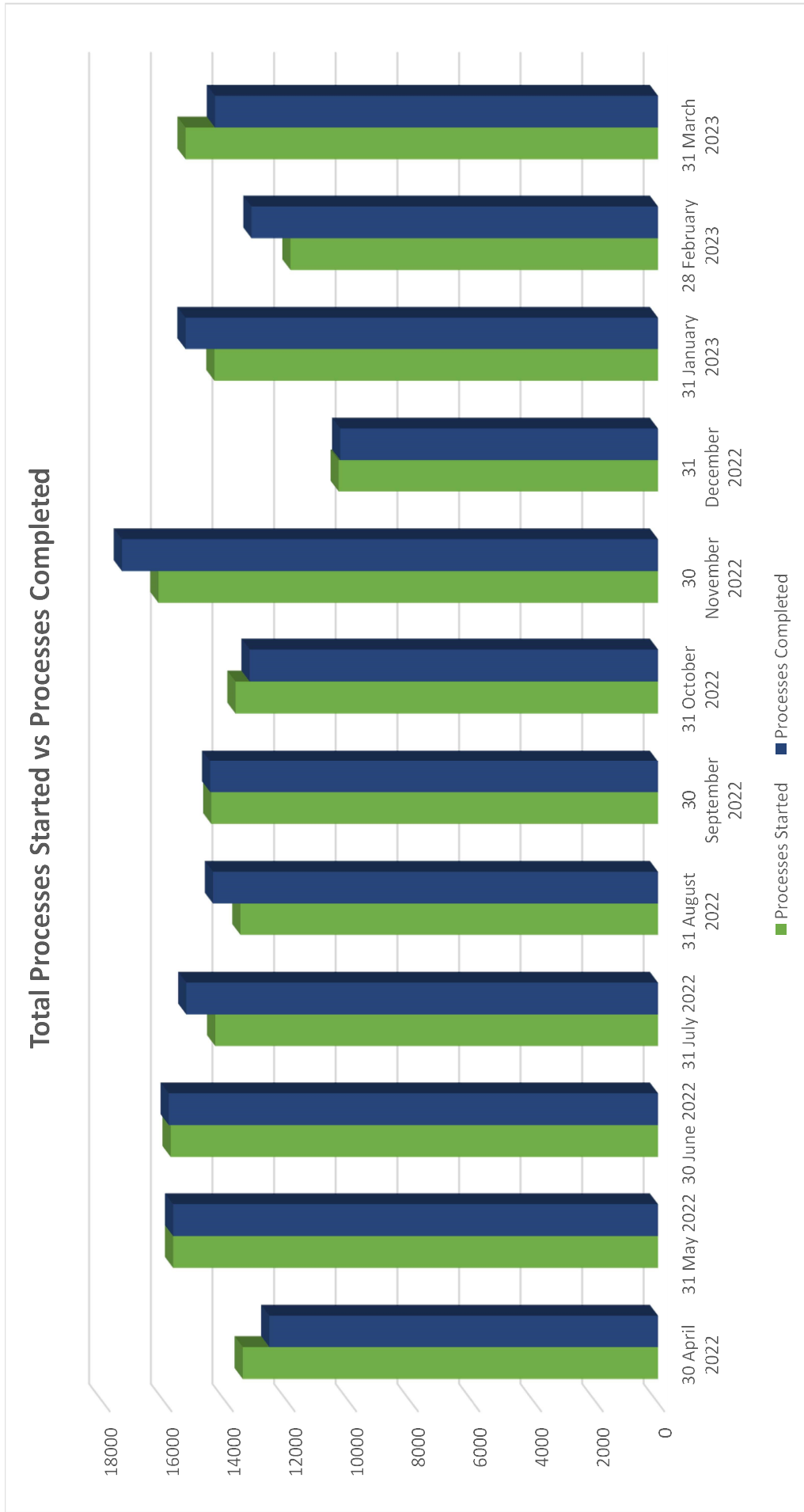
## **18.0 Schedule of Background Papers**

- 18.1 None.

## **19.0 Schedule of Appendices**

- 19.1 Appendix A: Workflow Summary
- 19.2 Appendix B: Detailed Process Analysis
- 19.3 Appendix C: Key Performance Indicators (KPIs)
- 19.4 Appendix D: Customer Service Statistics
- 19.5 Appendix E: Admitted Body Applications
- 19.6 Appendix F: Administering Authority Policy Statement 2023

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	2010/11	2011/12	2012/13	April	May	June	July	August	September	October	November	December	January	February	March	YTD
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**Active & Deferred members**

Process type	2010/11	2011/12	2012/13	April	May	June	July	August	September	October	November	December	January	February	March	YTD
Joiners and Rejoiners (Bulk)	8,763	6,403	11,138	1773	1211	1168	1713	1258	1885	1874	3257	907	2641	184	1970	19841
Changes in circumstances eg change in hours	18,759	15,303	12,385	299	366	420	466	427	447	271	333	273	482	408	493	4685
Deferments	5,939	7,818	5,741	946	1048	1155	1104	932	967	1011	1514	737	952	791	1021	12178
Active Retirements (Employer retirements)	3,317	3,950	2,475	201	237	173	247	252	226	181	207	158	185	200	253	2520
Deferred Retirements	3,332	2,970	2,971	493	486	421	449	479	474	680	821	470	153	226	359	5511
Deaths of members	295	262	287	30	52	31	38	42	34	21	37	22	47	25	36	415
Refund				449	412	582	617	513	539	581	630	264	733	468	579	6367
Opt Outs				57	87	55	78	67	32	79	38	35	50	59	97	734
Amalgamations				637	905	1189	1960	914	960	1170	1792	841	1251	1161	1164	13944

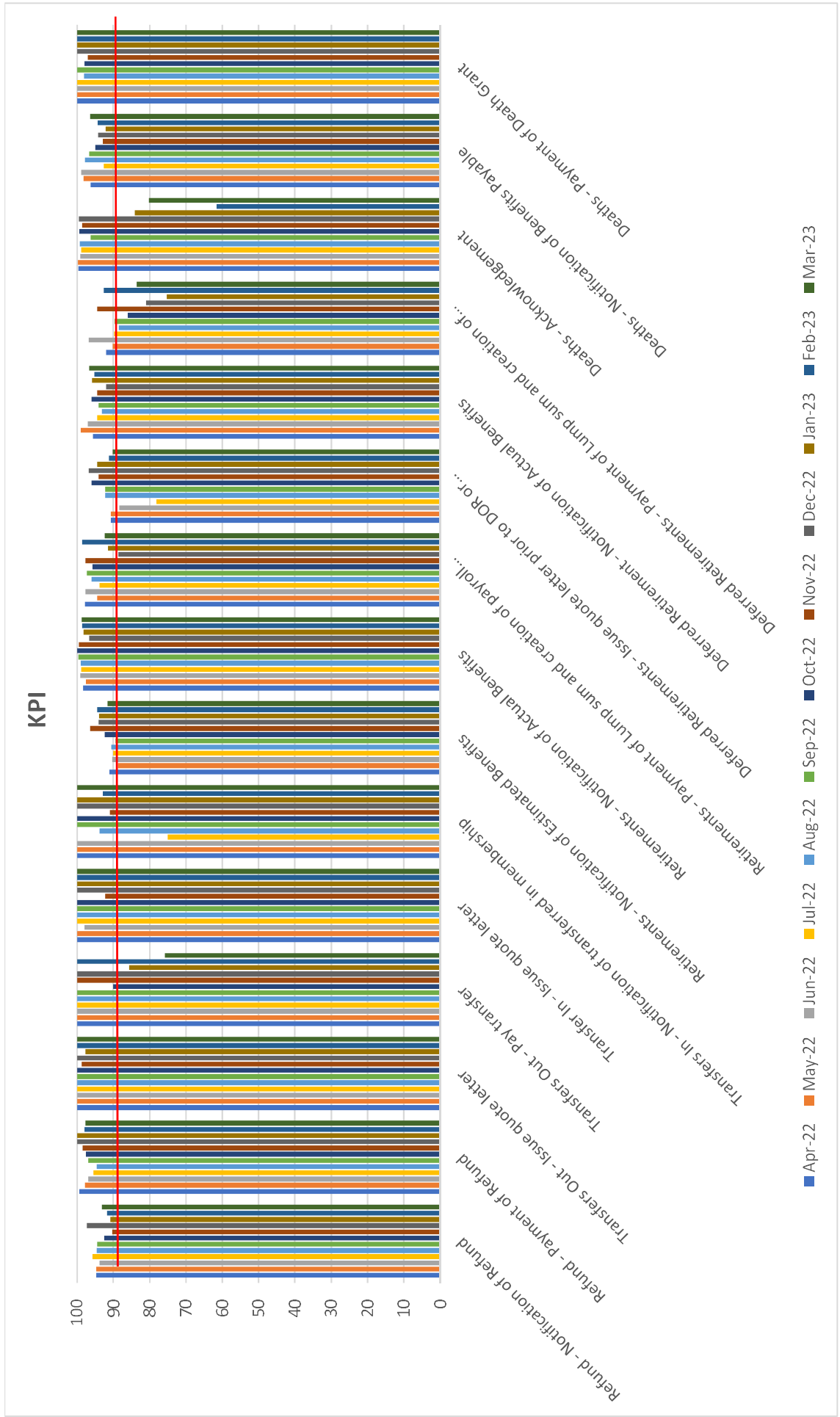
**Pensioner members**

Process type	2010/11	2011/12	2012/13	April	May	June	July	August	September	October	November	December	January	February	March	YTD
Changes in circumstances:-																
Data eg Passwords, NI Numbers	1,310	1,804	1,865	175	188	175	139	183	172	127	221	684	158	141	283	2646
Changes of Address	2,420	2,681	2,131	287	442	227	250	209	211	189	182	124	281	166	222	2790
Changes of Bank	2,927	2,531	2,783	153	196	130	163	165	180	161	233	161	180	162	234	2118
Deaths of pensioners	2,085	2,145	2,101	272	315	303	319	239	241	313	315	186	520	242	382	3647

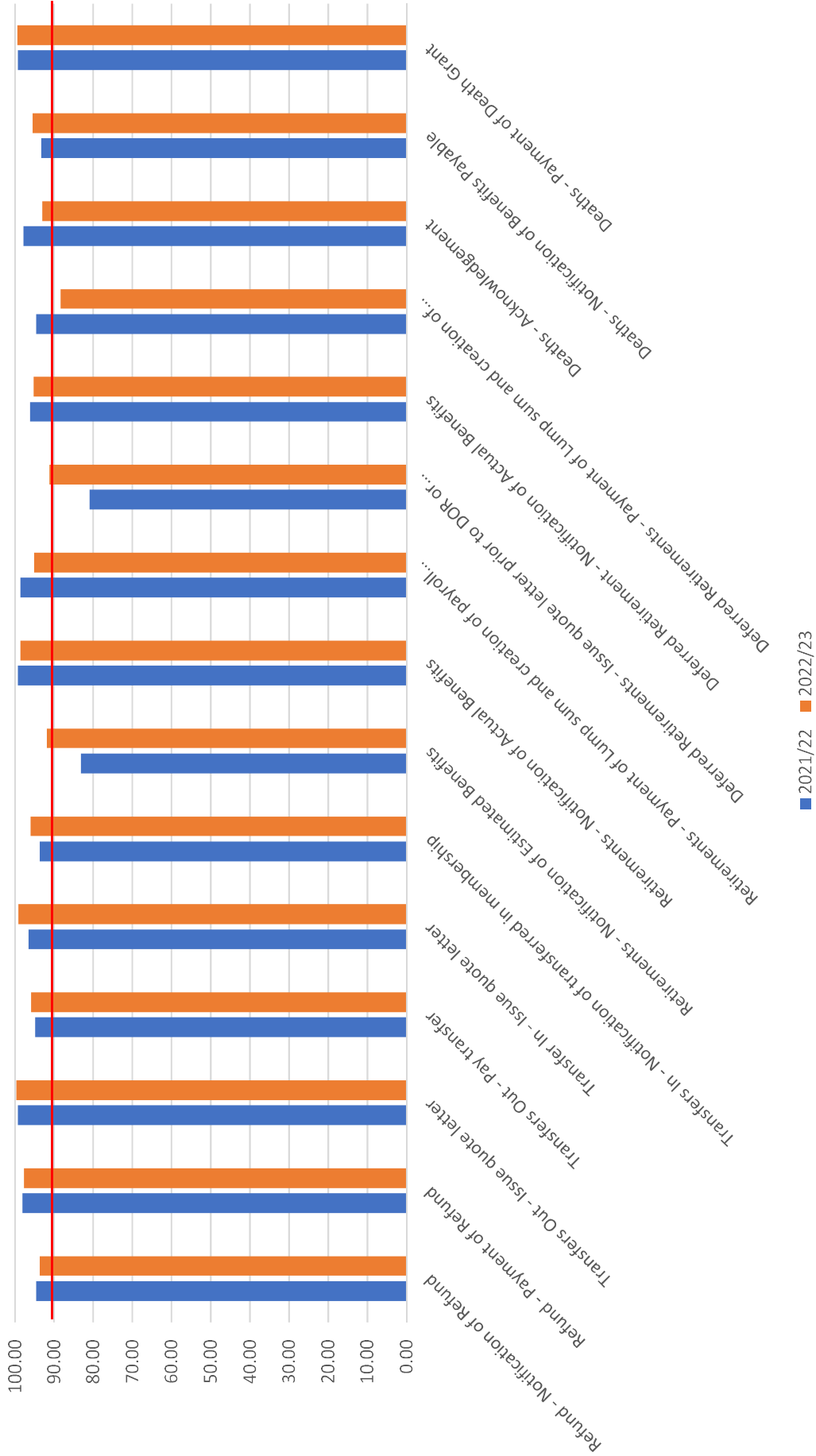
**Payroll**

Actual number paid	792,724	837,189	870,804	90,952	91,223	102,207	91,764	92,045	103,249	92,551	93,034	104,343	93,295	93,540	114,937	1,163,140
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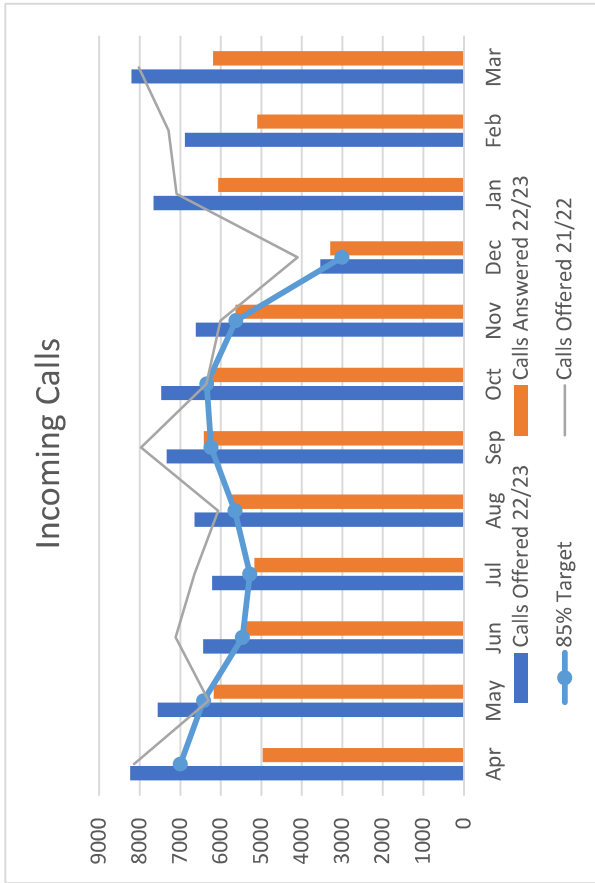
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2021/22 vs 2022/23



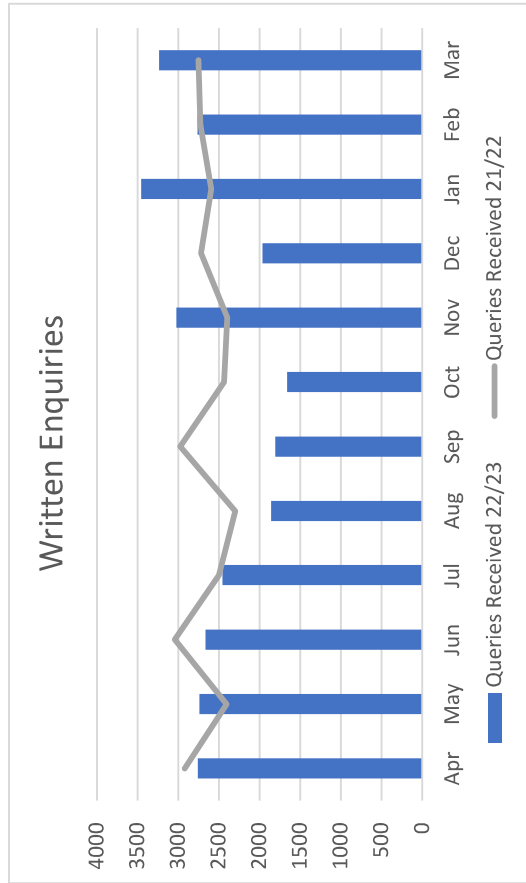
### Appendix D: Customer Services Statistics



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	2022/23
Calls Offered 22/23	8231	7560	6432	6217	6647	7338	7465	6619	3540	7661	6882	8202	82794
Calls Answered 22/23	4968	6171	5419	5166	5743	6414	6236	5635	3294	6064	5098	6193	66401
Calls Offered 21/22	8142	6299	7114	6643	6063	7968	6355	6009	4102	7094	7293	8027	81109
Answer Rate (Target 85%)	60.36%	81.63%	84.25%	83.09%	86.40%	87.41%	83.54%	85.13%	93.05%	79.15%	74.08%	75.51%	81.13%
Percentage increase	1.09%	20.02%	-9.59%	-6.41%	9.63%	-7.91%	17.47%	10.15%	-13.70%	7.99%	-5.64%	2.18%	2.11%

Calls Offered 22/23  
 Calls Answered 22/23  
 Calls Offered 21/22  
 Answer Rate (Target 85%)  
 Percentage increase

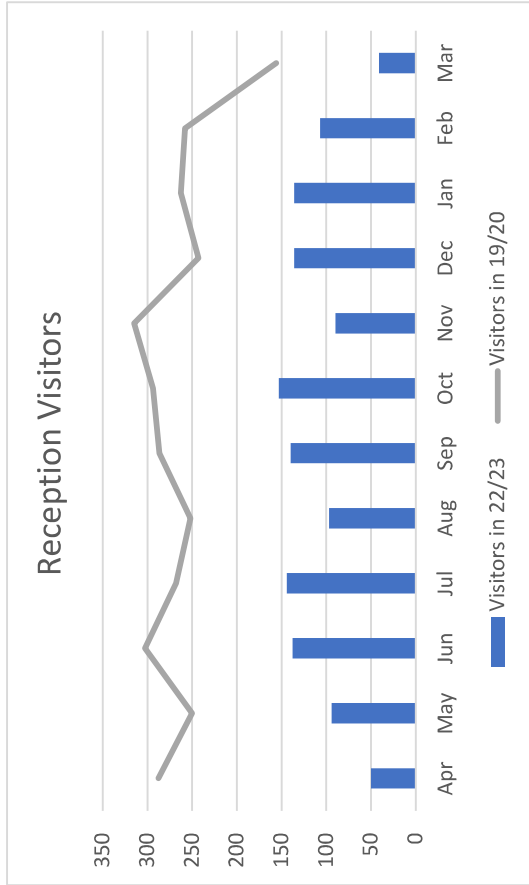
### Appendix D: Customer Services Statistics



Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	2022/23
2761	2741	2665	2460	1860	1807	1662	3023	1967	3456	2765	3237	30404
2921	2406	3043	2502	2299	2980	2437	2400	2722	2597	2731	2754	31792
-5.48%	13.92%	-12.42%	-1.68%	-19.10%	-39.36%	-31.80%	25.96%	-27.74%	33.08%	1.24%	17.54%	-3.82%

Queries Received 22/23  
 Queries Received 21/22  
 Percentage difference

**Appendix D: Customer Services Statistics**



Visitors in 22/23  
Visitors in 19/20

Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	2022/23
50	94	138	144	97	140	153	90	136	136	107	41	1326
288	250	303	268	252	287	294	315	243	263	258	156	3177

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## Appendix E

### Application for admission body status

Employer name	Guarantee Status (Agreement)	No. of employees (Scheme members) Agreement type	Status (Approved/pending approval)
ABM Catering Ltd (Yardleys School)	Birmingham City Council	2 (1) Closed	Pending approval
Easy Clean Contractors Limited	Arthur Terry Learning Partnership	4 (4) Closed	Pending approval
Accuro FM Ltd (Shaw Education Trust)	Shaw Education Trust	2 (2) Closed	Pending approval
Idverde UK Ltd (Solihull)	Solihull MBC	4 (4) Open	Pending approval
Miquill Catering Ltd (Knowle C of E Primary)	Knowle SAT	4 (4) Closed	Pending approval

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# ADMINISTERING AUTHORITY POLICY STATEMENT

JUNE 2023



West Midlands Pension Fund

Under the LGPS Regulations, West Midlands Pension Fund (City of Wolverhampton Council) has a number of discretions it can apply, this Statement sets out the practice and policy regarding key discretions that fall to West Midlands Pension Fund (City of Wolverhampton Council) as an Administering Authority or where an employer has become defunct.

The Fund is required to formally publish its policy on “discretions”. Discretions is taken to include where the administering authority is required to carry out a task, but an element of choice is seen to exist as to how the task is completed. Unless stated otherwise the references to regulations are set out below with the following prefixes used throughout the draft.

- The Local Government Pension Scheme Regulations 2013 [prefix R]
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 [prefix TP]
- The Local Government Pension Scheme (Administration) Regulations 2008 [prefix A]
- The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 as amended) [prefix B]
- The Local Government Pension Scheme (Transitional Provisions) Regulations 2008 [prefix T]
- The Local Government Pension Scheme Regulations 1997 (as amended) [prefix L]

This document was last reviewed and approved by Pension Committee in June 2023. All pension discretions will be reviewed at least on a triennial basis, or as and when significant circumstances change.

---

#### ADMISSION OF ADMISSION BODIES [REGULATION R4, R3(5) RSch2]

The administering authority may make an admission agreement with any admission body. The administering authority can also make admission agreements with a Care Trust, NHS Scheme employing authority or Care Quality Commission. An admission agreement may take effect on a date before the date on which it is executed.

The Council will usually agree to an admission agreement with an admission body that is regarded as having a community of interest, provided it is satisfied about the long-term financial security of the body or it has a public sector guarantee. The administering authority will enter into an admission agreement with other admission bodies provided that any requirements it has set down are met. The Council may agree that the admission agreement may take effect on a date before the date on which it is executed.

---

#### RIGHT TO TERMINATE ADMISSION AGREEMENT [RSch2]

The administering authority has the right to terminate an admission agreement in prescribed circumstances. The Council shall retain the right to terminate an admission agreement in the event of:

- a) The insolvency, winding up or liquidation of the admission body,
- b) A material breach by the admission body of any of its obligations under the admission agreement or these Regulations which has not been remedied within a reasonable time, or
- c) A failure by the admission agreement to pay any sums due to the fund within a reasonable period after receipt of a notice from the administering authority requiring it to do so.

---

### EXIT PAYMENT [R64]

The administering authority may suspend (by way of issuing a suspension notice) for up to three years, an employer's obligation to pay an exit payment where the employer is again likely to have active members within the specified period of suspension.

Where an intention to allow new members to join the scheme is identified, the Council may allow the employer up to six months to admit such members.

---

### ADDITIONAL PENSION CONTRIBUTIONS [R16]

The administering authority may turn down a request to pay an additional pension contribution (APC) or shared-cost additional pension contribution (SCAPC) over a period of time where it would be impractical to allow such a request. The member would still be able to pay via a single lump-sum payment.

Due to the administration costs involved requests to pay additional pension contributions or shared-cost additional pension contributions over a period of time in order to address an absence from work of less than ten working days will be refused unless there are exceptional circumstances.

---

### MEDICAL EXAMINATION REQUIRED FOR PURCHASE OF APC/SCAPC [R16]

The administering authority may require the member to undergo a medical at their own expense and may refuse an application if the authority is not satisfied that the member is in reasonably good health.

The Council will require that a member provides satisfactory medical evidence to ensure they can be reasonably expected to complete the contract undertaken and will not retire due to a pre-existing medical condition on health grounds. No medical shall be required if the member is paying for the additional pension by means of a lump-sum payment.

---

### PAYMENT OF ADDITIONAL VOLUNTARY CONTRIBUTIONS ON THE DEATH OF A MEMBER [R17]

The administering authority shall decide to whom to pay any AVC monies, including life assurance monies are to be paid to on death of a member.

The Council will decide based on the individual circumstances of the case, who should receive payment of the monies having regard to that it should be paid to or for the benefit of the member's nominee, personal representative or any person appearing to the authority to have been a relative or dependent of the member.

---

### PROVISION OF ESTIMATES IN RELATION TO TRANSFERS OF AVCS/FSAVCS [TP15 AND A28]

The administering authority may charge a member for providing an estimate of additional pension that would result from a transfer of in house AVC/SCAVC contributions.

Members may request a quote free of charge. In the exceptional case an additional request is made, the Council reserve the right to charge.

---

### PENSION ACCOUNTS [R22]

A pension account may be kept in any form that the administering authority considers appropriate.

The Council will decide the form in which pension accounts are kept based upon any published information or best practice and in an efficient manner.

---

### CONCURRENT EMPLOYMENT AND THE ABSENCE OF AN ELECTION FORM [TP10]

The administering authority shall decide in the absence of an election form from the member within 12 months of ceasing a concurrent employment, and where there is more than one ongoing employment which on going employment the benefits from the concurrent employment should be aggregated with.

The one with the longest likely lifespan or the ongoing employment that is most similar to the one that has ceased will be selected.

---

### RETIREMENT BENEFITS [R30]

The administering authority, in cases where the current employer or the former employer has ceased to be a scheme employer, may consent to waive, in whole or in part the actuarial reduction where the member voluntarily draws their pension before normal pension age.

The administering authority may also in cases where the current employer or the former employer has ceased to be a scheme employer may consent to waive, in whole or in part the actuarial reduction on benefits paid on flexible retirement. Where a request is received, it will be considered on an individual basis and on its own merit. However, where there is a cost as this cost will have to be spread across all employers the cost has to be justified.

---

### STRAIN ON THE FUND [R68]

The administering authority may require an employer who allows a member to retire by reason of flexible retirement, redundancy or business efficiency to pay the additional charge on the fund. This also includes the cost where the employer has chosen to waive any reduction on flexible retirement or where the member voluntarily draws benefits before normal retirement age.

The Council will require an employer to make the appropriate payment to meet the additional charge where the member has retired early through flexible retirement, redundancy, business efficiency or where the employer has exercised their discretion to waive any reduction as a result of flexible retirement or voluntary retirement.

---

### SWITCHING ON THE RULE OF 85 [TP Sch 2]

In cases where the current employer or former employer has ceased to exist, the administering authority may consent to switch on the 85-year rule where the member is voluntarily drawing benefits on or after age 55 and before age 60.

Where a request is received it will be considered on an individual basis and on its own merit. However, where there is a cost, as this cost will have to be spread across all employers the cost has to be justified.

---

### WAIVING THE REDUCTION [TP Sch 2 & B30]

In cases where the current employer or former employer has ceased to exist, the administering authority may consent to waive any actuarial reduction on the benefits on pre- and/or post-April 2014 benefits.

Where a request is received, it will be considered on an individual basis and on its own merit. However, where there is a cost as this cost will have to be spread across all employers the cost has to be justified.

---

### STRAIN ON THE FUND [TP SCH 2]

The administering authority may require an employer to pay any additional costs as a result of the employer waiving the reduction in cases where the employer has consented to the early payment of on benefits before age 60 under Benefit Regulation 30.

The Council will normally require the employer to make the additional payment to meet any additional cost.

---

### EXTENSION OF THE TIME LIMIT TO DRAW BENEFITS [R32]

The administering authority shall decide whether to extend the time limits in which a member must give notice of their wish to draw their benefits before normal retirement age or upon flexible retirement.

Where a request is received asking for the time limit to be extended, the individual circumstances will be considered on whether it is appropriate to extend the time limit.

---

### COMMUTATION OF SMALL PENSIONS [R34, B39, T14, R39]

The administering authority may commute a small pension into a single lump sum.

The administering authority will commute small pensions when a member has made a request.

---

### INDEPENDENT REGISTERED MEDICAL PRACTITIONER – APPROVAL [R36 & A56]

The administering authority shall approve the choice of the medical practitioner used by the employer for ill-health retirement.

A medical practitioner who is registered with the General Medical Council and who has the appropriate qualifications specified in the regulations will be approved.

---

### CERTIFICATE PRODUCED BY AN IRMP UNDER THE 2008 SCHEME [TP12]

In cases where the employer or the former employer has ceased to exist to be a scheme employer, the administering authority can use a certificate produced by an IRMP under the 2008 scheme to make a determination under the 2014 scheme.

The certificate will be allowed except in circumstances of a particular case the certificate is not compliant with the requirements of the 2014 scheme.

---

### EARLY PAYMENT ON ILL-HEALTH GROUNDS - DEFERRED MEMBER [R38]

In cases where the employer or the former employer has ceased to exist to be a scheme employer, the administering authority shall decide whether the deferred member meets the criteria of being permanently incapable of carrying out their former job and are unlikely to be capable of undertaking gainful employment before normal pension age or for at least three years whichever is sooner.

Where a request is received each case will be considered individually and a decision will be made based on the medical evidence and opinion provided by the independent registered medical practitioner.

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### EARLY PAYMENT ON ILL-HEATH GROUNDS – DEFERRED PENSIONER MEMBER [R38]

In cases where the employer or the former employer has ceased to be a scheme employer, the administering authority can decide whether a deferred pensioner is unlikely to be capable of undertaking gainful employment before normal pension age because of ill health.

Where a request is received each case will be considered individually and a decision will be made based on the medical evidence and opinion provided by the independent registered medical practitioner.

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### PAYMENT OF THE DEATH GRANT [R40, R43, R46, TP17 & B23, B32, B35, TSCH & LI55]

The administering authority has absolute discretion in determining the recipients of any death grant payable from the scheme.

Normally the death grant will be paid to the nominated beneficiary or the death grant could be paid to the estate of the deceased. Where either or both of these options are seen to be inappropriate or impossible, the Council shall exercise its absolute discretion in as to who should receive the death grant.

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### NO DOUBLE ENTITLEMENT - BENEFITS DUE UNDER TWO OR MORE REGULATIONS [R49 & B42]

The administering authority may decide in the absence of an election form from a member, which benefit is to be paid where the member would be entitled to a benefit under two or more regulations for the same period of scheme membership.

The member would be notified of the payment of the benefit that would provide the highest level of payment.

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### ADMISSION AGREEMENT FUNDS [R54]

The administering authority may establish an admission agreement fund.

The Council has chosen not to set up an admission agreement fund.



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## GOVERNANCE COMPLIANCE STATEMENT [R55]

The administering authority must prepare a governance policy stating whether the administering authority delegates its functions or part of its functions in relation to maintaining a pension fund to a committee, a sub-committee or an officer of the administering authority, and if they do so delegate, state:

- the terms, structure and operational procedures of the delegation;
- the frequency of any committee or sub-committee meetings; and
- whether representatives of employing authorities or members are included and if so whether they have voting rights.

The policy must also state:

- the extent to which a delegation, or the absence of a delegation, complies with Secretary of State guidance and to the extent it does not so comply, state the reasons for not complying; and
- the terms, structure and operational procedures appertaining to the Local Pensions Board.

The Governance Compliance Statement will be prepared, maintained and published. A copy will be made available on our website [www.wmpfonline.com](http://www.wmpfonline.com)

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## FUNDING STRATEGY STATEMENT [R58]

The administering authority must after appropriate consultation prepare maintain and publish a statement setting out its funding strategy. The statement has to be published no later than 31 March 2015.

The Funding Strategy Statement is prepared, maintained and published annually. A copy is available on our website [www.wmpfonline.com](http://www.wmpfonline.com)

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## PENSION ADMINISTRATION STRATEGY [R59]

The administering authority may prepare and publish a pension administration policy and the matters it should include.

The administering authority will publish a Pension Administration Strategy after consultation and it will be kept under review. A copy is available on our website [www.wmpfonline.com](http://www.wmpfonline.com)

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## COMMUNICATIONS POLICY [R61]

The administering authority must prepare and publish its communication policy. It must set out its policy concerning communication with members, representatives of members, prospective members and scheme employers, as well as the format, frequency and method of communications, and the promotion of the scheme to prospective members and their employers.

The administering authority publishes and maintains a communications policy, a copy of which will be made available on our website [www.wmpfonline.com](http://www.wmpfonline.com)

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### REVISION OF EMPLOYER'S CONTRIBUTION RATE [R64]

The administering authority may obtain from the actuary, a certificate revising the employer contribution rate, if there are circumstances which make it likely a scheme employer will become an exiting employer.

A revised additional rate and adjustments certificates regarding employer contributions will be obtained where it appears to be appropriate.

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### AGGREGATE SCHEME COSTS – REVISED CERTIFICATES [R65]

The administering authority may obtain a new rates and adjustments certificate if the Secretary of State amends the regulations as part of the “cost sharing” arrangements.

A new rates and adjustments certificate will be obtained where it appears to be appropriate.

---

### EMPLOYER CONTRIBUTIONS – DATES FOR PAYMENT [R69]

The administering authority shall decide on the dates which contributions are to be paid over to the Fund.

All contributions (apart from additional voluntary contributions) should be credited to the Fund without delay by the 19th of the month following the month in which they fall due.

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### INFORMATION PROVIDED BY EMPLOYERS ABOUT CONTRIBUTIONS – FREQUENCY AND FORMAT [R69, TP23, 22 & R80]

The administering authority shall decide on the form and frequency of the information to accompany payments to the Fund.

The administering authority will provide to employers the specified formats that employers are to use for the submission of their data, which is to be provided monthly, in line with the payment of contributions. A notification will be issued each year to inform employers of the deadline to submit this data along with any format changes that will be required. The Fund requires this data to be submitted to them no later than 30 April.

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### NOTICE TO RECOVER COSTS DUE TO EMPLOYER'S PERFORMANCE [R70]

The administering authority will decide to issue the employer with a notice to recover additional costs incurred as a result of the employer's level of performance.

As detailed in the Pension Administration Strategy, the Council will review from time to time whether to issue an employer with notice to recover additional costs incurred as a result of the employer's level of performance.

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### EMPLOYER PAYMENTS – INTEREST ON OVERDUE PAYMENTS [R71]

The administering authority may charge interest on payments by employers which are overdue.

The Council reserves the regulatory prescribed right to require interest to be paid when payments are overdue by more than one month. Interest must be calculated at one per cent above base rate on a day to day basis from the due date to the date of payment and compounded with three monthly rests.

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### PROCEDURE TO BE FOLLOWED WHEN EXERCISING STAGE 2 DISPUTE FUNCTIONS AND THE MANNER IN WHICH THOSE FUNCTIONS ARE TO BE EXERCISED. [R76, A60, TP23 & R76]

The administering authority will decide how it will exercise its stage two dispute procedure and the procedure to be followed.

The review would be undertaken by a person not involved in the first stage decision and by a person appointed to deal with disputes referred to it under stage 2. The Council will ensure suitable procedures are in place.

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### APPEAL TO THE SECRETARY OF STATE AGAINST EMPLOYER DECISION [R79 & A63]

The administering authority may appeal to the Secretary of State against an employer decision or lack of an employer decision.

The Council will appeal to the Secretary of State if it believes an employer has made (or failed to make) a decision that is both wrong in law and material and where we have been unable to persuade the employer to alter its actions or inactions.

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### EXCHANGE OF INFORMATION [R80, TP22, 23]

The administering authority shall specify the information to be supplied by employers to enable the administering authority to discharge its function.

The Council will specify the information that is to be supplied by employers having regard to the regulatory requirements and best practice.

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### MAKING PAYMENTS IN RESPECT OF DECEASED PERSON WITHOUT PROBATE/LETTERS OF ADMINISTRATION [R82 & A52]

The administering authority may pay the whole or part of the amount due from the Fund to the personal representatives or any person appearing to be beneficially entitled to the estate without the production of probate or letters of administration where the amounts due are less the amount specified in section 6 of the Administration of Estates (Small Payments) Act 1965.

Payment will normally be made without the production of probate or letters of administration where the amount is below the specified amount.

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### PAYMENTS FOR PERSONS INCAPABLE OF MANAGING THEIR AFFAIRS [R83, A52 & B27]

The administering authority may decide where a person (other than an eligible child) appears incapable of managing their affairs, to pay the whole or part of that person's pension benefits to another person to be applied for the benefit of the member.

Where in the Council's opinion a member is unable to manage their own affairs, then having considered the individual circumstances of the particular case they may decide to pay some or all of the benefits to someone else to be applied for the benefit of the member.

---

### DATE TO WHICH BENEFITS SHOWN ON ANNUAL BENEFIT STATEMENT ARE CALCULATED [R89]

The administering authority will decide the date to which benefits shown on the annual benefit statement are calculated.

The date will be selected in line with regulatory requirement and best practice.

---

### BULK TRANSFER (TRANSFER OF UNDERTAKINGS) [R98]

The administering authority must agree any bulk transfer payment.

The terms of the bulk transfer will be discussed with the Fund's actuary, and once all parties are in agreement payment will be made.

---

### TRANSFERS INTO THE FUND AND EXTENSION OF 12-MONTH TIME LIMIT [R100]

The administering authority may accept a transfer value of pension rights into the Fund and may also extend the time limit of 12 months from the date the member first became an active member in their current employment.

The Council will accept a transfer value where a request is made. The Council will only agree to extend the time limit where the appropriate employer has agreed to extend the time limit.

---

### FINAL PAY REDUCTIONS [TP3, 4, 8, 10, 17 & B10]

The administering authority will decide whether to use an average of three years pay for final pay purposes where the member has died before making an election.

The pay figure which provides the highest overall level of benefits will be selected.

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### PERMANENT REDUCTIONS IN PAY - CERTIFICATES OF PROTECTION [TP3, 4, 8, 10, 17, TSch1 & L23]

The administering authority will decide for a member who has a certificate of protection who has died before making an election which pay figure should be used for final pay purposes.

The pay figure which provides the highest overall level of benefits will be selected.

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### ELIGIBLE CHILD – IGNORING BREAKS IN EDUCATION OR TRAINING [RSch1 & TP17]

The administering authority may treat a child as being in continuous educational or vocational training despite a break.

The Council will accept short breaks and also gap years as being breaks in education and will restart a suspended child's pension at the end of such a break or gap.

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### FINANCIAL DEPENDENCE /INTERDEPENDENCE OF COHABITING PARTNER [RSch1 & TP17]

The administering authority will decide upon the evidence required to determine the financial dependence or financial interdependence of the cohabiting partner and the scheme member.

The Council will provide details of the evidence required taking account of any guidance provided.

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### ABATEMENT OF PRE-1 APRIL 2014 PENSION [TP & A70]

The administering authority shall decide whether and how to abate the pre-1 April 2014 pension element following re-employment of a scheme pensioner by a local government employer.

In the event of a scheme pensioner obtaining further employment with a scheme employer the pension will not be abated. The Fund resolved from 1 September 2006 not to abate pension on re-employment.

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### EXTENSION OF TIME PERIOD FOR CAPITALISATION OF ADDED YEARS CONTRACT [TP15, TSch1 & L83(5)]

The administering authority may extend the time allowed to a member who has an added years contract and who is made redundant to decide whether to pay a capital payment.

The Council will apply the prescribed three month time limit, unless there are individual circumstances which need to be considered in deciding whether to grant an extension of the time limit.

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### RECOVERY OF UNPAID EMPLOYEE CONTRIBUTIONS AS DEBT/ FROM BENEFITS [A45]

The administering authority may recover any outstanding employee contributions as a debt or as a deduction from the benefits.

The Council will, where practical deduct any unpaid employee contributions from the benefits relating to the membership to which the unpaid contributions relate.

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### CONSENT FOR EARLY PAYMENT AND WAIVING OF REDUCTION [B30 & TPSCH]

Where the former employer has ceased to be a scheme employer, the administering authority may consent to waive the reduction for the payment of deferred benefits on compassionate grounds.

Where a request is received it will be considered individually and on its own merit. However, where there is a cost as this cost will have to be spread across all employers the cost has to be justifiable.

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### ‘SWITCH ON’ THE 85-YEAR RULE FOR A PENSIONER MEMBER WITH DEFERRED BENEFITS

Where the former employer has ceased to be a scheme employer, the administering authority may consent to ‘switch on’ the 85-year rule for a pensioner member with deferred benefits voluntarily drawing benefits.

The Council would not normally ‘switch on’ the 85-year rule.

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### APPLICATION FOR EARLY PAYMENT OF A SUSPENDED TIER 3 ILL HEALTH PENSION AND WAIVING REDUCTION [B30]

The administering authority may consent to the request for the early payment of pension for a member, who left with a tier 3 ill-health pension that is suspended and who now is aged between 55 and 60 where the former employer has ceased to be a scheme employer. The administering authority may also waive any reduction.

Where a request is received, it will be considered individually and on its own merit. However, where there is a cost, as this cost will have to be spread across all employers the cost has to be justifiable.

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### REQUEST FOR EARLY PAYMENT OF DEFERRED BENEFITS ON ILL-HEALTH GROUNDS [B31]

The administering authority may decide to agree to a request from a deferred member for early payment of benefits on ill-health grounds where the former employer has ceased to exist.

The Council will obtain an opinion from an IRMP as to whether as the member meets the criteria of permanent ill health and reduced likelihood of gainful employment.

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### SPOUSES' PENSIONS ARISING UNDER THE 1995 REGULATIONS PAYABLE FOR LIFE

The administering authority shall decide to pay spouse's pensions for life for pre-1 April 1998 retirees/pre-1 April 1998 deferreds who die on or after 1 April 1998, rather than ceasing the pension during any period of marriage or cohabitation.

The Council has deemed that any spouses' pension that comes into payment is payable for life. This does not apply to spouses' pensions that ceased prior to 1 April 1998.

#### Data Protection

To protect any personal information held on computer, the City of Wolverhampton Council is registered under the Data Protection Act 2018. This allows members to check that their details held are accurate. The Fund may, if it chooses, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund, for example, the Fund's AVC provider. Members who wish to apply to access their data on Data Protection Act grounds should contact the Fund's Data Protection Officer via email at [wmpfdataprotectionofficer@wolverhampton.gov.uk](mailto:wmpfdataprotectionofficer@wolverhampton.gov.uk)

This authority is under a duty to protect the public funds it administers, and to this end may use information for the prevention and detection of fraud. It may also share this information with other bodies administering public funds solely for these purposes.

Information produced by the Fund can be made available in several formats including large sight text, Braille and several community languages. If you have any special requirements or would like to speak face to face with a member of staff, please contact us to arrange how we may best meet your needs. Please remember that special requirements may take a little longer than normal to organise, but you have our assurance that we will do our best to ensure you receive the information in the most appropriate and efficient manner possible.

June 2023

West Midlands Pension Fund  
PO Box 3948  
Wolverhampton  
WV1 1XP

Customer Services: 0300 111 1665  
Email: [pensionfundenquiries@wolverhampton.gov.uk](mailto:pensionfundenquiries@wolverhampton.gov.uk)  
Web: [www.wmpfonline.com](http://www.wmpfonline.com)  
Pensions Portal: [www.wmpfonline.com/pensionsportal](http://www.wmpfonline.com/pensionsportal)

Lines open during the following times:  
8:30am to 5.00pm Monday - Thursday  
8:30am to 4.30pm Friday.  
Calls may be monitored for training purposes.

Version control:

Version	Responsible Officer	Change	Date
Version 2	Head of Operations	Annual Policy Review	June 2021
Version 2	Head of Operations	Annual Policy Review undertaken – no changes made	May 2022
Version 2	Head of Operations	Annual Policy Review	June 2023

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# Pensions Board

04 July 2023

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

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## Recommendations for action:

The Pensions Board is asked to note:

1. The engagement activity and informed service development.
2. The outcomes of the Customer Service Excellence re-accreditation.

## 1.0 Purpose

- 1.1 To provide Board with an update of the Fund's customer engagement activity from 1 January 2023 to 31 March 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 customer satisfaction and help inform improvements to its pension services.

## 3.0 Member Engagement & Communication

- 3.1 The Member Services team continues to deliver member support via hybrid channels including member webinars, face to face presentation and followed up with individual consultations as required. During this reporting period **968** members attended our presentations, webinars and workshops. These were followed by **358** individual member consultations. Our events are delivered at various times throughout the day to accommodate attendance around member and work commitments. This delivery and the associated feedback are summarised in appendix A.
- 3.2 During this reporting period the Member Services Team targeted district Police stations and Local Education Authority (LEA) schools and provided **25** satellite support events to 225 hard to reach members. These are members who may not normally be able to access our services due to the nature of their work and location, which might include access to web-based delivery (i.e., computer facilities), working hours or 'satellite' locations.
- 3.3 Through the "Be Pension Smart & Take Control of your Benefits" campaign the Fund continues to encourage members to view and manage their pension record online using the [pensions portal](#). During this reporting period registrations increased by **2,305** (this is 702 members more than the previous reporting period) bringing the total pension portal registrations to **129,925** at the end of March 2023.
- 3.4 The Fund continues to promote aspects of our work via the social media platform [LinkedIn](#). Since the last reporting period a further **9,653** (1,991 more hits since the last reporting period) people have interacted with our variety of articles from purposeful pension videos, member engagement events and recruitment.
- 3.5 The Fund roadshow was back out on tour across the region visiting depots, the plan to support these members spans from February to May. During this reporting period we have visited **4** locations and seen **146** members. Feedback from these events was **89%** rated excellent and **11%** rated very good. A further **3** depot roadshows have been delivered during May, assisting **115** members.

- 3.6 “Planning your retirement” workshops are still proving to be popular with members who are over the age of 55. In this quarter the Member Services Team delivered **10** workshops to active members which helped **263** attendees with their retirement planning.
- 3.7 The Fund continues to target active and deferred members who do not hold a valid nomination form through our nomination form campaign, over this period we changed our approach by sending written letters to members instead of emails to encourage a higher response rate.
- 3.8 During March and April P60s and newsletters were issued to our pensioners. This year the Fund sent out **115,000** pensioner newsletters which contain useful information such as pension pay day dates, pensions increase information, explaining members P60s and signposting to support to help our pensioners with the cost-of-living crisis.
- 3.9 During this reporting period the Fund’s member video suite, providing on-demand support and guidance to members, has been expanded to include new videos such as helping our pensioner members understand Pensions Increase for 2023, deferred benefits statement video 2023 and re-vamping our pensions portal registration video.
- 3.10 Noting the importance of cleansing data, in February 2023 the Fund has written to **2,806** active members, **4,223** deferred members and **2,461** pensioners who we believe may have changed their email address and to ask them to update it on the pension portal.
- 3.11 Progress is underway to design new communications to market the new pension portal prior to ‘go live’. New draft user guides and videos have been made.
- 3.12 On the 23 March 2023, the Fund attended the Birmingham Association of School Business Management group (BASBM) at Villa Park, delivering a new presentation covering the cost of living and the impact this can have on members’ benefits, how we can support in ensuring younger employees are engaged with their pension savings, alive to the risks of pensions scams and supporting employers by enhancing their members’ knowledge and understanding of their benefits. The audience extended to over 150 individual schools/academies with the presentation generally well received.
- 3.13 In February the Pension Services Team attended the Sandwell Inspired Partnership (SIPS) bursar event on invitation to provide valuable updates from both an employer and member perspective to around **50** schools and academies. Feedback from the day was positive and this has led to an increase in requests to support and engage with individual schools.
- 3.14 Website content continues to be updated and there have been **394,000** web page views in this quarter.
- 3.15 Customer feedback is key to understanding our customer’s journey, highlighting our strengths and opportunities to improve the Fund’s approach to continually develop the services we offer and ensure these remain valued. Following a review of our ‘Post Event’ surveys to scheme members and the creation of a customer feedback dashboard, post-

event surveys are now being issued to members regularly. The overall customer feedback KPI for this quarter is **91%**.

## **4.0 Employer Engagement**

### **4.1 Employer Peer Group**

4.1.1 The final session of the Fund's Employer Peer Group cycle for 2022/23 took place in March, with 13 out of the 18 registered employer representatives present. The content for the meeting included:

- Employer data reporting – discussion about the importance of data quality and an opportunity for the group to discuss the related challenges and experience to aid future developments in this area.
- Process timescales - general discussion on member feedback and comments around Fund processing times which will be taken to our internal customer engagement committee for consideration.
- 2023 Employer Health Check – discussion about delivery dates, and proposed content for the 2023 exercise. General feedback was that timing works well and it is a useful exercise.
- General communications – feedback obtained from the group on preferred methods of communications, including thoughts on the quarterly Employer Brief and comparisons to experience with other pension schemes they have dealings with.

4.1.2 Once again, this session was held virtually to accommodate employer attendance alongside their own existing priorities. As this was the last meeting of the 2022/23 cycle, all employers have now been invited to join the new cycle with the first meeting taking place in June 2023.

### **4.2 Employer Webinars**

4.2.1 The Employer Services Team has continued to deliver a programme of employer education over the quarter with 8 sessions (5 face to face at i9 and 3 webinars) delivered to 67 attendees from 38 organisations (a mix of both employers and payroll providers). Combined, these individuals represent over 150 employers 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.

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

- Introduction to the Local Government Pension Scheme (LGPS)
- Leavers, Retirements and Notifications
- Employer Discretions
- Completing and Submitting your Final Statement

- 4.2.3 Feedback received following the sessions noted that attendees found the sessions useful, enjoyable and informative. They also enjoyed the interactive nature of the sessions and found them engaging.
- 4.2.4 In addition to the now standard education programme, delivery of a full suite of webinars specific to the roll out of the new pensions administration system and Employer Self Service (ESS) functionality has now commenced. 180 attendees (from 120 individual organisations representing over 600 employers in the Fund) were present at 4 ESS General Navigation sessions during the period. 100% of attendees fed back that they were very satisfied or satisfied with the training.
- 4.2.5 These specific ESS sessions will increase in delivery as the new system moves into live and to support employer transition. In addition, employers will be able to attend drop-in sessions at i9 for additional support post go-live and have also been invited to register preferences for time and date specific slots for one-to-one online support when submitting their first monthly data file.

### **4.3 Employer Engagement and Performance**

- 4.3.1 Utilising the virtual working arrangements currently in place, the Employer Services team have continued to hold performance meetings with various employers throughout the period.
- 4.3.2 During the period the Fund held 22 meetings with 18 organisations and 2 third-party payroll providers (note some employers were met with on multiple occasions during the period). Collectively these employers and payroll service providers are responsible for submitting data and payments for over 100 organisations, servicing over 40,000 members. Meetings were held for a variety of reasons including general performance feedback, monthly submission support, McCloud support, and Funding and Actuarial Valuation queries.
- 4.3.3 Work also continues on the Employer Team to target both the submission of outstanding leaver paperwork and responses to queries raised as a result of those leaver submissions ahead of both the system transition and the 2023 Annual Benefit Statement production run. Aligned to this all employers have been reminded of the importance of regularly reviewing active member lists ahead of the 2023 Employer Health Check which was issued during May.

### **4.4 2022 Actuarial Valuation: Employer Support**

- 4.4.1 Following the closure of the consultation period, the Fund's dedicated valuation team issued final results to all employers. Payroll providers were also contacted and provided with a list of rates for all clients to ensure the new contribution rates are implemented with effect from the April 2023 monthly data file submission and payments.
- 4.4.2 All employers have now been invited to provide feedback on the overall 2022 Actuarial Valuation process to enable a review of support and information provided.

## **5.0 Future Engagement and Activity Beyond the Reporting Period**

- 5.1 During May the Fund produced annual benefits statements for deferred members, this was followed up with bulk emails and text messages to members where we hold a valid email address and mobile number to notify members that their statement was available on the portal. A similar approach will be followed for active members as their statements are published and published on their portal account in July/August.
- 5.2 From April to June 2023 the hard-to-reach project is providing face to face support targeting small housing associations, LEA schools and leisure centres across the region.
- 5.3 The Member Service Team is now preparing to deliver **17** roadshows at educational establishments across the West Midlands region with a summary to be presented in the September customer engagement update.
- 5.4 The Fund's "Tea & Teach" sessions were held during May and June, delivering **8** events with the objective to bring pensioners together face to face for refreshments and give them the chance to sit down with a Fund officer to talk about any pension concerns which they may have. We have partnered with local organisations to provide as much support and literature as possible for our pensioners. Feedback will be provided in the next customer engagement update.

## **6.0 Whole Fund and Larger Events**

- 6.1 The Fund is hosting its Employer Mid Year Review 2023 at i9 on the 4 July.. The event provides a variety of updates for employers and feedback from the event will feature in the next Customer Engagement Report.
- 6.2 HR 360, the Coventry Bursars group, asked for a member presentation at their schools and academies business meeting on the 30 June 2023. HR 360 represent the schools and academies in the Coventry area and this represented our first face to face support of the event since the pandemic.

## **7.0 Customer Service Excellence Accreditation**

- 7.1 During May the Fund undertook its Customer Service Excellence re-accreditation. A review document was completed in advance of an onsite assessment detailing evidence of the Fund's compliance with the standard. During the assessment days the assessor then met face to face with representatives from several different service areas to further investigate and verify the Fund's compliance.
- 7.2 We are pleased to report that the Fund achieved the required standard, excelling in five areas and being awarded compliance plus. We await the final report, and a full breakdown of the assessment will be provided in September's update.

**8.0 Financial Implications**

8.1 There are no financial implications associated with this report.

**9.0 Legal implications**

9.1 There are no legal implications associated with this report.

**10.0 Equalities implications**

10.1 The report contains no direct equalities implications.

**11.0 All Other Implications**

11.1 The report contains no other direct implications.

**12.0 Schedule of Background Papers**

12.1 There are no background papers within this report.

**13.0 Appendices**

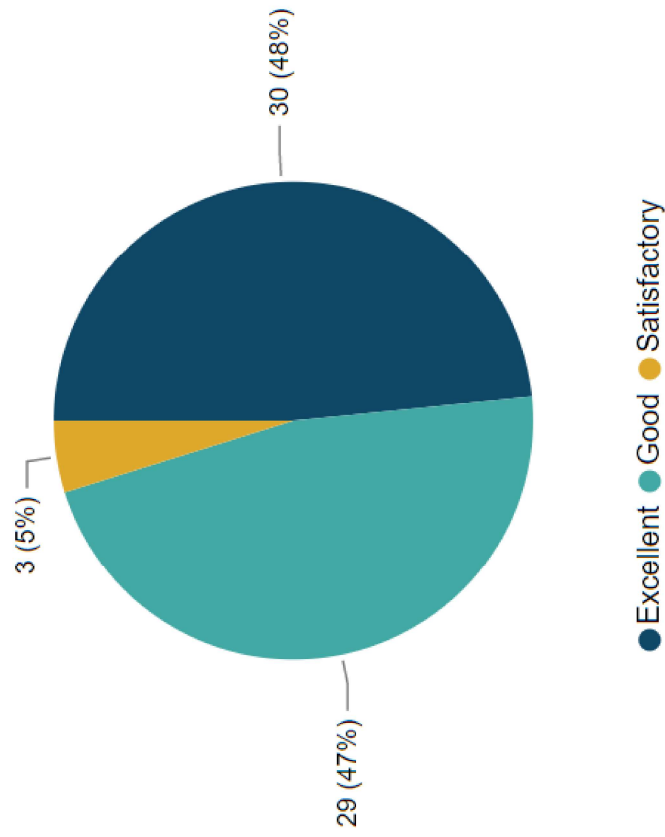
13.1 Appendix A - Review of feedback from member presentations and member individual pension consultations.

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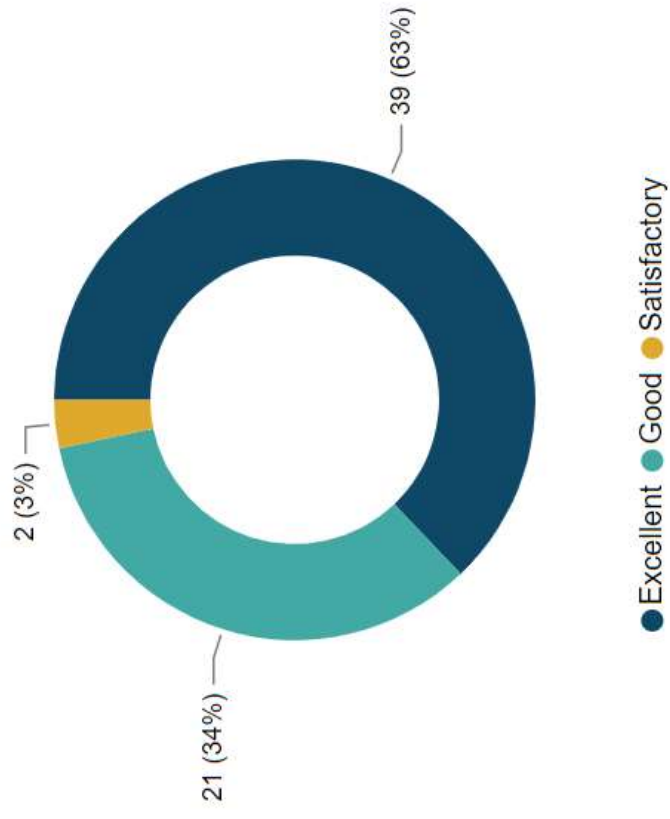


Appendix A: Member Service Team Presentation Feedback – 1<sup>st</sup> January 2023 - 31<sup>st</sup> March 2023

Event Rating



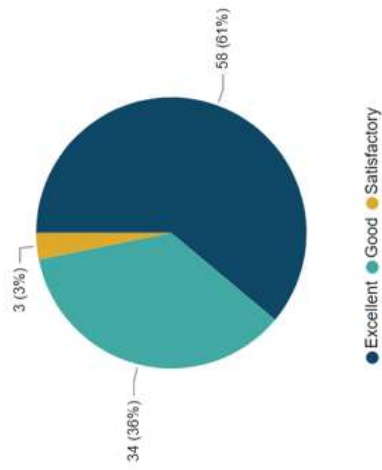
Presenter Rating



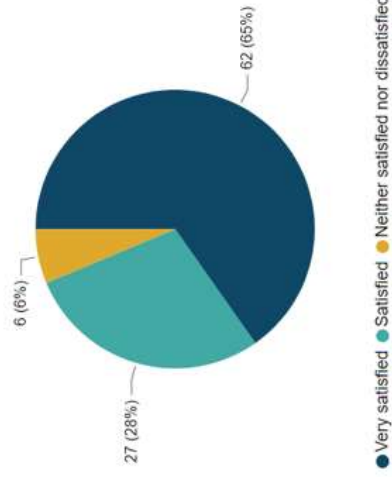
# Member Service Team Feedback -1st January 2023 – 31<sup>st</sup> March 2023

## Pension Consultations

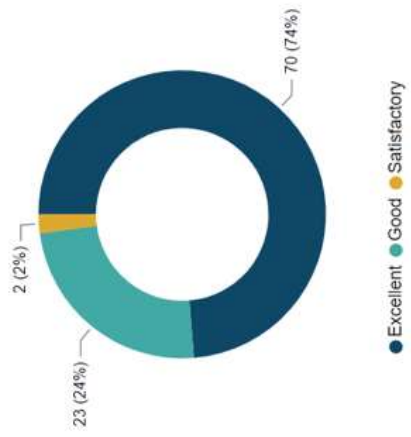
### Event Rating



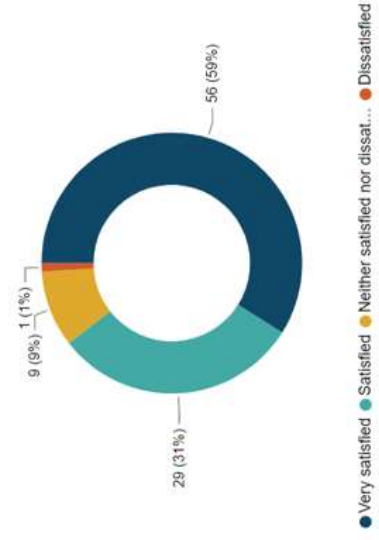
### Presenter Rating



### Interaction Rating



### Service Rating



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