

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

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

Member Representatives

Julian Allam (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 01902552699
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 | Apologies for Absence |
| 2 | Declaration of Interests |
| 3 | Minutes of Previous Meeting (Pages 5 - 10)
[For approval.] |
| 4 | Matters Arising |
| 5 | Customer Engagement (Pages 11 - 34)
[To provide the Board with an update of the Fund's customer engagement activity from 1 April 2023 to 30 June 2023 and to cover future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy.] |
| 6 | Pensions Administration (Pages 35 - 50)
[To inform the Board of the routine operational work undertaken by the Pensions Administration Service areas during the period 1 April 2023 to 30 June 2023.] |
| 7 | Risk and Assurance (Pages 51 - 64)
[To provide the Board with an update on the work of the Fund to deliver a well governed scheme.] |
| 8 | Annual Report and Accounts (Pages 65 - 100)
[To update the Board on the Fund's audit and preparation of the annual report for the year ending 31 March 2023, ahead of publication on the Fund's website.] |
| 9 | Investment Governance (Pages 101 - 106)
[To provide an update on investment related matters, an update on responsible investment activities, together with the ongoing development of the Local Government Pension Scheme (LGPS) Central Investment Pool.] |
| 10 | Regulatory Update (Pages 107 - 112)
[To provide the Board with an update on the regulatory environment in which the Fund is operating and the work being undertaken to stay informed and prepared for change.] |
| 11 | Corporate Plan Monitoring (Pages 113 - 116)
[To provide an update on the work of the Fund in achieving its deliverables and targets set out in the Corporate Plan.] |

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

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

13 **Pensions Administration System Transition (Pages 117 - 126)**

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

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

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Attendance

Members of the Pensions Board

Employer Representatives

Paul Johnson – Virtual Attendee
Joe McCormick
Ian Martin
Mark Smith (Vice-Chair)

Member Representatives

Julian Allam (Chair)
Stan Ruddock
Adrian Turner
Terry Dingley – Virtual Attendee

Observer Member

Steve Smith

Employees

Rachel Howe	Head of Governance, Risk and Assurance
Amanda MacDonald	Audit Business Partner – City of Wolverhampton Council
Chris Manning	Head of Finance
Paul Nevin	Assistant Director - Investment Strategy
Hayley Reid	Regulatory Governance Manager
Simon Taylor	Assistant Director – Pensions
Amy Regler	Head of Operations

Part 1 – items open to the press and public

Item No. *Title*

- 1 **Election of Local Pensions Board Chair**
At the start of the meeting the outgoing Chair, Paul Johnson, held a minute's silence to pay respect on the passing of City of Wolverhampton Council Leader, Councillor Ian Brookfield.

Paul Johnson, outgoing Local Pensions Board Chair welcomed Board members to the first meeting of the municipal year and requested nominations for the election of the Chair of the Pensions Board for the remainder of the municipal year. Stan Ruddock, Member Representative, nominated the current Vice Chair Julian Allam, the nomination was seconded by Adrian Turner. The new Chair thanked everyone for their support.

It was noted that the election of a Member Representative was in line with the Fund's Representation Policy of alternate representations sitting as Chair.

2 **Election of Local Pensions Board Vice Chair**

Mark Smith, Employer Representative, nominated himself for the position of Vice Chair for the municipal year. The nomination was seconded by Joe McCormick, Employer Representative.

3 **Apologies for Absence**

Apologies were received from Jacqueline Carman, Employer Representative.

4 **Declaration of Interests**

There were no declarations of interests.

5 **Minutes of Previous Meeting**

The minutes of the previous meeting were approved as a correct record.

6 **Matters Arising**

There were no matters arising.

7 **LPB Annual Governance Paper**

Hayley Reid, Regulatory Governance Manager, presented the annual governance paper, including the revised terms of reference which had been reviewed and updated ahead of the 2023/24 municipal year.

Resolved:

1. That the revised Terms of Reference for the Local Pensions Board be approved.
2. That the dates and time of Local Pension Board meetings for the 2023/24 municipal year be noted.
3. That the update on the annual cycle of nominations and changes to Board membership be noted.

8 **Risk and Assurance**

Rachel Howe, Head of Governance, Risk and Assurance, presented the report providing an update of the work of the Fund to deliver a well governed scheme.

It was noted that the Fund continued to wait for regulatory guidance on several key issues, including the Scheme Advisory Board's Good Governance Review, implementation of the McCloud remedy and Investment pooling, all of which have the potential to increase reporting and oversight requirements. The Head of Governance, Risk and Assurance highlighted the McCloud Remedy Consultation which had been published on 30 May 2023.

It was noted that the Fund had undertaken its 3-year reaccreditation of Investors In People, retaining the Gold Standard accreditation for the 9th year running.

In response to a question from Adrian Turner with regards to the application of the McCloud remedy, the Head of Governance, Risk and Assurance confirmed that the Fund were still awaiting guidance on the application of the remedy. With regards to a question regarding the financial impact of McCloud, the Head of Operations

confirmed that the McCloud Remedy had been considered as part of the actuarial valuation.

Resolved:

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

9 **Internal Audit Report 2022/23**

Amanda McDonald, Audit Business Partner, provided an overview of the internal audit work carried out during the year. Confirming that based on the work undertaken, internal audit had provided reasonable assurance that the Fund had adequate and effective internal control and governance arrangements in place.

Resolved:

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

10 **Statement of Accounts**

Chris Manning, Head of Finance, presented the report providing an update on the preparation, approval, and audit of the statement of accounts for the year ending March 2023.

In response to a question from Adrian Turner with regards to the Fund's value, the Head of Finance confirmed that there were no concerns and that the change in value had been driven by changes in asset values.

In a response to a question from Paul Johnson with regards to an anticipated increase in investment costs, the Head of Finance confirmed that the increase related to transactional costs associated with changes in the Fund's investment strategy.

Resolved:

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

11 **Investment Governance**

Paul Nevin, Assistant Director Investment Strategy, presented the report and provided an update on routine investment matters.

Resolved:

1. That the update on investment governance matters, including those in relation to responsible investment and pooling be noted.
2. That the publication of the Fund's Annual Stewardship Report 2023 outlining the Fund's stewardship activities during 2022 aligned with the 2020 stewardship code be noted.

12 **Pensions Administration Report to 31 March 2023**

Amy Regler, Head of Operations, presented the report on the routine operational work undertaken by the Pensions Administration services during the period 1 January – 31 March 2023, noting that the Fund's Administering Authority Statement had been reviewed and approved by the Pensions Committee.

In response to a question regarding transfers out undertaken during the previous year, the Head of Operations confirmed that an appropriate level of due diligence is undertaken on all transfers in line with the Fund's compliance with the Pension Regulator's pension scam pledge.

Resolved:

1. That the development of the Fund's membership and participating employers be noted.
2. That the performance and workloads of the key pension administration functions be noted.
3. That the five applications from employers into the Fund approved by the Pensions Committee be noted.
4. That the review and approval of the Fund's Administering Authority statement by the Pensions committee be noted.
5. That the progress of the transition to the new pensions administration system be noted.

13 **Customer Engagement Update**

Simon Taylor, Assistant Director of Pensions, presented the report covering the Fund's customer engagement activity for the period 1 January – 31 March 2023.

It was noted that the Fund had achieved Customer Service Excellence re-accreditation following an assessment undertaken in May 2023. The Assistant Director of Pensions highlighted that the Fund had achieved a compliance plus rating in five of the areas being assessed.

Resolved:

1. The engagement activity and informed service development undertaken by the Fund be noted.
2. The outcomes of the Customer Services Excellence re-accreditation be noted.

14 **Exclusion of press and public**

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

15 **CEM Benchmarking**

Amy Regler, Head of Operations, and Paul Nevin, Assistant Director Investment Strategy, presented the report providing Board members with an overview of the benchmarking exercise undertaken in relation to the 2021/22 scheme year.

Resolved:

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

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Pensions Board

17 October 2023

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

Recommendations for action:

The Pensions Board is asked to note:

1. The engagement activity and informed service development.

1.0 Purpose

- 1.1 To provide Board with an update of the Fund's customer engagement activity from 1st April 2023 to 30th June 2023 and to cover future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy.

2.0 Background

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

3.0 Member Engagement & Communication

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

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

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

- 3.14 Website content continues to be updated and there have been **247,741** web page views in this quarter.
- 3.15 Customer feedback is key to understanding our customer's journey, highlighting our strengths and any gaps in the service we deliver so that we can continually improve the services we offer. Following a review of our 'Post Event' surveys to scheme members and the creation of a customer feedback dashboard, post-event surveys are now being issued to members regularly. The overall customer feedback Key Performance Indicator for this quarter is **84.85%**.

4.0 Customer Services

- 4.1 An overview of our front-line customer contact activity is shown in Appendix C. This outlines the variety and volume of support provided by the Fund to address members' pension queries. An indication of the statistics for the previous year is included within the charts as a comparative measure.
- 4.2 The most popular queries to our contact centre remain as follows:
- Customers following up on an existing Fund process
 - Requests for Pensions Portal support
 - Enquiries about accessing pension benefits
 - Request for support with a Fund letter/form
 - Members updating their personal details
- 4.3 Contact volumes were higher than usual over the April - June period when increased member communications were issued, which included Be Smart newsletter, aged 55 campaign, Investment Survey, deferred benefit statement notification emails and text messages. The team have continued to work closely with Member Services to stagger mailings sent to members, which smooths the impact on the contact centre and reduces call queues/written response times, allowing us to better serve our customers and reduce the number of chaser requests received. In addition, the Fund saw an increase in calls due to the payment of pension increase and the impact this had on individual member tax codes.

5.0 Complaints

- 5.1 The Fund has a complaint monitoring framework, which enables regular monitoring and review of trends impacting performance. Where a complaint highlights an improvement area, this is investigated and monitored to help shape future services and improve overall customer satisfaction going forward. This mirrors the process undertaken for general customer feedback.
- 5.2 Complaint numbers were higher than the previous quarter, and is higher compared to previous years. However, overall the number of complaints received by the Fund is proportionally low compared to the number of scheme members, with 57 complaints received for the last quarter. Of those complaints, 40% were upheld and lessons learned were incorporated in training and process development. The percentage of upheld

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

6.0 Employer Engagement

6.1 Employer Peer Group

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

- **Expectations for the new group:**

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

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

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

- **Mid-Year Review:**

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

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

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

- **Member Engagement:**

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

6.2 Employer Webinars

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

6.3 Employer Engagement and Performance

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

7.0 Pension Administration System Transition- self-service platforms

7.1 Member Self-Service

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

7.2 Employer Self-Service

7.2.1 Employer Self-Service (ESS) is our new pension administration platform that offers comprehensive data management and management information to our employers and payroll providers. Rolled out to our existing Employer Hub users on 27th July 2023, ESS users are already seeing the benefits of an improved, speedier method for the submission of data. Member updates are actioned immediately, with no intervention required from Fund officers. All earnings and contributions data, member changes, and scheme leavers are submitted to the Fund via interface files, allowing the bulk upload of more data and removing the requirement to submit individual leaver notifications and member changes.

7.2.2 Employers also have the benefit of improved management information and reporting capabilities, putting membership and case statistics at their fingertips.

7.2.3 In total, **27** online training sessions have been delivered to employers as part of the transition. Across the 27 sessions we have seen over **640** attendees, from **179** organisations (both employers and payroll providers) representing more than **600** employers and over **97,000** active members within the Fund. The sessions covered the following topics:

- ESS General Navigation
- Reporting and Workflows
- Data Submission
- Estimates

7.2.4 Feedback received following the sessions was that over 95% of attendees were either satisfied or very satisfied with the structure, pace and clarity of the delivery.

7.2.5 The team are currently responding to the 20-40 employer emails each day relating specifically to support with ESS. They have also held over 20 virtual meetings with employers following ESS go live to provide bespoke one to one support. A plan is also in progress to identify and reach out to more employers/payroll providers that we believe need greater support in these initial stages of go live.

7.2.6 In addition to online training sessions a number of communications have been issued to employers providing guidance documents and videos to assist with navigation, many of which can also be found on the Fund's website. A Frequently Asked Questions document has also been published following analysis of common queries raised by employers post go live. The Employer Services team will continue to monitor the queries raised by ESS users and will adjust and adapt the support offered where appropriate.

8.0 Future Engagement

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

- 8.2 The Member Services team delivered 7 roadshows at district locations with the objective to support members to register for the new pensions portal and to explain members' annual statements.
- 8.3 To encourage the take-up of the new self-serve function, the Fund is developing portal promotion events which will assist members to register and navigate around the new portal. This campaign will consist of invites to webinars, face to face support at locations across the region and engagement with employers to increase their members' portal sign up rate.
- 8.4 The Fund is due to hold its next pensioner engagement forum on the 25th October 2023. This forum was designed for pensioner members to provide their feedback and thoughts to enhance a member's retirement journey for the future. Compton Care have agreed to be a guest speaker. The event is also supported by Pension Age and Alzheimers UK who will be providing literature. The feedback and actions from this event will be published in the next report and also details in the "You said, we did" part of the 2023 pensioner newsletter.
- 8.5 Each year Pension Saving Statements are sent to members by the 5 October who have exceeded the annual allowance limit. The Member Services team are following up these with offering recipients the chance to book on Pension Tax Webinars. Further details will follow in the next reporting period.

9.0 Larger Fund Events

- 9.1 HR 360, the Coventry Bursars group, requested a member presentation at their schools and academies business meeting on the 30 June 2023. This was our first face to face delivery at this event since the pandemic. Feedback was very positive and also led to several school business managers booking further support to assist their members.
- 9.2 The Fund delivered its employer Mid-Year Review 2023, on the 4th July 2023. The event covered a variety of updates for employers and also an interactive employer panel. Feedback can be found in Appendix B.
- 9.3 Preparation is underway to plan the Fund's Annual General Meeting which will be held at i9 towards the end of the year.

10.0 Financial Implications

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

11.0 Legal Implications

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

12.0 Equalities Implications

12.1 The report contains no direct equalities implications.

13.0 Other Implications

13.1 There are no other implications.

14.0 Background papers

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

15.0 Appendices

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

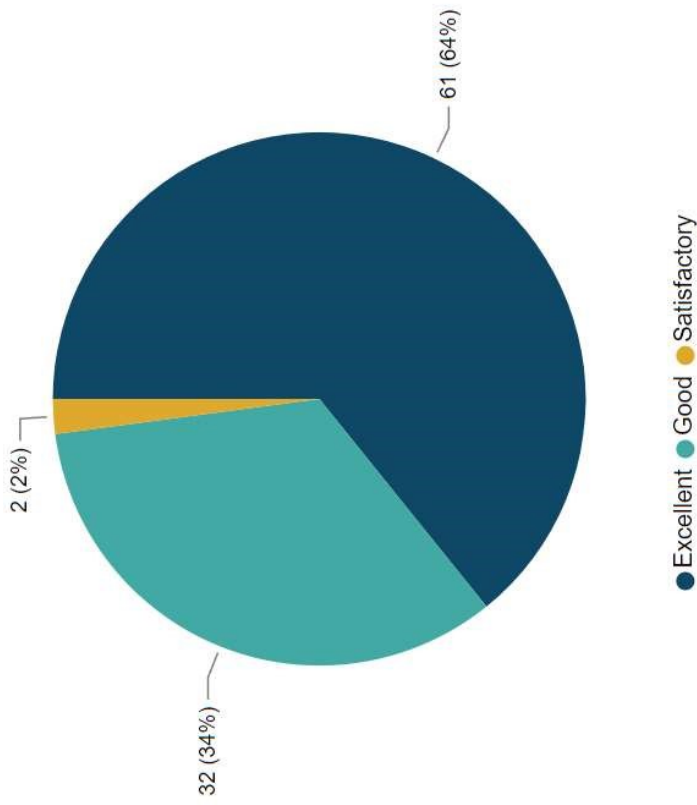
15.2 Appendix B – Summary of MYR feedback

15.3 Appendix C – Customer services statistics

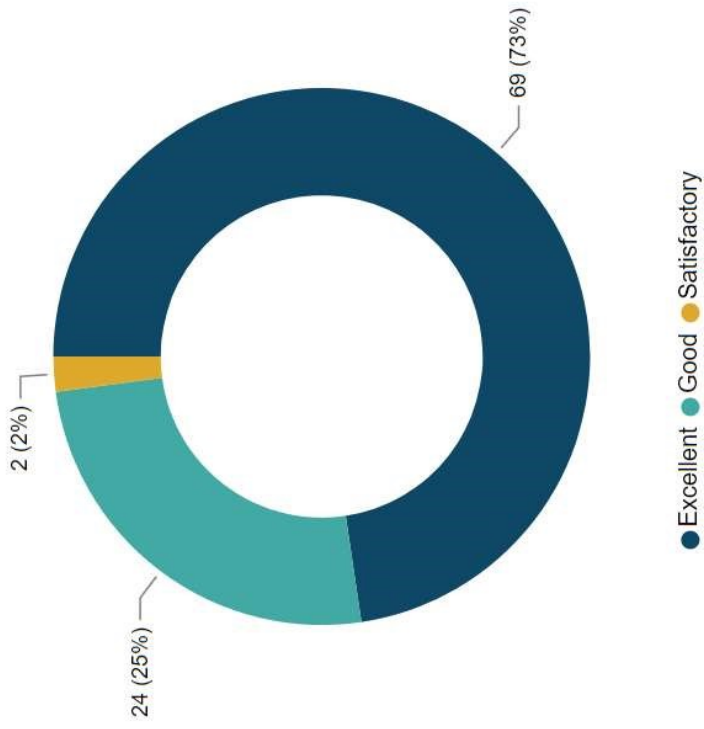
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Member Service Team Presentation Feedback - 1st April 2023- 30th June 2023

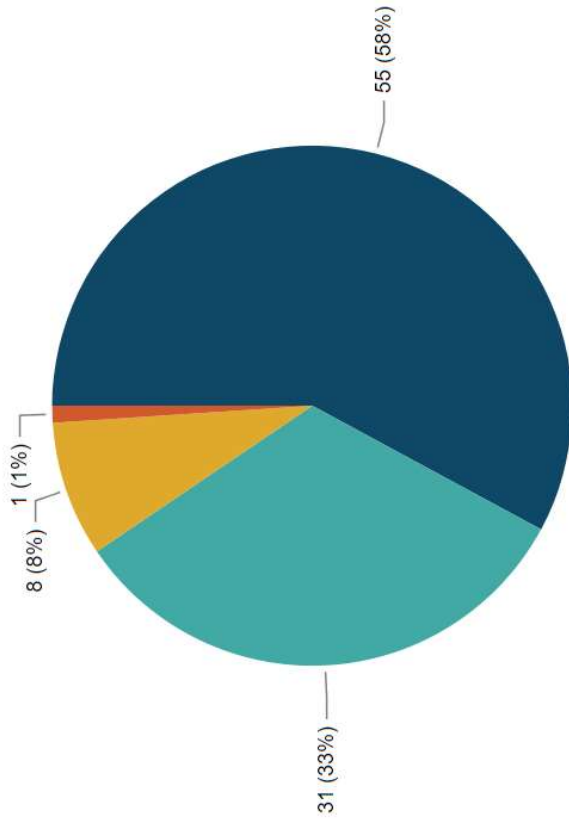
Event Rating



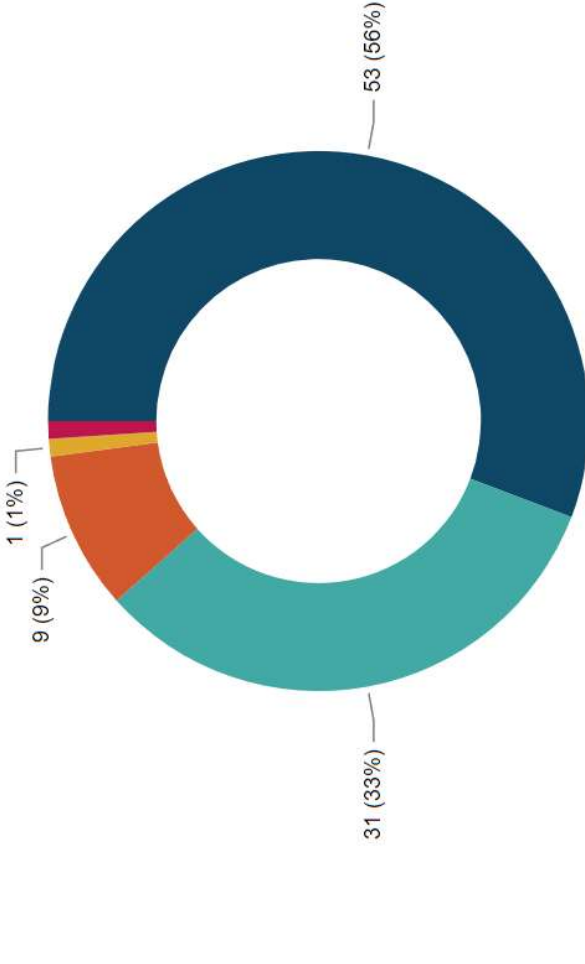
Presenter Rating



Interaction Rating



Service Rating

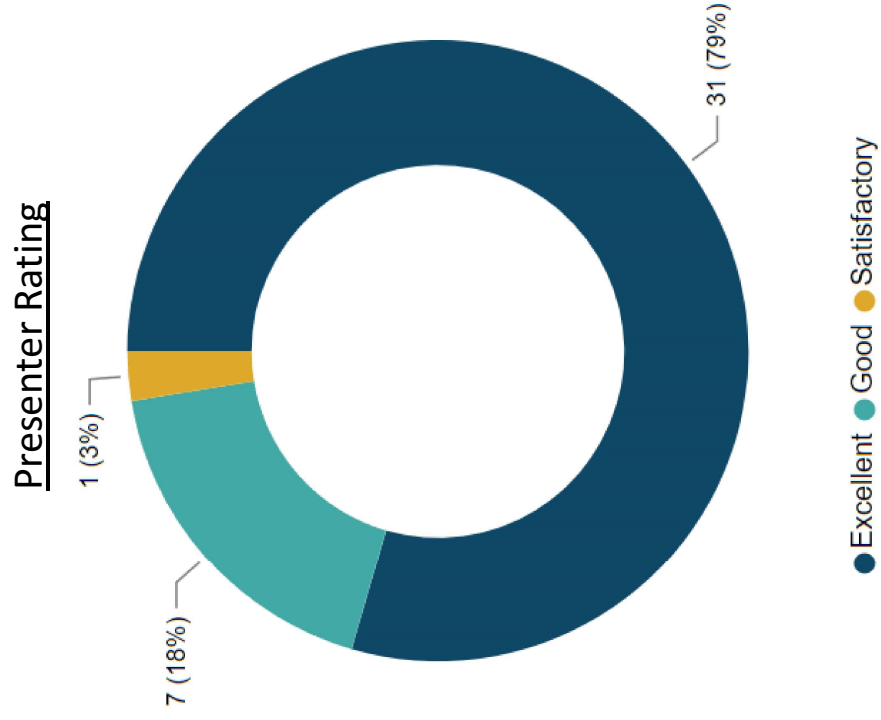
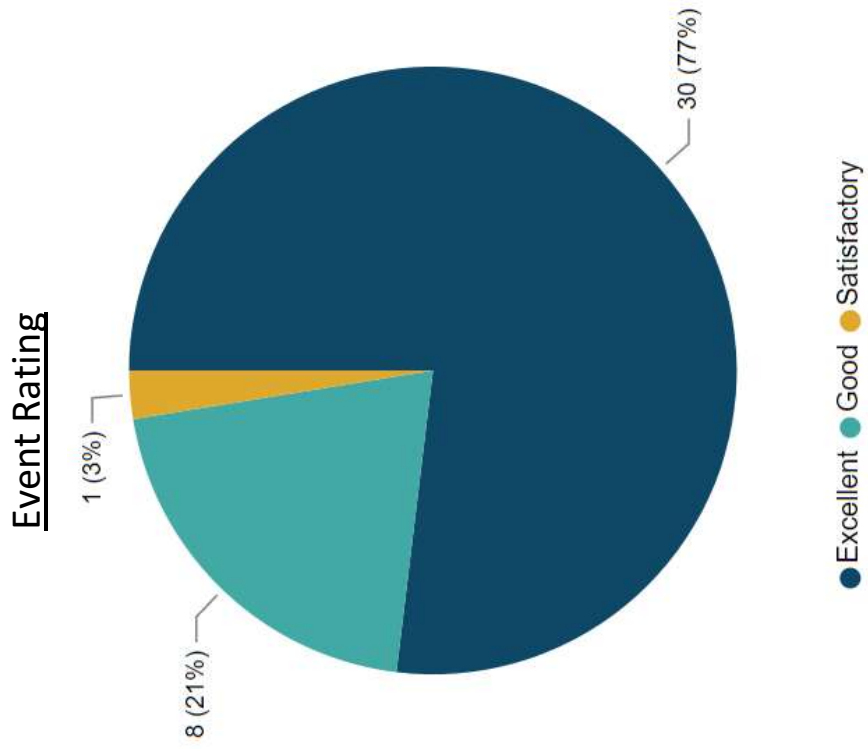


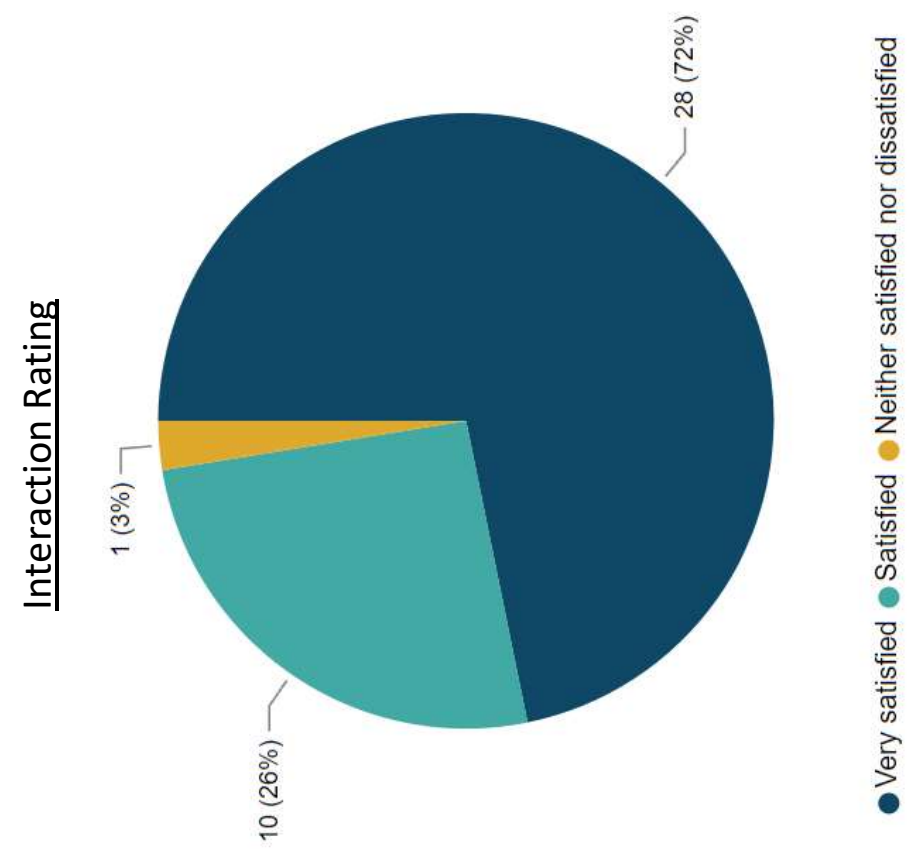
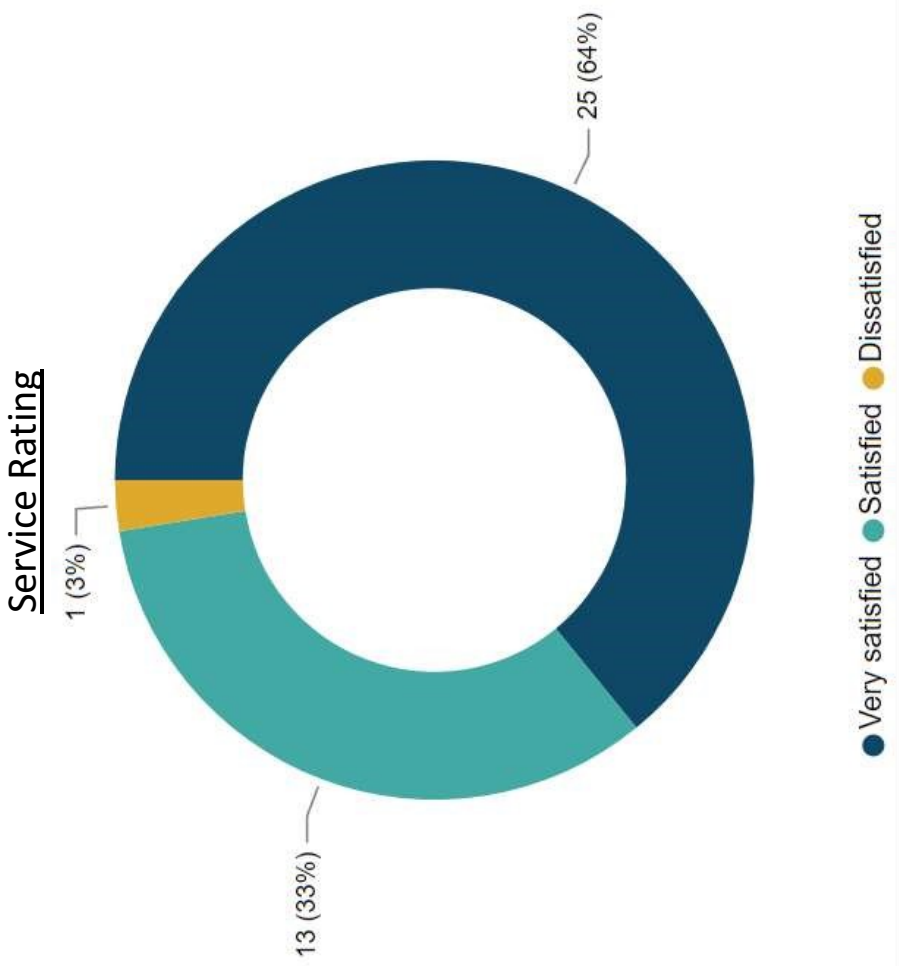
● Very satisfied ● Satisfied ● Neither satisfied nor dissatisfied ● Dissatisfied

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

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

Individual Pension Consultations

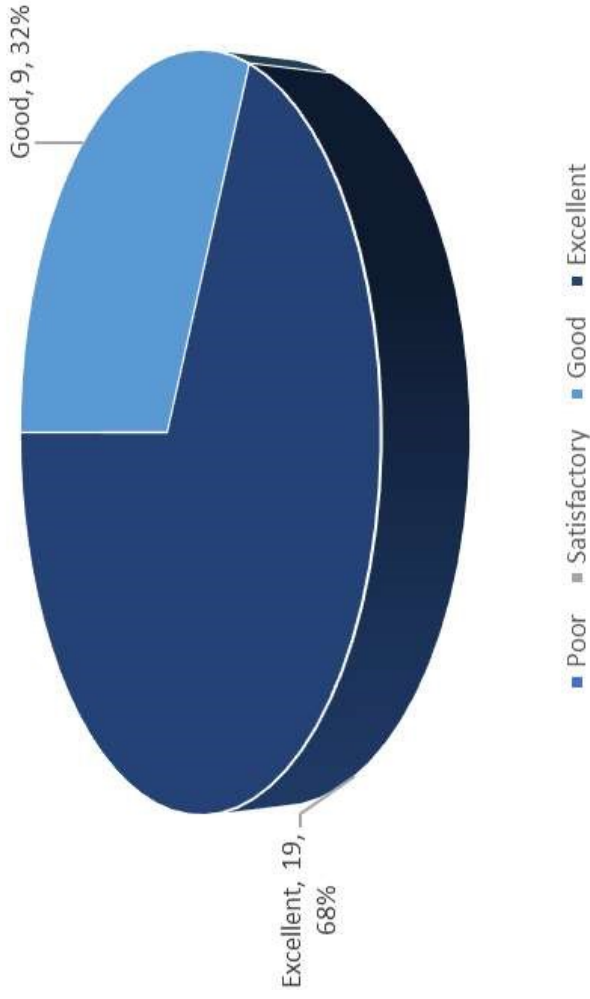




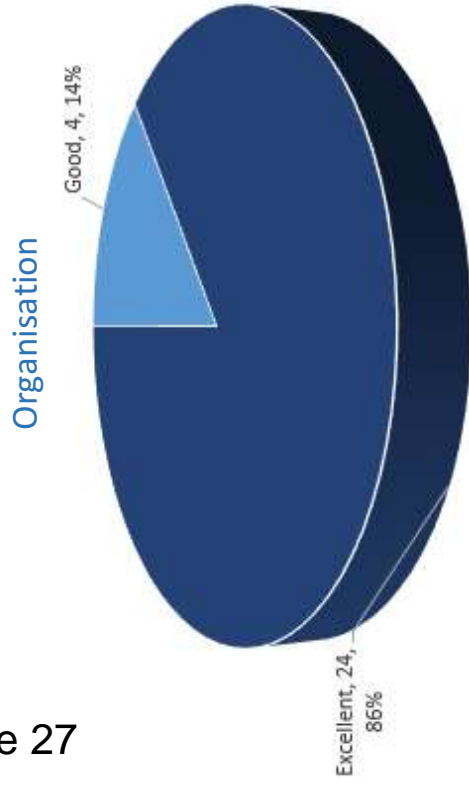
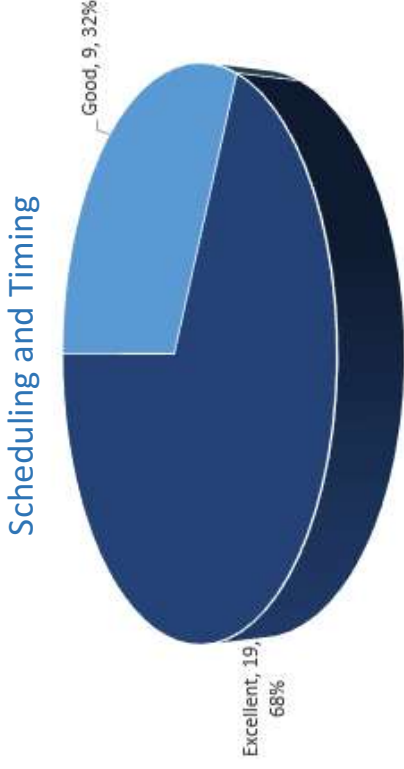
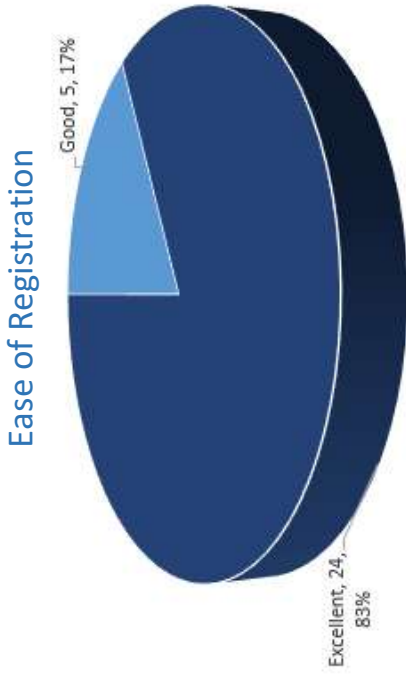


How would you rate the MYR?

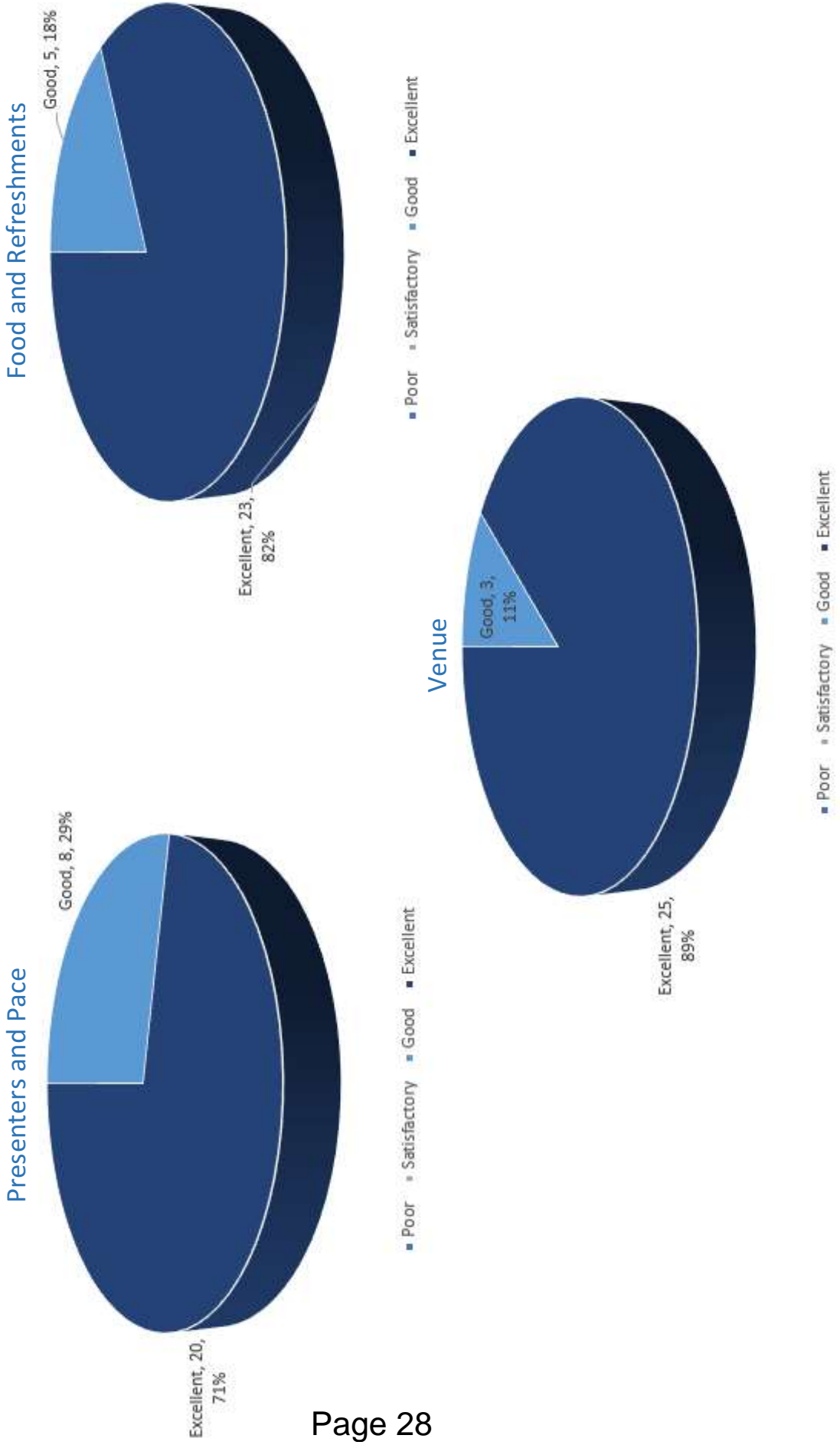
Excellent	19
Good	9
Satisfactory	0
Poor	0



Please rate the following aspects of the event:

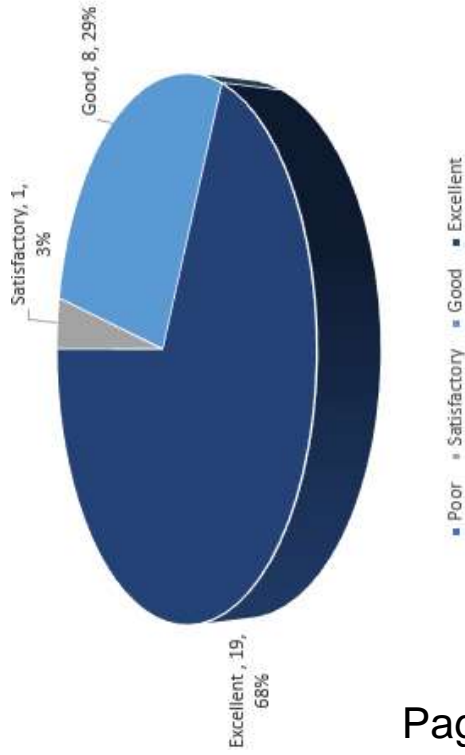


Please rate the following aspects of the event:

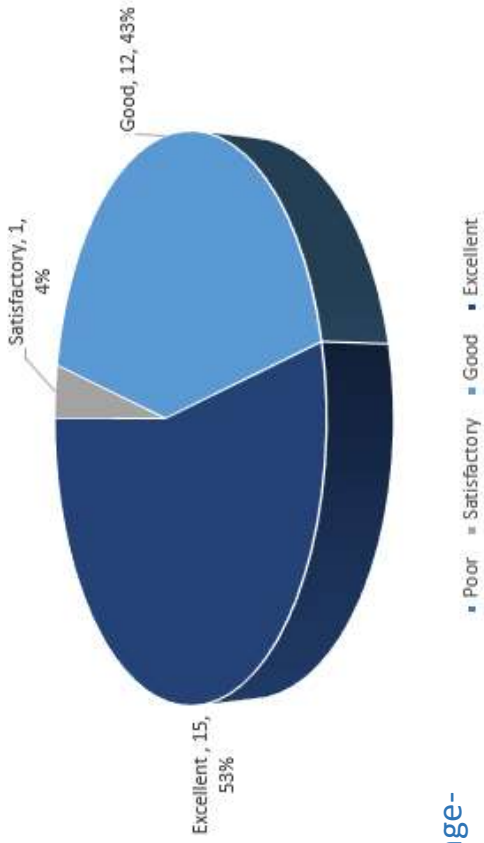


How would you rate the topics below in regard to clarity, style and delivery?

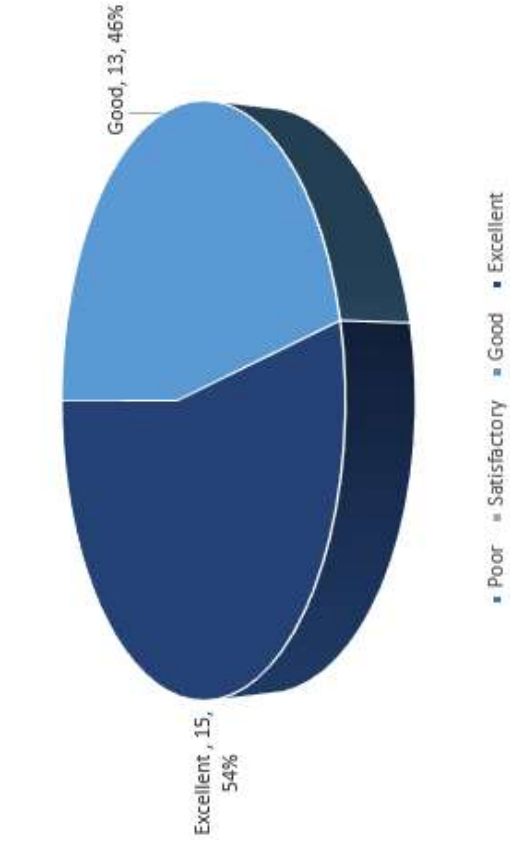
Welcome-Six Months in Review



The Current LGPS Environment

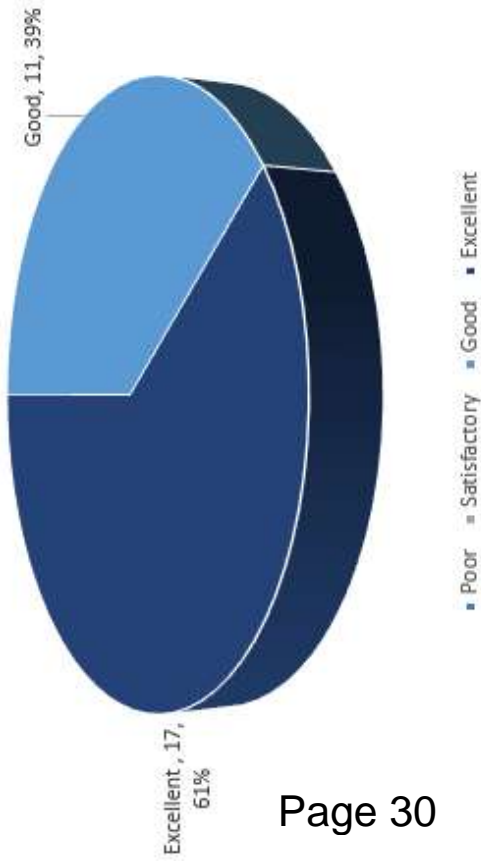


Transformational Change-Administration Systems

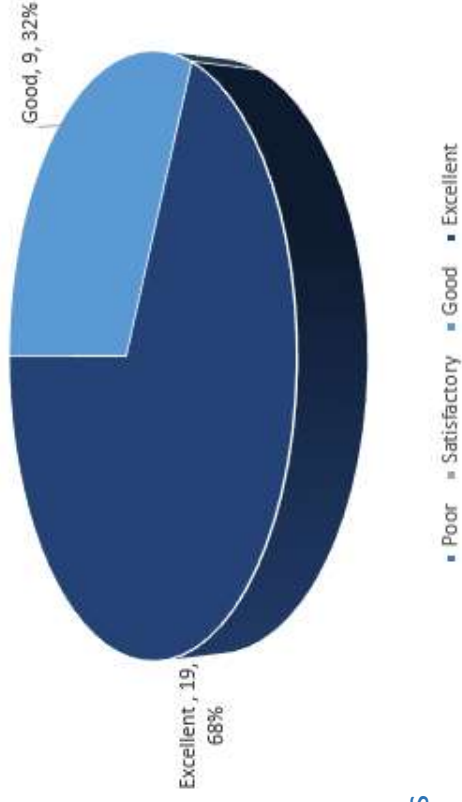


How would you rate the topics below in regard to clarity, style and delivery?

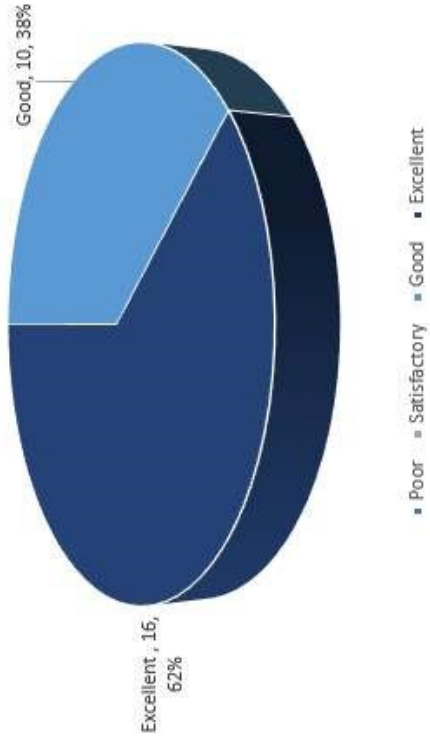
Employer Panel: Working in Partnership
(interactive session)



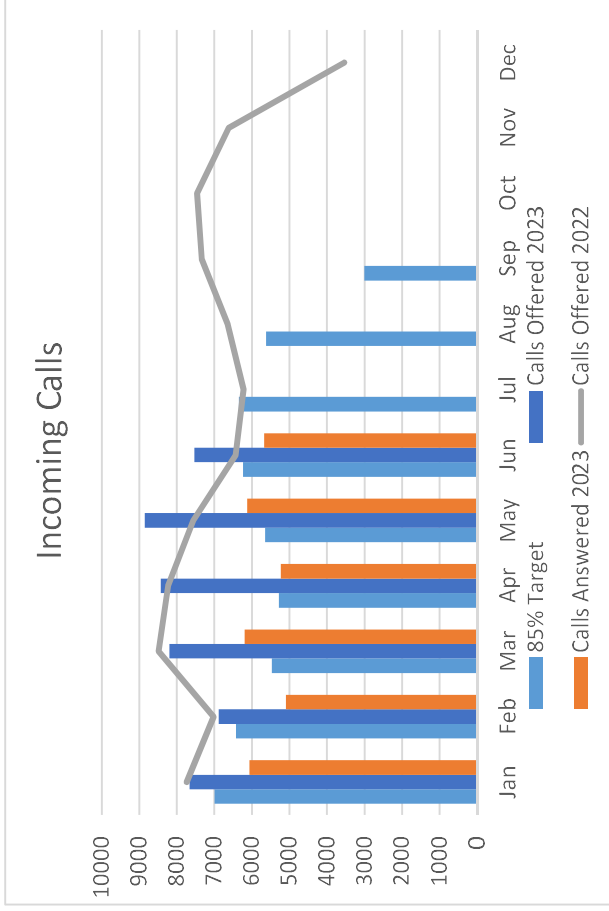
Investment Update



Fund Vision and Values



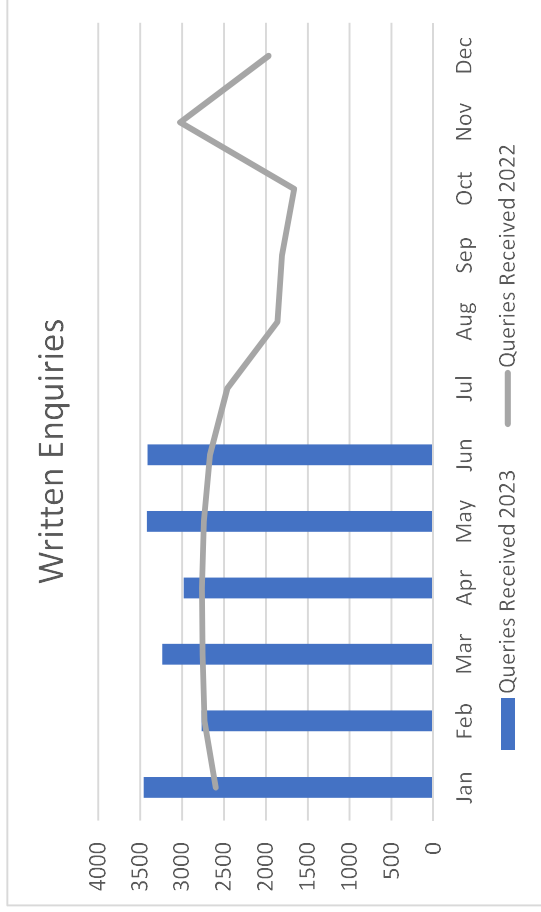
Appendix C: Customer Services Statistics



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

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

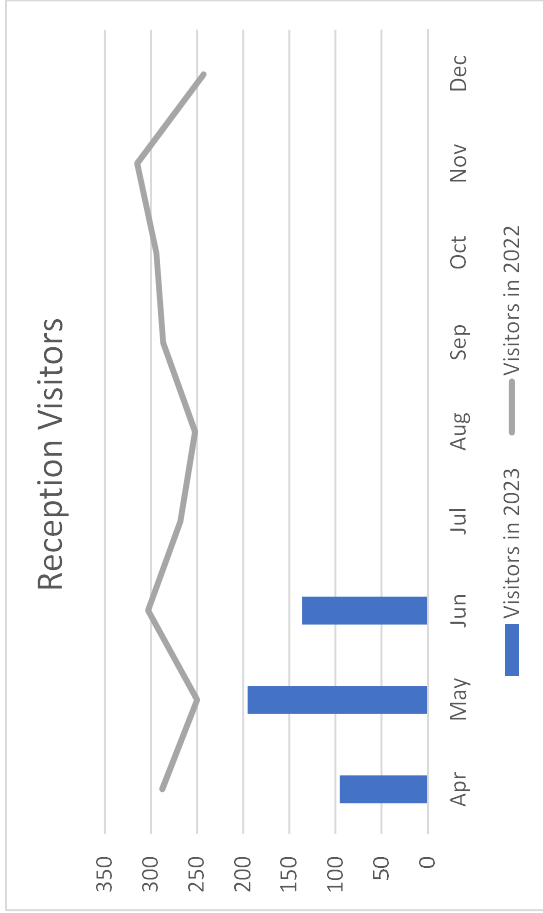
Appendix C: Customer Services Statistics



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

Queries Received 2023
 Queries Received 2022
 Percentage increase

Appendix C: Customer Services Statistics



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

Visitors in 2023
Visitors in 2022

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 17 October 2023
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Report title	Pensions Administration to 30 June 2023	
Originating service	Pension Services	
Accountable employee	Simon Taylor Email	Assistant Director, Pensions Simon.Taylor2@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Email	Executive Director of Pensions Rachel.Brothwood@wolverhampton.gov.uk

Recommendation for action:

The Pensions Board is recommended to note:

1. The Committee's approval of the 14 applications for admission from employers into the Fund as detailed in Section 9 and Appendix E of this report.
2. Performance and workloads of the key pension administration functions.
3. Development of the Fund's membership and participating employers.

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 April 2023 – 30 June 2023.

2.0 Background

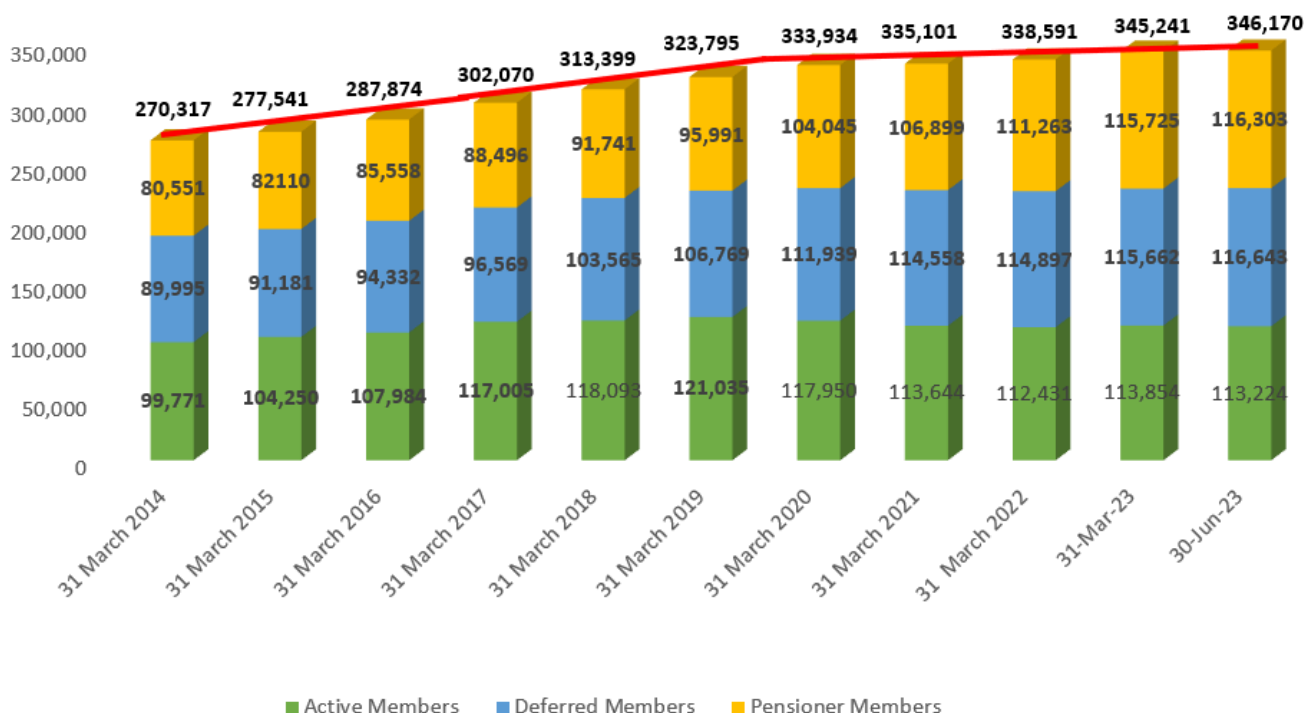
2.1 The Fund provides a pension administration service covering employer, customer and member services, data processing, benefit operations, payroll and systems/technical support. A report is provided to the Pensions Board on a quarterly basis to assist in monitoring the activity and performance of these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

3.0 Scheme Activity

3.1 Membership Movement – Main Fund

3.1.1 The total number of scheme member records in the Fund on 30 June 2023 stands at 346,170 with an overall increase since March 2023. This reporting period sees an increase in the total number of members. The long-term trend in membership continues to illustrate a move towards a more mature profile whereby, in general, pensioners and deferred memberships continue to rise.

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



3.2 Workflow Statistics

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

4.0 Key Performance Indicators (KPIs) – benefit operations

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

5.0 Transfer Out – All Casework

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

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

5.2 Non LGPS Transfers

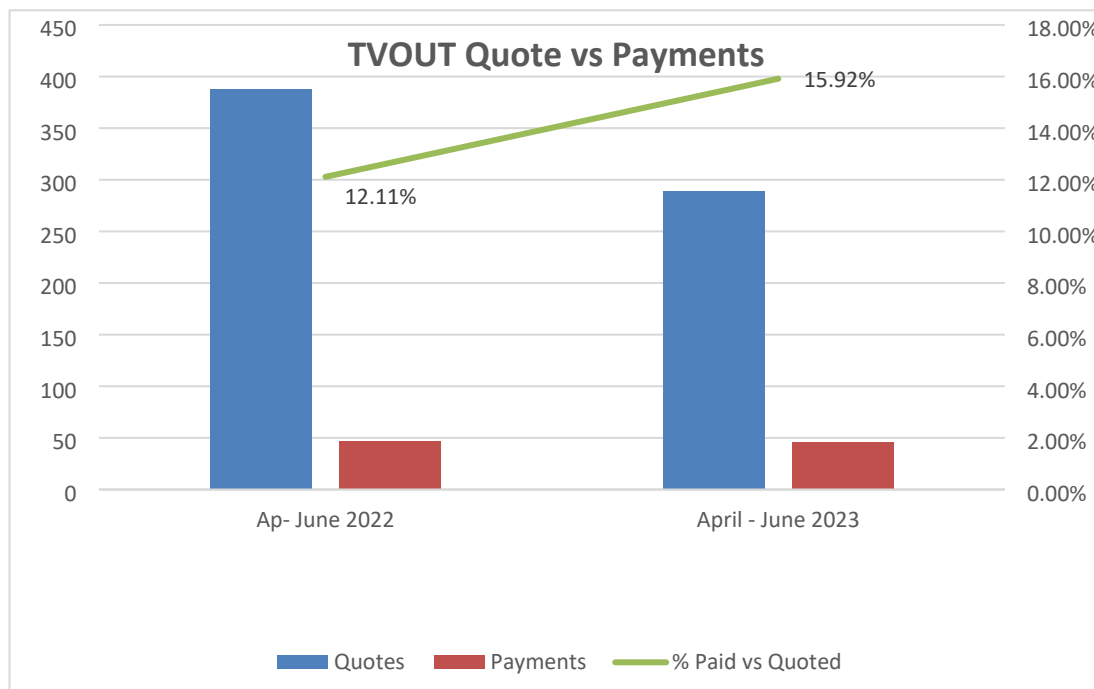
5.2.1 During the period 1 April 2023 to 30 June 2023, 289 transfer value quotations were issued to members considering transferring their benefits out of the scheme (in the prior year 1 April 2022 to 30 June 2022, 388 transfer value quotations were issued to members). The Fund continues to monitor any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

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

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

5.2.3 This reporting period the Fund has seen a decrease in the number of requests from members for transfer out quotes, however the number of members electing to progress

with the transfer of their benefits out of the Fund remains stable, seeing an increase in the conversion rate to 15%. This peak in conversion rate for this reporting period is higher compared to the same period the previous year (12.11%). This is shown in the graph below:



5.2.4 Analysis has been undertaken of the Transfer out requests to non-public sector or occupational schemes over the period of April to June 2023 to review the volume and trends. During the period, a total of 26 non-public sector or occupational scheme transfer out reviews were undertaken by the transfer panel, to a total of 12 different receiving schemes. There were 16 transfers under £30,000 in value, meaning members were able to transfer these payments without a requirement to take financial advice. The average age of members transferring out was 52 years with the main reasons for members transferring out was either to consolidate their benefits into one provider or release cash/flexible draw down (members over 55).

6.0 Internal Dispute Resolution Procedure (IDRP) Casework

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

7.0 Pensions in Payment

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

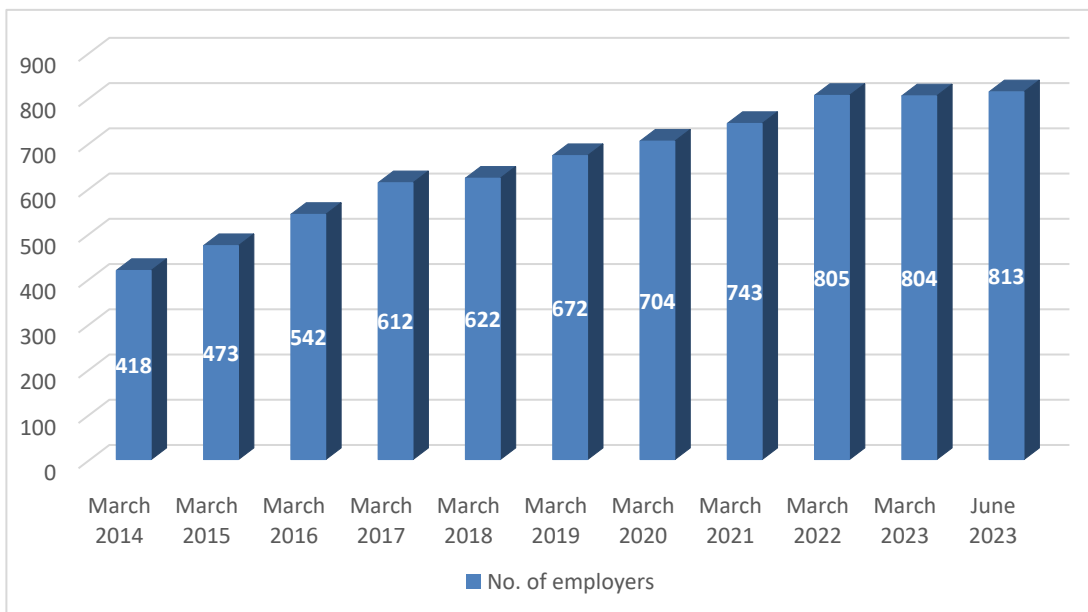
7.2 Monthly payroll details were:

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

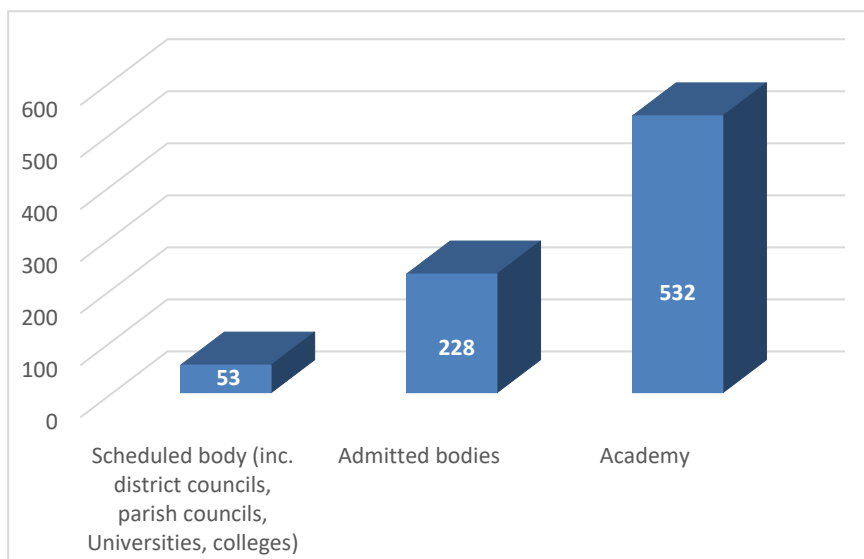
The June figure includes pensioners paid on a quarterly basis.

Employer Membership

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



8.2 The employer base at 30 June 2023 is categorised into the following employer types:



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

- 59 admission agreements
- 14 academies
- 95 employer terminations

9.0 Application for Admission Body Status

9.1 Organisations must satisfy one or more of the admission criteria before they can be admitted to the Fund following approval of applications. Where applications need to be progressed outside of the Committee meeting cycle, Pensions Committee has delegated responsibility for approving such applications to the Executive Director of Pensions in consultation with the Chair or Vice Chair of Pensions Committee.

9.2 There are 14 approvals requested from Committee in regard to applications for admission to the West Midlands Pension Fund, these are detailed in Appendix D.

10.0 Financial Implications

10.1 The report contains financial information which should be noted.

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

11.0 Legal Implications

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

12.0 Equalities Implications

12.1 There are no direct equalities implications.

13.0 All Other Implications

13.1 There are no other potential implications.

14.0 Schedule of Background Papers

14.1 None.

15.0 Schedule of Appendices

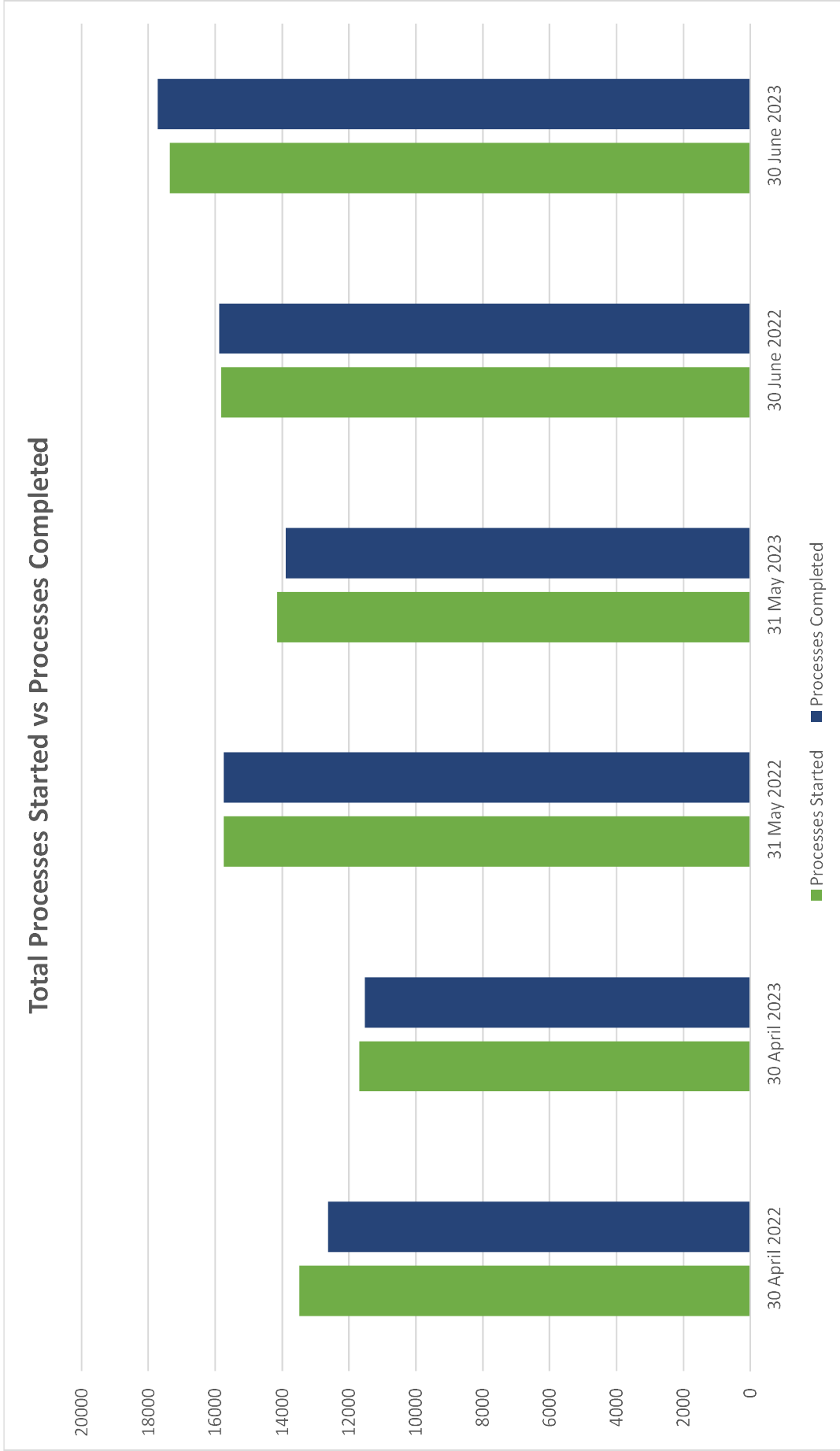
15.1 Appendix A: Workflow Summary

15.2 Appendix B: Detailed Process Analysis

15.3 Appendix C: Key Performance Indicators (KPIs)

18.5 Appendix D: Admitted Body Applications

Appendix A



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Pension Committee Statistical Report
Detailed Process Analysis

Appendix B

2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	April	May	June	2023/24
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Active & Deferred members

Process type																	
Joiners and Rejoiners (Bulk)	8,763	6,403	11,138	13,558	9,816	16,688	20,227	17755	25509	19939	17479	16533	19841	651	1892	1480	4023
Changes in circumstances eg change in hours	18,759	15,303	12,385	11,273	6,391	8,752	6,370	5386	5725	6658	5161	4542	4685	284	298	400	982
Deferments	5,939	7,818	5,741	6,728	5,664	8,340	8,178	8629	15934	11994	9444	10950	12178	867	921	1727	3515
Active Retirements (Employer retirements)	3,317	3,950	2,475	2,279	2,351	2,775	2,593	2676	2280	2112	1908	2198	2520	260	204	251	715
Deferred Retirements	3,332	2,970	2,971	2,726	2,301	3,421	3,552	4429	4814	5071	4844	5507	5511	399	381	456	1236
Deaths of members	295	262	287	285	230	379	399	470	429	441	570	452	415	27	29	41	97
Refund										6877	4499	5036	6367	428	489	858	1775
Opt Outs										3585	1228	1228	734	38	78	233	349
Amalgamations										11682	8841	8098	13944	346	685	592	1623

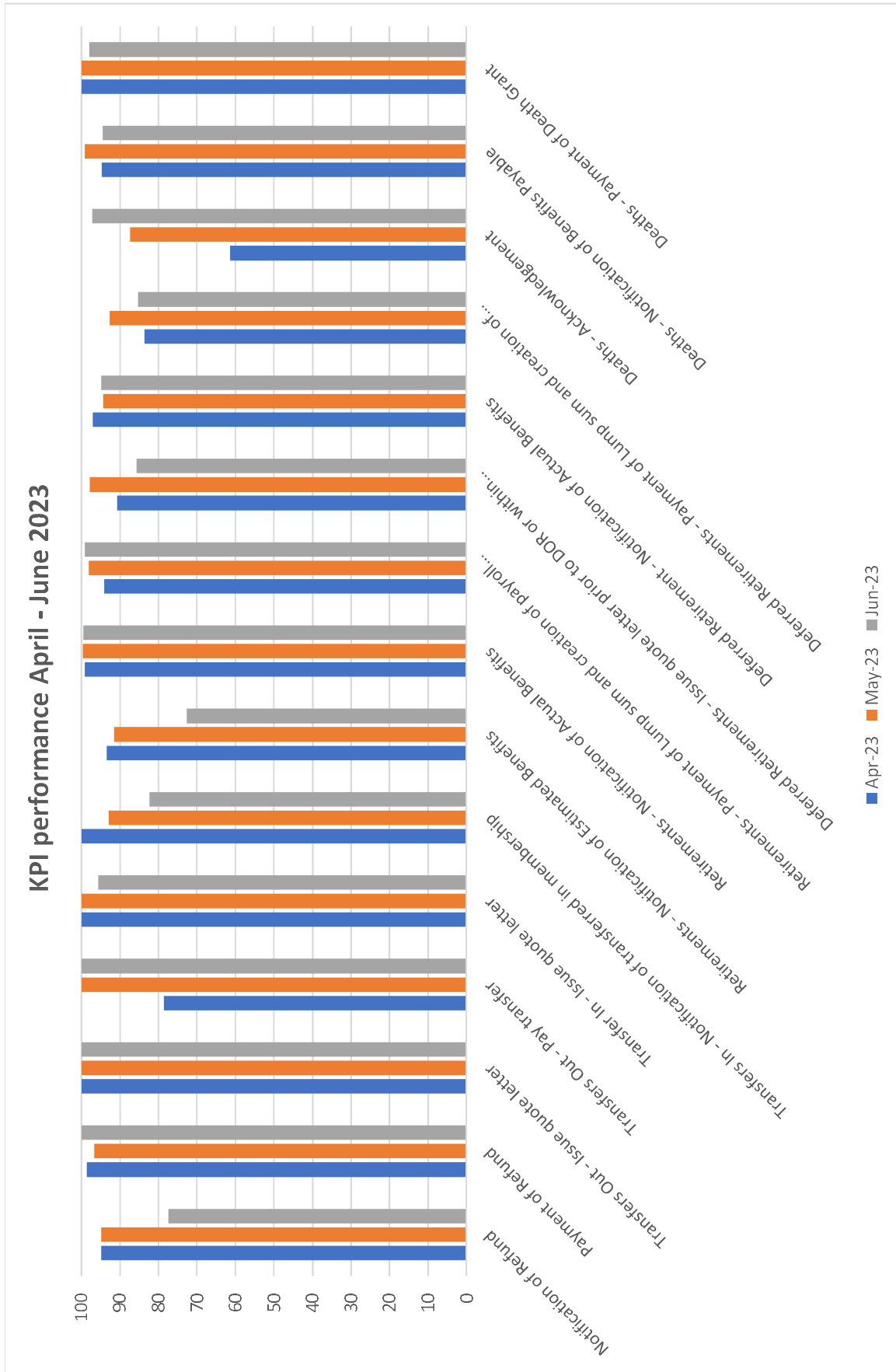
Pensioner members

Process type																	
Changes in circumstances:-																	
Data eg Passwords, NI Numbers	1,310	1,804	1,865	2,017	2,604	4,548	2,427	3105	2694	1953	1761	2457	2646	140	252	241	633
Changes of Address	2,420	2,681	2,131	1,732	1,733	2,237	2,589	3004	2628	2423	2448	2886	2790	203	389	254	846
Changes of Bank	2,927	2,531	2,783	3,420	3,281	1,573	2,272	2214	1957	1874	1593	2057	2118	168	185	176	529
Deaths of pensioners	2,085	2,145	2,101	2,546	2,454	1,702	2,813	2919	2793	2650	3886	3226	3647	238	397	296	931

Payroll																	
Actual number paid	792,724	837,189	870,804	895,018	913,864	888,954	915,275	945,196	979,819	1,019,295	1,094,949	1,105,423	1,163,140	93,863	94,000	105,825	293,688

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Appendix C



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Appendix D Application for admission body status

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

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

CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 17 October 2023
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Report title	Risk and Assurance	
Originating service	Pension Services	
Accountable employee	Rachel Howe Email	Head of Governance, Risk and Assurance Rachel.Howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Email	Executive Director of Pensions Rachel.Brothwood@wolverhampton.gov.uk

Recommendations for action:

The Pensions 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 statutory delivery of members' 2023 Annual Benefit Statements.

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

3.0 Key Performance Indicators (KPIs)

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

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

4.0 Compliance Monitoring

4.1 Data Protection

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

The Governance team continue to monitor breaches and identify actions to improve controls. The Fund hasn't identified any systemic issues in the management of its data and the Governance team continues to work with service areas to implement ongoing enhancements in systems and individual knowledge. The root cause of breaches during the quarter was human error. Where errors have occurred, feedback and, if necessary additional training, is provided to Managers and Fund employees by the Governance team.

4.2 Freedom of Information (FOI) Requests

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

4.3 Subject Access Requests (SARs)

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

5.0 Annual Benefit Statements

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

6.0 Financial Implications

- 6.1 Effective monitoring of the management arrangements, facilitated by timely disclosure of information, is required to ensure the Fund is well placed to ensure the delivery of its administration, funding and investment strategy. Poor management of the Fund's data, financial information and assets can result in additional costs and detract from investment returns.
- 6.2 Failure by the Fund to meet statutory requirements of effective governance and administration could result in fines imposed by the Pensions Regulator (tPR).

7.0 Legal Implications

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

8.0 Equalities Implications

- 8.1 There are no direct equalities implications.

9.0 Other Potential Implications

- 9.1 There are no other potential implications.

10.0 Schedule of Background Papers

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

11.0 Schedule of Appendices

11.1 Appendix A: Strategic Risk Register



11.2 Appendix B: Key Performance Indicators

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West Midlands Pension Fund – Strategic Risk Register



August/September 2023

Appendix A

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

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

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

Risk Ref	Risk Theme	Risk Title	Current Drivers	Corporate Priority	Pre-control Risk Assessment	Post Control Risk Assessment	Risk Outcome post control	Actions/Mitigations	Senior Officer(s) responsible for Action
4	Funding and Economic Environment	Market volatility	Global markets reacting to geopolitical issues and emerging economic conditions resulting in short-term volatility and impacting longer term outlook.	Investment implementation Operational Resilience Stewardship				<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 2023 Investment Strategy Statement.</p>	ADI
		Forecasting and model risk	Economic indicators monitored by the Fund, financial assumptions and models fail to adequately capture emerging events and the impact on investment returns and funding evolution	Investment implementation, people and customers				<p>The Fund works with appointed advisers to review forward-looking assumptions, stress test investment and funding outcomes and review future economic and environmental scenarios in order to test resilience and model reliance, noting the limitations and wider context needed for policy development and decision making.</p>	ADI, ADP

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

Officers Responsible for Action

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

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West Midlands Pension Fund - Key Performance Indicators (KPIs)



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

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

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

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

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

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

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

Data Management and Reporting	KPI Summary	KPI Description	Reporting Frequency	Target Summary	22/23 Q1
	ABS	ABS produced for 100% of eligible active member records	Annually	R < 80% A < 90% G ≥ 90%	91%
DBS	DBS produced for 100% of eligible deferred member records	Annually	R < 80% A < 90% G ≥ 90%	100%	

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 17 October 2023
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Report title	Annual Report and Accounts 2022-23	
Originating service	Pension Services	
Accountable employee	Christopher Manning Email	Head of Finance christopher.manning@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Email	Executive Director of Pensions rachel.brothwood@wolverhampton.gov.uk

Recommendations for action:

The Pensions Board is asked to note:

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

1.0 Purpose

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

2.0 Background

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

3.0 Audit Findings

- 3.1 At the time of writing and subject to the final review finalisation of audit processes, it is anticipated that Grant Thornton, the Fund's External Auditor (appointed by the Administering Authority), will issue an unqualified audit opinion.
- 3.2 Final sign-off of the accounts and issue of the final audit opinion is dependent on the completion of the Administering Authority's audit and the Fund will continue to work with the Authority to ensure the completion of these processes.
- 3.3 In accordance with International Auditing Standards, the Fund is required to confirm to the external auditor that it has complied with all relevant requirements and provided all relevant information to the auditor. This takes the form of a Management Representation letter, signed by the Chair and the Executive Director of Pensions on behalf of the Fund.

4.0 Publication

- 4.1 The Fund's draft Annual Report and Accounts will be finalised in consultation with the Chair and circulated to members of the Committee for comment prior to approval. The approved Annual Report will be placed on the Fund's website at the following link:

<https://www.wmpfonline.com/about-us/corporate-information>

4.2 The consolidated Scheme Annual Report for the LGPS in England & Wales will be published by the Scheme Advisory Board in due course, expected late Spring 2024.

5.0 Financial Implications

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

6.0 Legal Implications

6.1 This report contains no direct legal implications.

7.0 Equalities Implications

7.1 This report has no equalities implications.

8.0 Other Implications

8.1 This report contains no other implications.

9.0 Schedule of Background Papers

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

10.0 Schedule of Appendices

10.1 Appendix A – Grant Thornton External Audit Plan 2022/23

10.2 Appendix B – Audit Progress Report – September 2023

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External audit plan

Year ending 31 March 2023

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

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Key matters



National and local context

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

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

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

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

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

Our Responses



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

Introduction and headlines

Purpose

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

Respective responsibilities

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

Scope of our audit

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

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

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



Introduction and headlines

Significant risks

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

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

We have rebutted the presumed risk for revenue recognition (see page 6). We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

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

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

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

Audit logistics

Our interim visit took place in February and March 2023 and our final visit will take place from July to October 2023. Our key deliverables are this Audit Plan and our Audit Findings Report.

The Administering Authority's auditor will also consider if there are any value for money points they need to pick up as part of their Auditor's Annual Report. Our proposed fee for the audit will be £71,690 [Prior year fee - £68,486 (TBC)] for the Pension Fund, subject to the Pension Fund delivering a good set of financial statements and working papers.

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

New Auditing Standards

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

Significant risks identified

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

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

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

Significant risks identified (continued)

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

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

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

Significant risks identified (continued)

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

Significant risks identified (continued)

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

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

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

Other risks and matters

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

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

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

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

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

Other material balances and transactions

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

Progress against prior year audit recommendations

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

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

Our approach to materiality

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

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

2

Other factors

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

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

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

Our approach to materiality

Matter	Description	Planned audit procedures
3	<p data-bbox="501 1570 533 1995">Reassessment of materiality</p> <p data-bbox="549 116 624 2123">Our assessment of materiality is kept under review throughout the audit process.</p>	<p data-bbox="501 116 624 1189">We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>
	<p data-bbox="839 1267 914 1995">Other communications relating to materiality we will report to the Audit Committee</p> <p data-bbox="930 116 1461 2123">Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p data-bbox="839 116 951 1189">We report to the Pensions Committee and Audit & Risk Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p data-bbox="967 116 1150 1189">In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £9.475m (PY £10m). We have also set a separate triviality level for the Fund Account, individual difference could normally be considered to be clearly trivial if it is less than £3.275m.</p> <p data-bbox="1166 116 1318 1189">If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Pensions Committee and Audit & Risk Committee to assist it in fulfilling their governance responsibilities.</p>

Our approach to materiality

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

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



IT audit strategy

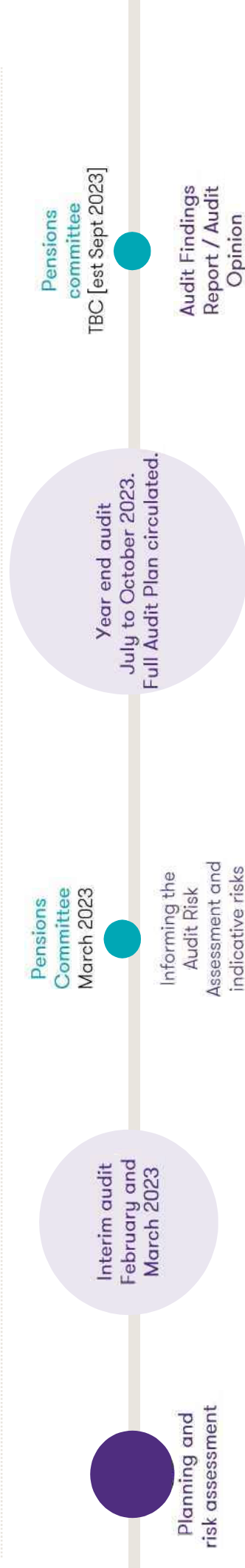
In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design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

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

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

Audit logistics and team



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

Keith Chaisewa, Audit Manager (from June 2023)

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

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

Ben Stevenson, Audit In-charge

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

Audited Entity responsibilities

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

Our requirements

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

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

Audit fees and updated Auditing Standards including ISA 315 Revised

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

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

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

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

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

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

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

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

Audit fees

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

Assumptions

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

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

Relevant professional standards

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

Independence and non-audit services

Auditor independence

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

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

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

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

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

Independence and non-audit services

Other services

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

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

Service	Fees £	Threats	Safeguards
Audit related			
IAS19 Assurance letters for Scheduled and Admitted Bodies	£6,000 and £1,100 per audit letter.	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is small in comparison to the audit fee of £71,690 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Total:	£18,100	In 2021/22 we received 11 requests. If this changes then the fee will be varied.	

Communication of audit matters with those charged with governance

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

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

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

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

Respective responsibilities

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

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

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West Midlands Pension Fund Audit Progress Report

Year ending 31 March 2023

September 2023

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Appendix B

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Section	Page	
Headlines	3	The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.
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1. Headlines

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

Financial Statements

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

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

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

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

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

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

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

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

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

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

Findings of Audit Fieldwork (to date)

Significant Risk Areas

Status

Management override of controls (significant risk)

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

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

Valuation of Level 3 Investments (significant risk)

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

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

Valuation of Directly Held Property (significant risk)

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

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

Fraud in revenue and expenditure recognition (significant risk)

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

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

Findings of Audit Fieldwork (to date)

Other Risk Areas

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

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

Status

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

Findings of Audit Fieldwork (to date - continued)

Other Audit Findings

Status

Disclosure errors & enhancements and misstatements identified in other areas

Management have agreed to amend the financial statements.

Overseas equities (Net Assets Statement)

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

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

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

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Fair value hierarchy (Note P17)

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

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

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

Related parties (Note P26)

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

Follow up of Prior Year Recommendations

Assessment Issue and risk previously communicated



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

Update on actions taken to address the issue

Update

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



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

Update

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

We were informed that management assures itself by:

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

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

Audit Deliverables

2022/23 Deliverables

Planned Date Status

Audit Plan

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

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

September
2023

Completed

IAS 19 Assurance Reports

Triennial Membership Data

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

31 August 2023

Completed
(8 September
2023)

Annual (2022/23) IAS 19 Assurances

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

September/
October 2023

Not yet due

Audit Findings Report

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

Est September
2023

Est November
2023

Auditors Report

This includes the opinion on your financial statements.

Est September
2023

Est November
2023

Consistency Statement

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

Est September
2023

Est November
2023

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 17 October 2023
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Report title	Investment Governance	
Originating service	Pension Services	
Accountable employee	Paul Nevin Email	Assistant Director, Investment Strategy Paul.nevin@wolverhampton.gov.uk
	Shiventa Sivanesan Email	Assistant Director, Investment Management & Stewardship Shiventa.Sivanesan@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Email	Executive Director of Pensions Rachel.brothwood@wolverhampton.gov.uk

Recommendations for action:

The Pensions Board is asked to note:

1. The update on investment governance matters including those in relation to responsible investment and the implementation of investment strategy.
2. The Fund has retained its signatory status to the UK Stewardship Code, following submission of its third Annual Stewardship Report to the Financial Reporting Council (FRC) in May 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 the Local Government Pension Scheme (LGPS) Central Investment Pool in context of the implementation of the Fund's investment strategy.
- 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.

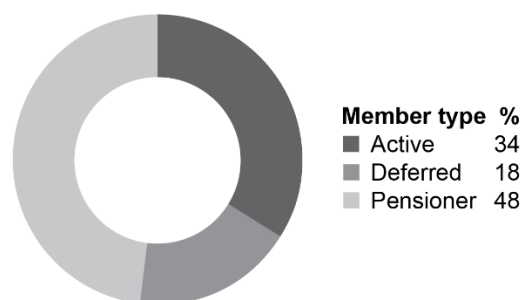
2.0 Investment Strategy and Implementation

- 2.1 The Fund's Investment Advisory Panel (IAP) plays a key role in supporting discussion and decision making of the Fund's officers 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. Officers are working with LGPS Central to implement the first phase, progressing phased reduction in the allocation to Liquid Growth assets over recent months.

3.0 Responsible Investment

- 3.1 The Fund continues to engage with its investee companies and other key stakeholders through the partnerships it has in place. 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. Activity and progress are included in published reports from LGPS Central Ltd, LAPFF and EOS at Federated Hermes.
- 3.3 As previously reported to the Board, the Fund submitted the third iteration of its Annual Stewardship Report (ASR) to the Financial Reporting Council (FRC) on 31st May 2023. The report documents the Fund’s stewardship activities over the past year and demonstrates the Fund’s ambition to be leaders in the active stewardship of its assets and ultimately deliver improved outcomes and sustainable futures for all. In late August 2023, the Fund was pleased to learn that it successfully achieved signatory status to the [UK Stewardship Code](#) again, for the third consecutive year.
- 3.4 In May 2023 the Fund launched a pilot Responsible Investment (RI) survey to all scheme members with a registered email address. The survey was open for three weeks and was designed to engage members on the topic of RI and gauge members’ awareness and understanding of RI.
- 3.5 A response rate of approximately 4% was achieved, with 7,305 individual member responses received. Almost 50% of responses received were from pensioner members, 34% from active members, and 18% from deferred members (Figure 1).

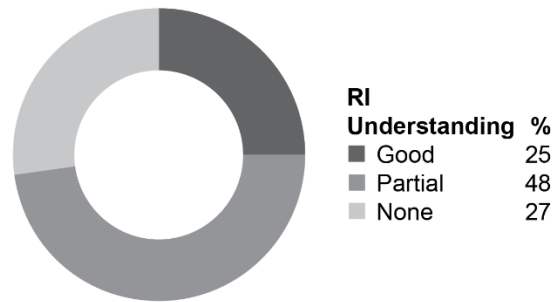
Figure 1: Respondents by member type



- 3.6 When asked to identify a level of RI understanding, high level results show that 25% of members profess to have good RI understanding, 48% have partial, and 27% have no RI

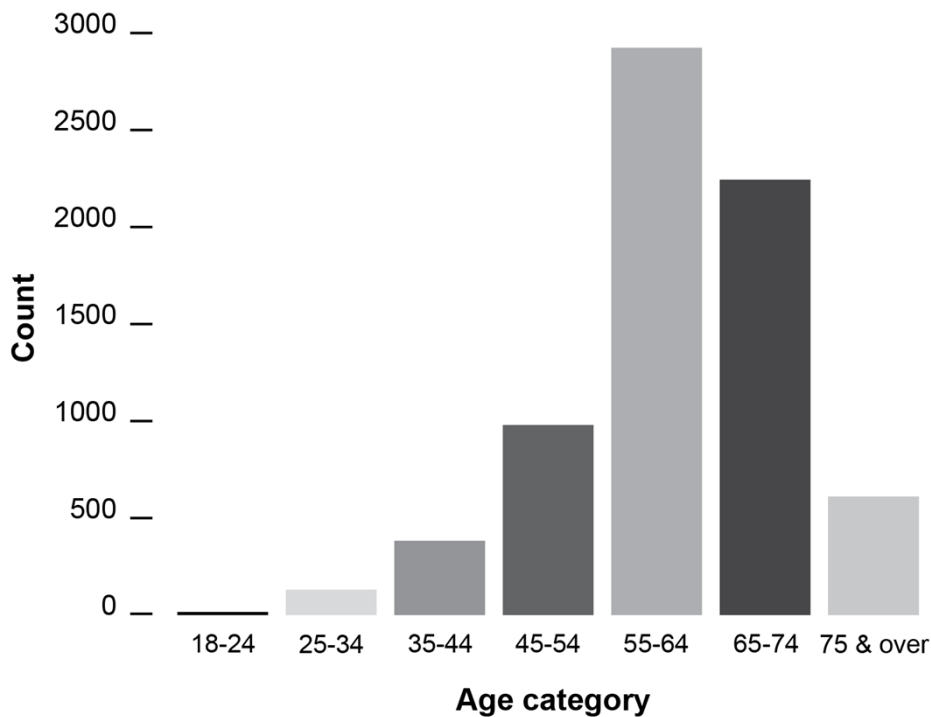
understanding (Figure 2). Analysis indicates that the greater exposure members have to the Fund's RI content, accessed through the Fund's website, RI articles in member newsletters, Pensions Committee reports and formal RI policies, the greater the members' RI understanding.

Figure 2: Level of RI understanding



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

Figure 3: Respondents by age category



3.8 Fund Officers are currently undertaking further analysis of the survey results with a view to informing and developing an effective Responsible Investment Engagement Strategy. Key

areas of priority are likely to be around review of existing and potential future content available to members, strategies to increase member engagement and raising awareness and understanding of Responsible Investment and the Fund's approach.

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 The Shareholder Forum meets ahead of Company meetings (General and AGM) held twice per year. The latest meeting was held on 26 September 2023 with representatives of all Central Pool Authorities and the Company. Between meetings, the Company may engage with the Central Pool Authorities via Shareholder Representatives to gain approval to reserved matters, pertinent to the ongoing operation of the Company, as recommended by the Board. Each year the Shareholder Forum nominates a Chair and Vice Chair of the group with Councillor Eric Kerry from Nottinghamshire taking on this role from the WMPF Executive Director of Pensions at the meeting on 26 September.
- 4.3 At the Company Annual General Meeting Shareholders received a governance update from the Board and its sub committees and discussed and approved a number of routine items including:
- Adoption of the Company Report and Accounts for the year ended 31 March 2023;
 - Approval of external Auditor appointment and remuneration; and
 - Annual re-election of the Company Directors and Chair.
- 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, Trade Union Representative. The next meeting of the Joint Committee is due to take place in February 2024.
- 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.
- 4.6 The Company's Annual Report for the Year to 31 March 2023 has been audited and published (with the link available within the background papers to this report). The Annual Report summarises progress over 2022/23, noting an increase of £1bn in the value of pooled assets, launch of the direct property fund and further development of its Responsible Investment Policy. The report also includes a summary of the work of the Board's three sub-committees and overview of the Company's risk management and governance frameworks.
- 4.7 At the end of September, the pool submitted its annual progress report to the Department of Levelling Up, Housing and Communities (DLUHC), confirming:
- Total forecast cumulative net savings to 2034 of £116.7m on investment products that were live or close to launch at the time of submitting the return.
 - The pool as a whole had transitioned 33% of assets as of 31 March 2023 (50% for West Midlands), an increase of 4% from the prior year.

- The latest projection of assets transferred to pool investment vehicles by 31 March 2026 is 52% (69% for West Midlands).

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](#)
- 9.2 LGPS Central Annual Report – Year Ending 31 March 2023: [LGPS Central Report & Accounts 2022/2023 – LGPS Central](#)

10.0 Schedule of Appendices

- 10.1 None.

CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 17 October 2023
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Report title	Regulatory Update	
Originating service	Pension Services	
Accountable employee	Rachel Howe Email	Head of Governance, Risk and Assurance Rachel.howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Email	Executive Director of Pensions rachel.brothwood@wolverhampton.gov.uk

Recommendations for action:

The Pensions Board is asked to note:

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

1.0 Purpose

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

2.0 Introduction and Overview

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

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

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

3.0 DLUHC – Next Steps on Investments Consultation

3.1 Background

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

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

4. An improved capacity to invest in infrastructure

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

4.0 July 2023 Consultation

- 4.1 On the 10th July 2023, the Chancellor set out his Mansion House speech which included the proposed consultation on investment within the LGPS, the consultation being published the following day (with a closing date of 2 October 2023).
- 4.2 In his Speech, the Chancellor noted the desire to “accelerate the consolidation of pension assets by March 2025”, with proposals to increase transparency, cost savings and the scale of LGPS investment pools while noting that Investment Strategy remained a decision of the individual Funds.
- 4.3 The five areas considered within in the consultation are set out below:
- Proposals to accelerate and expand investment pooling, with the aim of increasing the pace of transition, in order to achieve further benefits, improved net returns, more effective governance, increased savings and access to more asset classes.
 - A requirement for Funds to have a plan to invest up to 5% of assets to support levelling up in the UK.
 - To increase investment in high growth companies via unlisted equity.
 - To propose amendments to the LGPS investment regulations which related to the use of investment consultants and including a requirement to set out strategic objectives for those consultants with a formal review every 3 years.
 - To make a technical change to the definition of investments in the LGPS regulations in relation to partnership arrangements so they fall within the definition of investments.
- 4.4 Following issue of the briefing note to all Governing Body members early September and discussion at the September Pensions Committee meeting, the Fund submitted its response by the deadline of 2 October 2023 and this has been shared with members of the Board. The response was informed by a range of engagement across the industry, stakeholders and peers including partners within the LGPS Central Pool.

5.0 'Mansion House Consultations'

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

6.0 McCloud Regulations

- 6.1 On the 8 September, Government issued its response to the consultation 'McCloud remedy in the LGPS – supplementary issues and scheme regulations' which closed on 30 June 2023. This consultation covered proposals around aggregation, club transfers, flexible retirement, divorce, injury allowances, compensation, interest and excess teacher service and has been anticipated by Funds to confirm how the remedy would be implemented across affected members.
- 6.2 Overall, the response confirms that the proposals in the consultation will be implemented and where it is required, updated Government Actuary's Department guidance will be issued as soon as possible, in addition to an updated Public Sector Transfer Club memorandum. A national working group has been set up to consider the areas where guidance is needed, and the response sets out some of the areas where guidance will be statutory and where it will be non-statutory. Statutory guidance will be issued where it is necessary to have a consistent approach on areas not already achieved through regulations. This will include the prioritisation of McCloud cases and how to identify which

members qualify for McCloud protection where there could be earlier service in another LGPS fund or another public service pension scheme. Other areas will have non-statutory guidance, such as administrative guidance and complex case examples, and how to deal with flexible retirement cases. Where a need for guidance is identified, there will be a technical consultation with selected stakeholders representing those affected. There are still some areas where additional regulations are needed (particularly for dealing with excess teacher service) and a further consultation on these will follow in due course with selected stakeholders.

- 6.3 The only amendment to the original proposals is in the area of interest, where there is a small change to the way interest will be applied to additional Pension Commencement Lump Sums.
- 6.4 The implementation of these revised regulations is a major scale project for the Fund, with the requirement to finalise and collect missing and erroneous data, amend the system calculations to enable calculations of the new regulations going forward, and also to undertake rectification calculations on previous casework due to the retrospective application of the regulations. The Fund are working with the new software supplier on the changes required to the pension administration system and considering the wider communications to be issued to our customers.

7.0 Abolition of the Lifetime Allowance

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

8.0 Financial Implications

- 8.1 There are no direct financial implications.

9.0 Legal Implications

- 9.1 There are no legal financial implications.

10.0 Equalities Implications

- 10.1 There are no direct equalities implications.

11.0 Other Implications

- 11.1 There are no potential other implications.

12.0 Schedule of Background Papers

- 12.1 LGPS: Next Steps on Investments Consultation: [Local Government Pension Scheme \(England and Wales\): Next steps on investments - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments)
- 12.2 Options for defined benefit schemes: [Options for Defined Benefit schemes: a call for evidence - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/options-for-defined-benefit-schemes-a-call-for-evidence)
- 12.3 Pension Trustee Skills, Capability and Culture: [Pension trustee skills, capability and culture: a call for evidence - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/pension-trustee-skills-capability-and-culture-a-call-for-evidence)
- 12.4 Abolition of the lifetime allowance: <https://www.gov.uk/government/publications/abolishing-the-pensions-lifetime-allowance>

13.0 Schedule of Appendices

- 13.1 None.

CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 17 October 2023
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Report title	Corporate Plan Monitoring	
Originating service	Pension Services	
Accountable employee	Rachel Howe Email	Head of Governance, Risk and Assurance rachel.howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Email	Executive Director of Pensions rachel.brothwood@wolverhampton.gov.uk

Recommendations for action:

The Pensions Board is asked to note:

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

1.0 Purpose

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

2.0 Corporate Plan 2023 – 2028

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

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

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

3.0 Looking Ahead

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

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

4.0 Financial Implications

4.1 The Fund's delivery of its Corporate Plan and the initiatives developed to support are included in the Fund's budget for 2023/28, an update is provided in the Budget report.

5.0 Legal Implications

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

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

6.0 Equalities Implications

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

7.0 Other Implications

7.1 There are no other implications.

8.0 Schedule of Background Papers

8.1 [WMPF Corporate Plan 2023](#)

9.0 Schedule of Appendices

9.1 There are no appendices to this report.

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