

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 01902 552699
Address Democratic Services, Civic Centre, 1st floor, St Peter's Square,
Wolverhampton WV1 1RL

Copies of other agendas and reports are available from:

Website <https://wolverhamptonintranet.moderngov.co.uk>
Email democratic.services@wolverhampton.gov.uk
Tel 01902 550320

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)	
4	Matters Arising	
5	Pensions Administration Report to 30 September 2023 (Pages 11 - 20) [To inform the Board of the routine operational work undertaken by the Pensions administration service areas during the period 1 July – September 2023.]	
6	Customer Engagement Update (Pages 21 - 36) [To receive an update on the Fund's customer engagement activity from 1 July to 30 September 2023 and to cover future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy.]	
7	Risk and Assurance (Pages 37 - 46) [To provide the Board with an update on the work of the Fund to deliver a well governed scheme.]	
8	Investment Governance (Pages 47 - 78) [To update the Board on investment related matters, an update on responsible investment activities, together with the ongoing development of Local Government Pension Scheme (LGPS) Central Investment Pool.]	
	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.]	
9	Pensions Administration System Transition Update (Pages 79 - 88) [To provide an update on the progress of the transition of the pension administration system to the new provider Funding.]	Information relating to the financial or business affairs of any particular person (including the authority holding that information) Para (3)
10	Employer Covenant (Pages 89 - 98) [To provide Board with a relevant update in relation to covenant monitoring.]	Information relating to the financial or business affairs of any particular person (including the authority holding that information) Para (3)

- 11 **Pension Fund Resourcing** (Pages 99 - 104)
[To provide an update on staffing developments and requirements to support the Fund service delivery.] Information relating to the financial or business affairs of any particular person (including the authority holding that information) Para (3)

This page is intentionally left blank

Attendance

Members of the Pensions Board

Employer Representatives

Ian Martin

Mark Smith (Vice-Chair)

Joe McCormick

Member Representatives

Adrian Turner

Stan Ruddock

Julian Allam (Chair)

Observer Member

Steve Smith

Employees

Rachel Brothwood

Rachel Howe

Simon Taylor

Executive Director of Pensions

Head of Governance, Risk and Assurance

Assistant Director – Pensions

Shiventa Sivanesan

Paul Nevin

Christopher Manning

Hayley Reid

Laura Parker-Marsden

Simran Chonk

Assistant Director – Investment Management and Stewardship

Assistant Director – Investment Strategy

Head of Finance

Regulatory Governance Manager

Governance Support Officer

Graduate Management Trainee

Part 1 – items open to the press and public

Item No. *Title*

- 1 **Apologies for Absence**
No apologies for absence were received.

- 2 **Declaration of Interests**
There were no declarations of interest.

- 3 **Minutes of Previous Meeting**

That the minutes of the meeting held on 4 July 2023 be approved as a correct record.

4 **Matters Arising**

The Chair congratulated the Head of Operations on the birth of her baby. There were no other matters arising.

5 **Customer Engagement**

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

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

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

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

In response to a question raised around the uptake of registering to the new portal, the Assistant Director- Pensions was pleased to confirm that circa 30,000 members have registered to date, with further reminders to register being issued imminently.

In response to a question regarding outstanding case work, the Assistant Director- Pensions advised that some case work is dependent upon receipt of data from employers and reassured the Board that data is monitored every quarter and that cases are escalated with employers where appropriate.

Resolved:

1. That the engagement activity and informed service development be noted.

6 **Pensions Administration**

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

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

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

The Board were asked to note that Committee had approved at the September meeting the 14 applications for admission of employers into the Fund.

In response to a question raised around increased number of transfer-out quotes, the Assistant Director - Pensions explained that there is no specific drive for increase other than members wishing to access benefits at an earlier age, and that appropriate due diligence checks are carried out to ensure a transfer to a safe scheme.

Resolved:

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

7

Risk and Assurance

Rachel Howe, Head of Governance, Risk and Assurance, presented the report on the work of the Fund to deliver a well governed scheme, highlighting the current areas of focus in the management of risk across the Fund and reporting that Fund is alive to the ongoing environment as the Funding Strategy Statement is implemented.

In response to a question regarding operational resilience, the Head of Governance, Risk and Assurance confirmed that work is ongoing in this area, noting that the graduate management programme continued to be successful, with a number of graduates obtaining permanent roles. It was further noted that the Fund is a PMI centre of excellence, is an ACCA employer and has retained Gold status for Investors in People. The Executive Director of Pensions explained that as there continues to be a competition for talent within the industry, the Fund continues to develop its people. The Head of Governance, Risk and Assurance also outlined the training and development opportunities alongside equal opportunities within the Fund.

Resolved:

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

8 **Annual Report and Accounts**

Christopher Manning, Head of Finance, presented the report on the external audit and finalisation of the Statement of Accounts for the year ended 31 March 2023 and the Annual Report for the 2022/23 year.

The Board were advised that the audit was in its final stages and that as per previous years, the signing of the Fund's annual accounts will take place at the same time as the signing of the City of Wolverhampton Council's accounts. The Head of Finance confirmed that last year's accounts are now complete.

In response to a question raised about preparations for next year's audit, the Head of Finance gave an outline of the Fund's planned meetings with the external auditors in order to be well prepared in advance of next year.

Resolved:

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

9 **Investment Governance**

Paul Nevin, Assistant Director Investment Strategy, presented the report and provided an update on routine investment matters. It was noted that the new Investment Strategy Statement was approved in March 2023, with a 3-step plan for implementation over the period to 2025.

In relation to the Fund's responsible investment activities, it was reported that the Fund has retained signatory status to the Stewardship Code and the Assistant Director of Investment Management and Stewardship provided an overview of the outcomes of the Fund's Responsible Investment member survey.

The Assistant Director of Investment Strategy confirmed that the Fund submitted its response to the LGPS (England and Wales): Next Steps on Investment Consultation in October 2023.

A question was asked around the overall effectiveness of investment pooling. The Assistant Director of Investment Strategy summarised that this has indeed been successful in delivering cost benefits and that the Fund is working with partners to now grow that success.

Resolved:

1. That the update on investment governance matters including those in relation to responsible investment and the implementation of investment strategy be noted.
2. That 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 be noted.

10

Regulatory Update

Rachel Brothwood, Executive Director of Pensions, presented the report on the regulatory environment, potential forthcoming changes in legislation across the Local Government Pension Scheme (LGPS) and the wider pensions industry.

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

In response to a question raised around potential lifetime allowance changes, the Executive Director of Pensions confirmed that any members who may incur additional tax charges as a result of legislation changes would be alerted to this.

Resolved:

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

11

Corporate Plan Monitoring

Rachel Howe, Head of Governance, Risk and Assurance, presented the report on the work of the Fund in achieving its deliverables and targets set out in the Corporate Plan. Key achievements noted include the re-accreditation of Customer Service Excellence and the re-attainment of Investors in People Gold standard.

Resolved:

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

12

Exclusion of press and public

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

13

Pensions Administration System Transition

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

Resolved:

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

This page is intentionally left blank

CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 23 January 2024
--	--

Report title	Pensions Administration Report to 30 September 2023	
Originating service	Pensions Services	
Accountable employee	Simon Taylor Email	Assistant Director (Pensions) Simon.taylor2@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Email	Executive Director of Pensions Rachel.Brothwood@wolverhampton.gov.uk

Recommendation for action:

The Pensions Board is asked to note:

1. The delegation to the Chair of the Pensions Committee to approve the revised Internal Dispute Resolution Procedure (IDRP) policy statement change as detailed in Section 5 of this report following the required documentation review and consultation.
2. The 5 applications for admission from employers into the Fund as detailed in Section 8 and Appendix A of this report, as approved by Pensions Committee in December 2023.
3. Performance and workloads of the key pension administration functions.
4. Development of the Fund's membership and participating employer base.

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 July 2023 – 30 September 2023.

2.0 Background

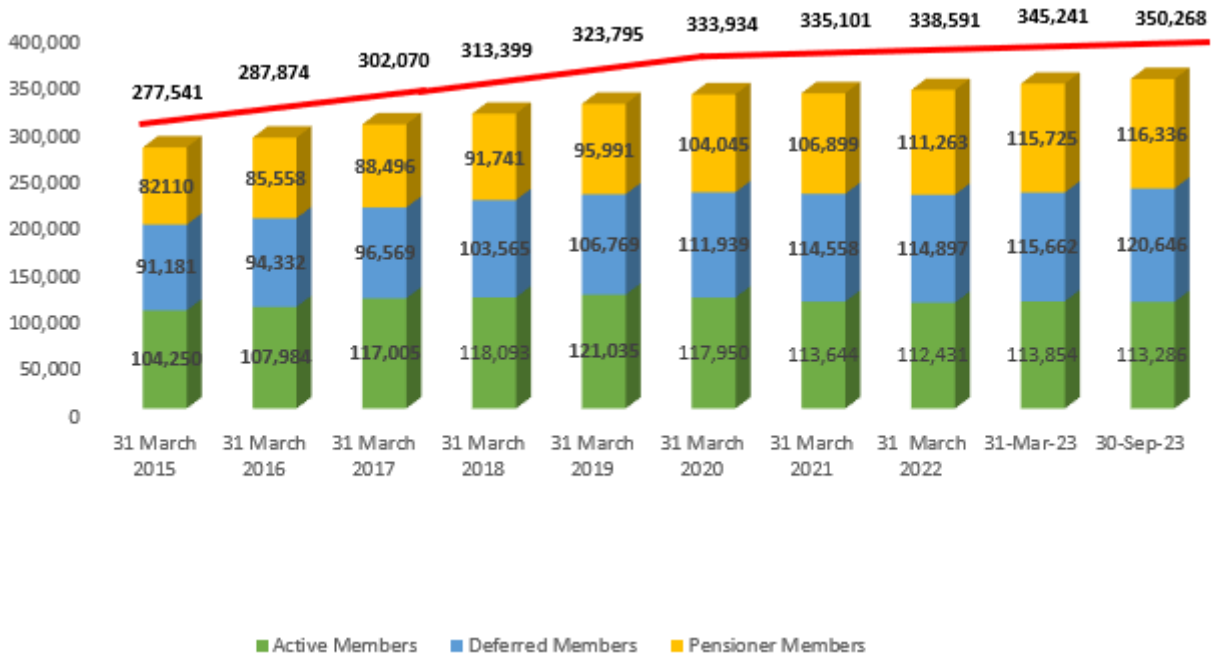
- 2.1 The Fund provides a pension administration service covering employer, customer and member services, data processing, benefit operations, payroll and systems/technical support. A report is provided to the Pensions Board on a quarterly basis to assist in monitoring the activity and performance of these functions during that period.
- 2.2 Noting this reporting period straddles the go-live date for the new pension administration system, the content may be slightly different to those in prior reports, with elements continuing to be developed for future reporting periods. The key information is expected to remain consistent and will develop during the year. We continue to work with our new provider to develop and analyse meaningful reporting metrics for quarterly and annual reporting, ensuring comparability and accuracy of reporting.

3.0 Scheme Activity

3.1 Membership Movement – Main Fund

- 3.1.1 The total number of scheme member records in the Fund on 30 September 2023 stands at 350,268 with an overall increase since March 2023. The long-term trend in membership continues to illustrate a move towards a more mature profile whereby, in general, pensioners and deferred memberships continue to rise by more than active.

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



3.2 Workflow Statistics and Key Performance Indicators

- 3.2.1 To ensure all member records and live cases were transitioned across to the new system we had a planned period of downtime on processing prior to go-live. This, together with our continued and ongoing internal training and development means we have an increased volume of work to process, which will impact our delivery against normal service standards over the coming months. Casework and statistics are being monitored daily across a suite of new processes to monitor volumes incoming and completed and aid in the review and allocation of work. Processing rates during the quarter to 30 September were below the levels reported prior to go-live, with some improvement observed over October, November and December as experience improves and processes are refined.
- 3.2.2 Member quotations and payments, which includes Retirements, Refunds, Transferring of benefits in and out of the Fund, are being prioritised including review of payments following member bereavement. This prioritisation is in line with an established escalation process, based on individual circumstances and responsive to financial hardship, and with redistribution of internal resources to support.
- 3.2.3 Teams are focused on ensuring processes that include a payment are finalised for inclusion in the next available payroll. In addition, the Fund has also launched a supplementary payroll to ensure we can make payment of arrears throughout the month, allowing members to receive payments faster. All lump sum retirement payments are being paid as soon as possible (with up to daily runs) and an escalation process is available for the teams.
- 3.2.4 This process for escalation and prioritisation will continue to be monitored closely over the coming weeks and months as teams become more familiar with the new system and management reporting tools and processing rates increase.

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

4.0 Transfer Out – All Casework

4.1 In total **19** individual transfer payments were made during the period, 1 July 2023 to 30 September 2023, resulting in a total amount transferred of £1,189,542. This is broken down into the following categories:

Type of transfer	Number of transfer payments	Value of Transfer Payments (£)
Non Local Government Pension Scheme (LGPS)	16	£1,077,914
Interfund (LGPS Fund)	0	£0
Additional Voluntary Contributions	3	£111,628

4.2 Non LGPS Transfers

4.2.1 During the period, 1 July 2023 to 30 September 2023, **65** transfer value quotations were issued to members considering transferring their benefits out of the scheme (by way of comparison, in the prior year, 1 July 2022 to 30 September 2022 418 transfer value quotations were issued to members). The Fund continues to monitor any trends and increases in demands, as part of its programme of work to protect members from potential pension scams.

4.2.2 In total **19** transfer payments were made during the period, 1 July 2023 to 30 September 2023, (15 of these were to non-public sector schemes) resulting in a total amount transferred of £1,189,542, (in the prior year 1 July 2022 to 30 September 2022 a total of 33 transfer payments were made totalling £1,285,971). The payments by value and value break down are as follows:

Value of Transfer Payments	Number of Transfer Payments to Public Sector Schemes	Number of Transfer Payments to Other Schemes
0 to £30,000	9	2
£30,001 to £100,000	3	
£100,001 to £200,000	2	2
£200,001 to £300,000		
£300,001 to £400,000		
£400,001 to £500,000	1	
Above £500,001		
Total	15	4

4.2.3 Analysis has been undertaken of the Transfer out requests to non-public sector or occupational schemes over the period of July to September 2023 to review the volume and trends. During the period, a total of 15 non-public sector or occupational scheme transfer out reviews were undertaken by the transfer panel, to a total of 11 different receiving schemes. There were 9 transfers under £30,000 in value, meaning members were able to transfer these payments without a requirement to take financial advice. The average age of members transferring out was 48 years with the main reasons for members transferring out was release cash/flexible draw down (members over 55).

5.0 Internal Dispute Resolution Procedure (IDRP) Casework

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

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

6.0 Pensions in Payment

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

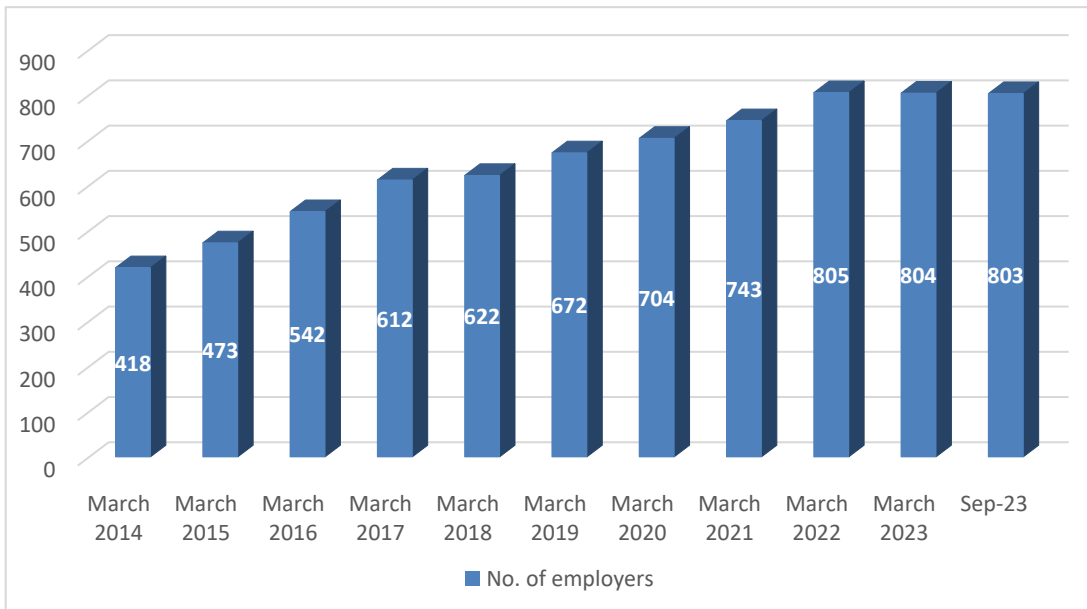
6.2 Monthly payroll details were:

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

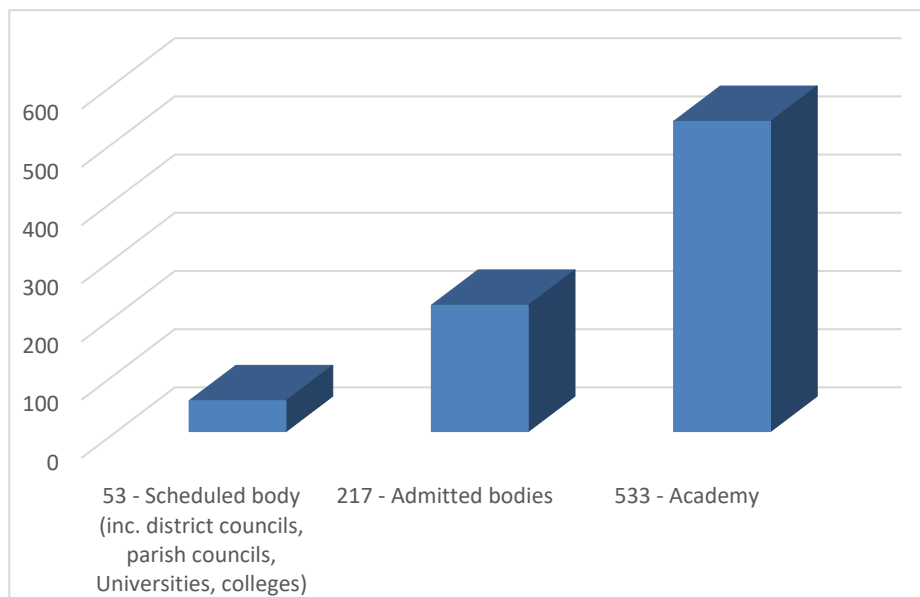
The September figure includes pensioners paid on a quarterly basis.

7.0 Employer Membership

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



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



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

- 79 admission agreements
- 19 academies
- 105 employer terminations

8.0 Application for Admission Body Status

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

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

9.0 Financial Implications

9.1 The report contains financial information which should be noted.

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

10.0 Legal Implications

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

11.0 Equalities Implications

11.1 There are no direct equalities implications.

12.0 All Other Implications

12.1 There are no other potential implications.

13.0 Schedule of Background Papers

13.1 [IDRP Policy Statement: March 2021](#)

14.0 Schedule of Appendices

14.1 Appendix A – Admitted Bodies Applications December 2023

Appendix A: Admitted Body Applications December 2023

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

This page is intentionally left blank

Pensions Board

23 January 2024

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 July 2023 to 30th September 2023 and to cover future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy.

2.0 Background

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

3.0 Member Engagement & Communication

- 3.1 The Member Services team continues to deliver member support via hybrid channels including member webinars, face to face presentations and following up with individual consultations as required. During this reporting period **1,294** members attended our presentations, webinars, workshops and other events. These were followed by **123** individual member consultations. Our events are delivered at various times throughout the day to accommodate attendance around member and work commitments. This delivery and the associated feedback is summarised in Appendix A.
- 3.2 During this reporting period the Member Services team delivered **3** satellite support events to **84** hard to reach members. These are members who may not normally be able to access our services due to the nature of their work and location, which might include access to web-based delivery (i.e., computer facilities), working hours or 'satellite' locations.
- 3.3 The Fund continues to promote aspects of our work via the social media platform LinkedIn. Since the last reporting period a further **10,198** people have interacted with a variety of articles. This is **2,513** more interactions than the same reporting period for 2022.
- 3.4 The Fund roadshow vehicle hosted events across the region, visiting educational establishments and commenced our annual District Roadshow events. During this reporting period we visited **16** locations and saw **827** members. Feedback from these events was **85%** of members rated them excellent, and **15%** rated very good.
- 3.5 During this reporting period the Fund's member video suite, providing on-demand support and guidance to members, has been expanded to include new videos such as a tutorial video to explain the annual benefits statement 2023 and re-vamping our pensions portal registration/navigation video.
- 3.6 The Fund continued to review and update our website, including revised publications, and we are also reviewing all website forms to ensure they are all fully electronic and up to date with current best practices and branding.

- 3.7 HR 360, the Coventry Bursars group, requested a member presentation at their schools and academies business meeting on the 30 June 2023. Feedback was very positive and also led to several school business managers booking further support to assist their members. We also received several requests to deliver Pension Roadshow events.
- 3.8 The Fund delivered its employer Mid-Year Review on the 4th July 2023. The event covered a variety of updates for employers and also an interactive employer panel.
- 3.9 Website content continues to be updated and there have been **401,857** web page views in this quarter. This is up by **154,116** compared to the last reporting period.
- 3.10 A new page on the website was designed called “**System Transition Update**”, this page provides members with useful updates and progress on our system change, along with a host of FAQs and signposting to further support. Bulk emails have also been sent to members to provide relevant updates on our progress and achievements. Since this page was created in October 2023, **2,409** members have interacted with it.
- 3.11 Customer feedback is key to understanding our customer’s journey, highlighting our strengths and any gaps in the service we deliver so that we can continually improve the services we offer. Following a review of our ‘Post Event’ surveys to scheme members and the creation of a customer feedback dashboard, post-event surveys are now being issued to members regularly.

4.0 Customer Services

- 4.1 An overview of our front-line customer contact activity is shown in Appendix B. This outlines the variety and volume of support provided by the Fund to address members’ pension queries. An indication of the statistics for the previous year is included within the charts as a comparative measure.
- 4.2 The most popular queries to our contact centre remain as follows:
- Customers following up on an existing Fund process
 - Requests for Pensions Portal support
 - Enquiries about accessing pension benefits
 - Request for support with a Fund letter/form
 - Members updating their personal details
- 4.3 Contact volumes have been higher than usual over the July - September period when increased member communications were issued, which included new pensions portal registration letters, Be Smart newsletter, aged 55 campaign, deferred benefit statement and active benefit statement notification emails and text messages. The Fund has staggered mailings sent to members, which helps smooth the impact on the contact centre and reduces call queues/written response times, allowing us to better serve our customers and reduce the number of chaser requests received. In addition, the Fund saw an increase in calls due to the new pension administration system and the reduction in benefit processing which has led to delay in delivering information and benefits to members.

5.0 Complaints

- 5.1 The Fund has a complaint monitoring framework, which enables regular monitoring and review of trends impacting performance. Where a complaint highlights an improvement area, this is investigated and monitored to help shape future services and improve overall customer satisfaction going forward. This mirrors the process undertaken for general customer feedback.
- 5.2 Complaint numbers have continued to increase and are higher compared to previous years. 152 complaints were received during reporting period (compared to 57 in the previous quarter), of those complaints, 70% relate to processing delays resulting from the transition to the new Pensions Administration System and the planned period of downtime in July prior to go-live, together with ongoing internal training and development. The remaining 30% are related to Customer Experience resulting from increased customer contact, longer waiting and call handling times, and reduced service standards due to absences on the team.

6.0 Employer Engagement

6.1 Employer Peer Group

- 6.1.1 The Employer Peer Group is a collaborative working group driven by the Fund and employer representatives to collectively facilitate future improvement and change whilst helping to shape the support provided by the Fund.
- 6.1.2 The second session of the Fund's 2023/24 Employer Peer Group cycle, following initial meeting postponement, took place on 18th October via a hybrid meeting arrangement; 17 out of the 21 registered employer representatives were present. The nature of the meeting focused on the recent pension administration software transition, in order to gain valuable comments and feedback. As such, attendance was extended to one additional representative (per organisation) to include frequent system users. Outline meeting content included;
- **Functionality and processing within Employer Self-Service (ESS)**
Employer representatives reflected on their own organisation's experience of the newly implemented system functionality such as navigation, processing and reporting capabilities within ESS, providing valuable feedback on system advantages, disadvantages and future considerations. Specific items addressed included matters relating to estimates, member change notifications, benefit processing and payment timescales, and additional reporting features.
 - **Support available to employers in navigating ESS**
Referencing the support and guidance available on the website – videos, FAQ's, troubleshooting guide, scheme packs, webinars etc – pertinent to the system transition, employer representatives outlined what worked well and recommended changes to support future improvements relating to guidance in order to support

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

- **Member experience (to include Member Self Service)**

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

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

6.2 Employer Webinars

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

6.2.2 Sessions delivered over the quarter are set out below:

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

6.3 Employer Engagement and Performance

6.3.1 Utilising the virtual working arrangements currently in place, the Employer Services team have continued to hold performance meetings with various employers throughout the period, albeit at a reduced level to enable additional support to be directed towards the system transition project. Employer performance is assessed in line with the Fund's Pension Administration Strategy (PAS).

6.3.2 During the period the Fund held 4 meetings with organisations representing 26 employers. Collectively these employers are responsible for submitting data and payments for over 10,500 members.

7.0 Pension Administration System Transition Self-service Platforms

7.1 Member Self-Service

7.1.1 The new transition to the new Pensions Administration System brings a new and improved Pension Portal, with increased security to protect members' data by introducing

2 factor authentication and new and improved dashboards to display members' information and benefits. To ensure members benefit from the increased security, each member will be required to register for the new Pensions Portal and the Fund has a rolling communications plan to support this approach. Throughout this quarter the Fund has written to each member with their unique code to register for the portal. During this reporting period **33,637** members have registered with the new Portal. Total registrations currently stand at over **50,000**.

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

7.1.3 A new member portal support package has been designed to assist members to register and navigate the new portal, this comprises of step-by-step guidance booklets, a registration video and Q&A and support on the website. During this reporting period **157,667** members have engaged with this portal support.

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

7.2 Employer Self-Service

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

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

- Reporting and Workflows
- Data Submission

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

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

7.2.5 In addition to the online training sessions, guidance documents and videos to assist with navigation can also be found on the Fund's website via the employer pages and also the dedicated systems transition page. A Frequently Asked Questions document has also been uploaded following analysis of common queries raised by employers post go live.

The Employer Services team will continue to monitor the queries raised by ESS users and will adjust and adapt the support offered where appropriate.

8.0 Engagement since 30 September

- 8.1 Each Autumn the Fund provides Deferred & Active members with a newsletter which covers a variety of updates across the Fund, various important member information and covers topical issues in the LGPS. In October through to December the Fund has sent newsletters via paper print with a unique card to assist members to take control of their pension benefits and register for the Pensions Portal. A copy of the newsletter is also available for all to read on the Fund's Website.
- 8.2 The Fund offers bespoke member support to assist all employers with their individual workforce needs; we were approached by one large district council to request support with helping members understand the impacts that mandatory leave could have on benefits and also to show members how they buy back any lost periods. The Fund created a bespoke support package which included the delivery of several face to face and virtual events along with creating a video and an electronic leaflet.
- 8.3 The Pension Roadshow vehicle has been on the road delivering roadshow events at the 7 district locations across the West Midlands throughout September and October. **1,029** members came to see us with pension queries. This footfall represents a **30%** increase compared to the same district events last year. Extra resource was available at these events in anticipation of higher footfall due to members requesting pension portal support and help understanding their annual benefit statements.
- 8.4 A total of **388** Pension Saving Statements were sent to members ahead of 5 October 2023 where they had exceeded the annual allowance limit. The Member Services team followed-up on the issue of these statements with offering high earners the chance to book on **4** Pension Tax Webinars, which **206** higher earners registered for (this was **75** more attendees than 2022). These webinars covered the changes to lifetime allowance and annual allowance along with signposting a range of support which is provided from videos to factsheets.
- 8.5 From October to December 2023 the focus of the hard-to-reach project has been to provide face to face support to adult services, library services and Parish councils across the region.
- 8.6 To encourage the further take-up of the new self-serve function, the Fund is developing portal promotion events which will assist members to register and navigate around the new portal. This campaign will consist of invites to webinars, face to face support at locations across the region and engagement with employers to increase their members' portal sign up rate. These events are due to be advertised shortly and will be delivered in the first quarter of 2024.
- 8.7 The Fund delivered the 2023 pensioner engagement forum, designed for pensioner members to provide their feedback and thoughts to enhance a member's retirement journey for the future. Due to increased demand of attendees registering to be part of this

event, the Fund held two forums, on the 27th October and the second on the 22nd November. Compton Care attended as a guest speaker along with a talk from Dementia friends. Pension Age and Alzheimer's UK also provided literature to assist members on a variety of subjects. The group provided some useful feedback in regard to advertising our "Tea & Teach" events which we will act upon when promoting these events next year. Other feedback will be published in the "You said, we did" part of the 2024 pensioner newsletter.

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

9.0 Larger Fund Events

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

10.0 Financial Implications

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

11.0 Legal Implications

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

12.0 Equalities Implications

- 12.1 The report contains no direct equalities implications.

13.0 Other Implications

- 13.1 There are no other implications.

14.0 Background papers

- 14.1 2023 Active member newsletter: [Active Member Newsletter 2023 \(wmpfonline.com\)](https://www.wmpfonline.com)

15.0 Appendices

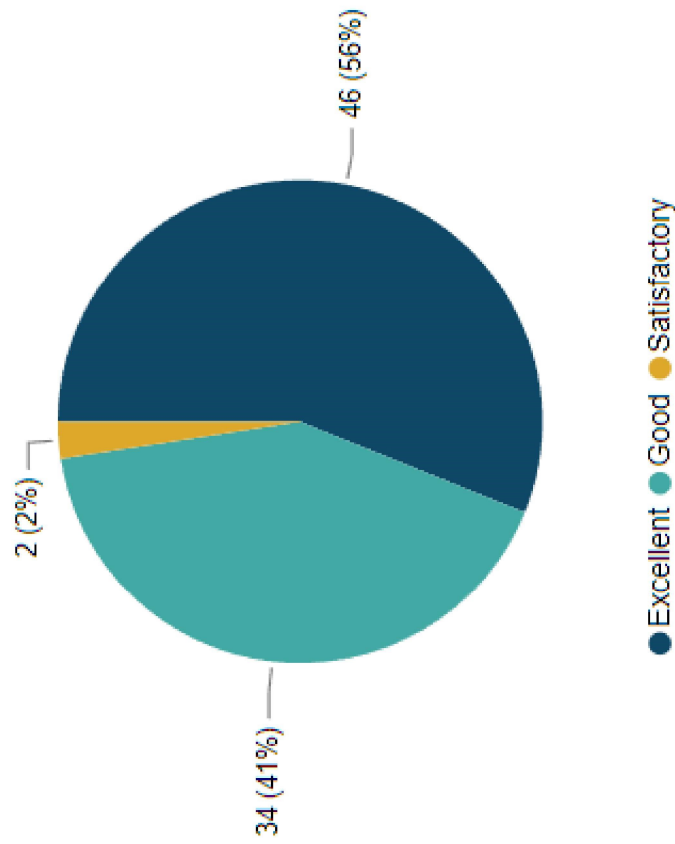
- 15.1 Appendix A – Member Service Team Presentation Feedback – 1 July 2023 - 30 September 2023

15.2 Appendix B – Customer Services Statistics

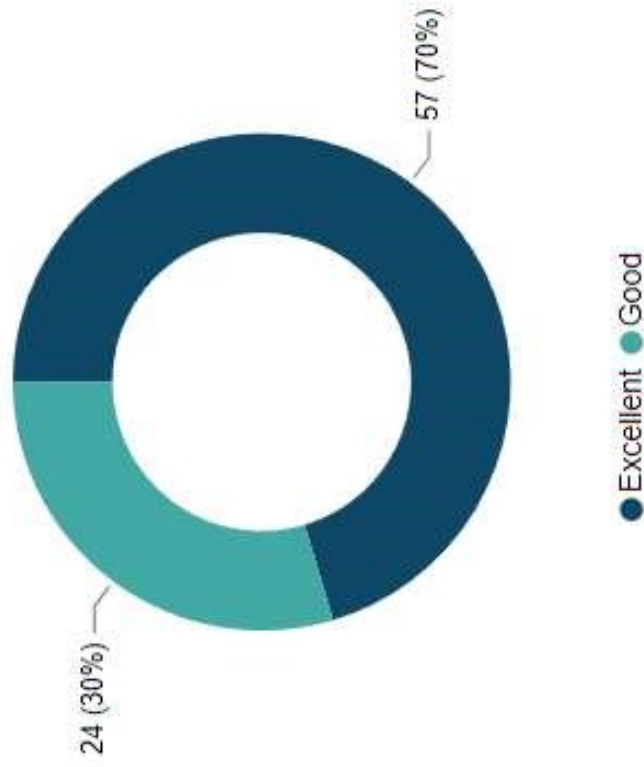
This page is intentionally left blank

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

Event Rating

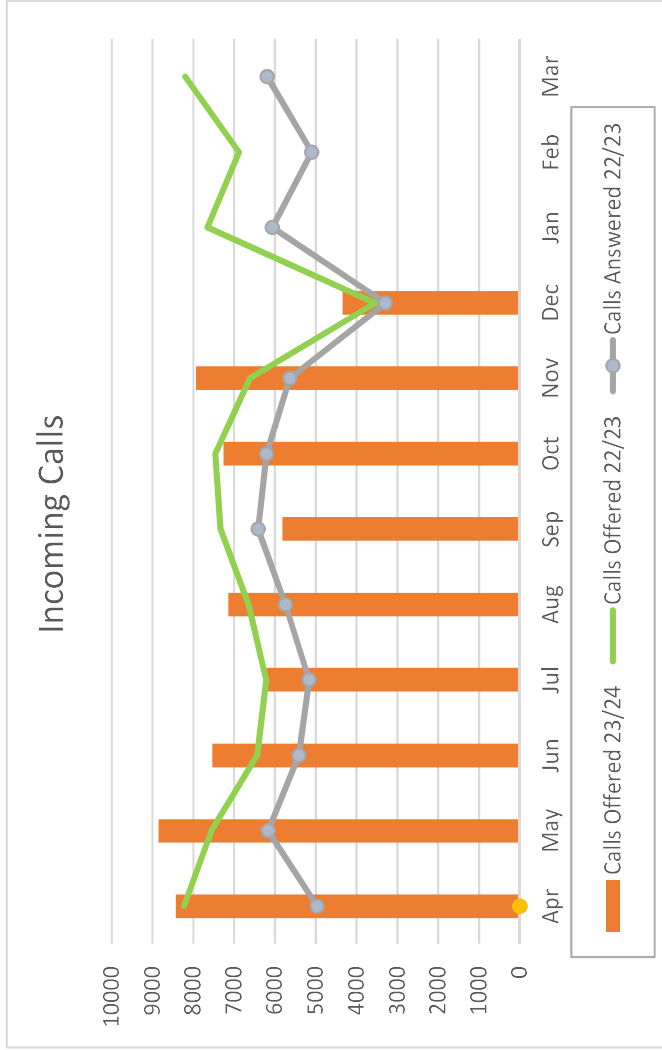


Presenter Rating



This page is intentionally left blank

Appendix B: Customer Services Statistics



Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
8427	8854	7537	6215	7143	5819	7262	7931	4,338
5234	6130	5674	5012	4319	3346	3216	3842	2,733
8231	7560	6432	6217	6647	7338	7465	6619	3540
4968	6171	5419	5166	5743	6414	6206	5635	3294
62.11%	69.23%	75.28%	80.64%	60.46%	57.50%	44.29%	48.44%	63.00%

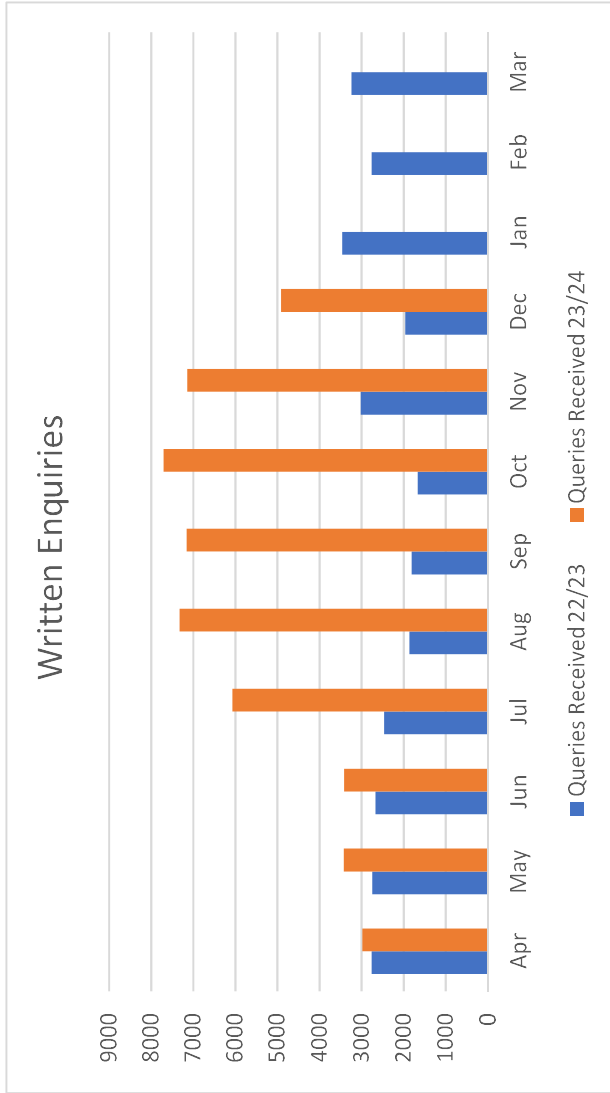
Calls Offered 23/24

Calls Answered 23/24

Calls Offered 22/23

Calls Answered 22/23

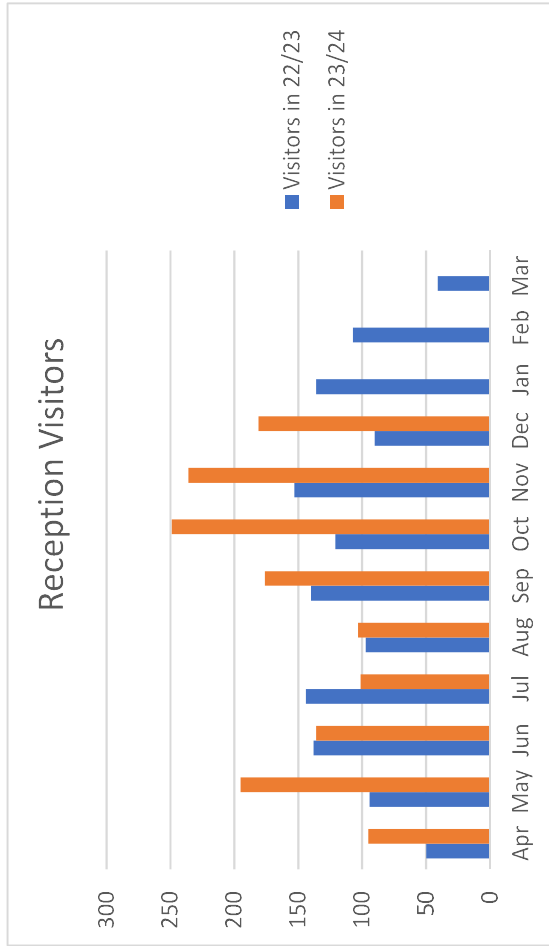
Answer Rate



Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2980	3420	3412	6067	7327	7154	7707	7144	4910
2761	2741	2665	2460	1860	1807	1662	3023	1967

Queries Received 23/24

Queries Received 22/23



Visitors in 23/24
 Visitors in 22/23

Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
95	195	136	101	103	176	249	236	181
50	94	138	144	97	140	121	153	90

This page is intentionally left blank

CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 23 January 2024
--	---

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. Changes to the membership of the Local Pensions Board.
2. The latest Strategic Risk Register and areas being closely monitored in the current environment.
3. The compliance monitoring activity undertaken during the quarter.
4. The Fund's Annual Report and Accounts which have been published on the Fund's website in accordance with the statutory deadline of 1 December 2023.
5. The publication of the Pension Regulator's new Code of Practice

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 Board Membership

- 2.1 In line with statutory requirements, the West Midlands Local Pension Board consists of an equal number of employer and member representatives. The Board has a cyclical membership cycle with one member and one employer representative rotating on a biennial basis. This is to ensure the continuation of knowledge across the membership, while providing opportunity for new members to join and represent their relevant group (member or employer). Membership rotation normally occurs at the start of each municipal year, with seats confirmed at the first meeting in July. Mid-term nominations to vacant seats follow the Board's established appointment process. Please find further information in the Pensions Board Appointments Policy in the Background Papers to this report.

Member Representative

- 2.2 In accordance with the Fund's agreed nomination process, nominations for member representatives are sought from the three main trade unions of the administering authority. The Board have received one nomination for the vacant representative seat for Sarah Feeney from the Unison Trade Union, a panel has not been called to approve the nomination as the process has been undertaken by the relevant trade union. The Board are asked to note the nomination which has been approved by the Chair and Vice Chair.

Employer Representative

- 2.3 Following the resignation of Paul Johnson, the Board's Local Authority Representative in October 2023, and in conjunction with the Local Authority Finance Directors group the Board have undertaken its nomination process and agreed to the appointment of Andrew Felton to the Local Authority representative seat. The Board are asked to note the nomination which has been approved by the Chair and Vice Chair.

3.0 Risk Register

- 3.1 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).
- 3.2 This quarter the Fund continues to be alive to the current business change and transformational program and the impact this is having on the Fund's customers. The

Fund continues to work with suppliers to monitor and prioritise workloads to ensure the calculation and payment of pension benefits, with updates on pension administration and customer servicing provided in separate papers to this Board meeting.

- 3.3 Ongoing national and regulatory change with the published outcomes of anticipated consultations together with the increased reporting and oversight has the potential to disrupt focus on value added activity where there is a lack of consistency in approach.
- 3.4 Resource risk continues to be a focus for the Fund with the Fund's ability to attract and retain key knowledge and skill in an ever-competitive market.
- 3.5 The Risk Register is attached at Appendix A. The Risk Register was produced in Quarter 3, 2023/24 and has been reviewed and restated for January 2024, as presented in the appendix.

4.0 Key Performance Indicators (KPIs)

- 4.1 Further to the transition to the new administration system, work is being undertaken to develop comparator reporting from the previous quarter (reporting from the previous system). Details outlining workload management during the transition period, workload volumes and delivery for the current period are covered in separate reports to the Board. The Governance and Assurance team are working with Operation Managers to build comparator reporting as understanding of the data and process mapping in the new system develops.
- 4.2 The Governance and Assurance team are satisfied that there is effective workload monitoring and due diligence in place at this time to monitor and ensure timescales for current work are being monitored in the assessment and identification of workload priorities.

5.0 Compliance Monitoring

5.1 Data Protection

- 5.1.1 This quarter the Fund are reporting three data breaches, a reduction of seven from the previous quarter. Analysis of breaches identified that each was considered low risk due to the nature of personal information released.
- 5.1.2 The Governance team continue to monitor breaches and identify actions to improve controls. The Fund hasn't identified any systemic issues in the management of its data and the Governance team continues to work with service areas to implement ongoing enhancements in systems and individual knowledge. Where errors have occurred, feedback and, if necessary additional training, is provided to Managers and Fund employees by the Governance team.

5.2 Freedom of Information (FOI) Requests

5.2.1 The Fund received five FOI requests during the quarter, all requests received by the Fund have been responded to within the statutory deadline. Information requests this quarter have focussed on the Fund's investment activity, asset holdings and queries around procurement of contracts. The information relating to which are publicly available to requestors by alternative means.

5.3 Subject Access Requests (SARs)

5.3.1 The number of SAR requests received this quarter has decreased by six, with six requests being received in total. The statutory deadline for responses was met in all instances. Four of the requests received were from third party companies, with one request relating to members that had previously transferred out of the LGPS. As reported previously to Board, members are always made aware of third-party requests for personal data and the Fund always obtains consent from the member prior to releasing information to third parties.

6.0 Annual Report and Accounts

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

6.2 As well as being published in the Fund's own Annual Report, the Fund's accounts are included in the Statement of Accounts of the City of Wolverhampton Council (CWC). The Fund's accounts will be certified by the external auditor, Grant Thornton, at the same time as CWC's accounts, with the process for the 2023 year-end accounts due to complete in the coming weeks. It should be noted that the audit of the Fund's accounts has been completed and the external auditor has indicated that an unmodified audit opinion will be issued.

7.0 Publication of the Pension Regulator's Code of Practice

7.1 Pension Board will be aware that the industry has been awaiting the new combined code of practice from the Pensions Regulator, with the Fund engaging in consultations and roundtables since 2019. On publication of the draft code in 2020 the Fund undertook a RAG rated gap analysis of any areas of development to ensure compliance with the governance standards set and will now look to review and refresh that analysis in light of the formal publication of the new code.

7.2 The new code of practice is due to come into effect in March 2024 with an expectation on schemes to review their existing governance standards in response. We will continue to update our Governing Bodies throughout the program of review.

8.0 Financial Implications

- 8.1 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.
- 8.2 Failure by the Fund to meet statutory requirements of effective governance and administration could result in fines imposed by the Pensions Regulator (tPR).

9.0 Legal Implications

- 9.1 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.

10.0 Equalities Implications

- 10.1 There are no direct equalities implications.

11.0 Other Potential Implications

- 11.1 There are no other potential implications.

12.0 Schedule of Background Papers




- 12.1 Local Pensions Board Appointments Policy 2023: [Pension Board Appointments Policy 2023 \(wmpfonline.com\)](https://www.wmpfonline.com/pension-board-appointments-policy-2023)
- 12.2 Draft Annual Report and Accounts 2022-23: [Corporate information | West Midlands Pension Fund \(wmpfonline.com\)](https://www.wmpfonline.com/corporate-information-west-midlands-pension-fund)



13.0 Schedule of Appendices

- 13.1 Strategic Risk Register.

This page is intentionally left blank

Strategic Risk Register
October/November 2023

Risk Ref	Risk Theme	Risk Title	Current Drivers	Corporate Priority	Pre-control Risk Assessment	Post Control Risk Assessment	Risk Outcome post control	Actions/Mitigations	Senior Officer(s) responsible for Action
1	Regulatory	There continues to be an increased focus on the governance and regulation of LGPS Funds, including investment governance and decision making. A number of consultations are proposed/have been released which have the potential to generate reactionary responses to the governance of the LGPS.	The Fund will need to review and respond to both cross-cutting industry themes and LGPS-specific consultation, focusing on the key issues for the Fund in the short and longer term where these may result in wide-ranging change impacting a number of service areas (across investment and pension administration functions).	Operational Resilience Compliance and Risk People and Customers				The Fund continues to monitor developing policy and regulatory ambition, activity taking the opportunity to engage with the LGPS and wider pensions-sector to contribute to consultation responses, thereby having a proactive insight and voice to the potential change and response required.	ALL
		Audit and provision of external assurance	Ongoing delay in external audit work driven by system-wide change, inconsistency and capacity constraints creates inefficiencies in Fund activities. Also driving and leading to increased challenge for employers' auditors seeking independent assurance.	Compliance and Risk People and Customers				The Fund engages with the sector, its own and employers' auditors to understand the requirements needed to provide assurance and works collaboratively with its employer groups to develop efficiency in the process. The Fund continues to engage with City of Wolverhampton Council and Grant Thornton on the completion of year end accounts.	HoF ADP
		Increasing focus on reporting and oversight which have the potential to misalign standards due to evolving metrics.	Increased reporting requests incoming from regulatory/national bodies in areas of investment, climate, funding, customer servicing, with limited common industry	Compliance and risk				The Fund continues to enhance its reporting tools and data / information sets to meet multiple purpose, with current focus on supporting workload management.	ALL

Risk Ref	Risk Theme	Risk Title	Current Drivers	Corporate Priority	Pre-control Risk Assessment	Post Control Risk Assessment	Risk Outcome post control	Actions/Mitigations	Senior Officer(s) responsible for Action
			standards and potential for discrepancy with reporting useful information to the Fund for management and assurance purposes. Additional resource may be required to further enhance data and reporting tools to meet emerging demands and increase efficiency.					enabling statutory change (McCloud), Climate Reporting and Stewardship.	
2.	Economic Environment	Increased costs in service provision. Employer budgets/funding.	Continued cost of living and inflation pressures adding to increased cost to service delivery from third party suppliers as well as making products more expensive to buy from market. Continued pressures on employer finances in light of budget strains could see increased use/ask for employer flexibilities and/or funding and contribution considerations.	Operational Resilience Compliance and Risk People and Customers				The Fund has a long term outlook to funding and has an established employer risk management framework to support the review of covenant, including extended engagement and mitigation.	ALL
3.	Service delivery/business change	The ability of the Fund to maintain high standards of service delivery during periods of business change and transition. Service delivery by third party providers and their ability to keep the pace of change required in delivering Fund requirements and operations.	Ongoing service development to meet customer needs and improve overall experience resulting in short term impacts as the fund undergoes transformational change. The complex and moving environment in which the Fund operates requires it and its service providers to be flexible and able to adapt to business need.	Operational Resilience Compliance and Risk People and Customers				The Fund has a programme of customer engagement to support understanding of customer needs and builds a customer engagement plan each year to gain feedback on the enhancements to service offering. The Fund engages with suppliers throughout business change projects and ensures effective communication to the timings of service delivery needs. The Fund's contract management and oversight framework, ensures suppliers are managed	ALL

Risk Ref	Risk Theme	Risk Title	Current Drivers	Corporate Priority	Pre-control Risk Assessment	Post Control Risk Assessment	Risk Outcome post control	Actions/Mitigations	Senior Officer(s) responsible for Action
4	Resource risk	The Fund's ability to attract, retain and train our people in an ever evolving environment with competition for key knowledge resource and the ability of the Fund to ensure the long-term sustainability of Fund service delivery.	Increased market demand for specialist and scarce resource, creating turnover risk Employee wellbeing being impacted by high volume workloads and increasing demand on customer servicing needs during change.	People and Customers Operational Resilience	High	High		against contracted service delivery. The Fund routinely reviews resourcing requirements and roles, informed by market research and benchmarking. The Fund has developed an extensive employee wellbeing program, with coaching sessions and mind set for success workshops offered in addition to the established Employee Assistance Programme and mental health first aid support.	ALL
5.	Investment	SAAVISS implementation Risk of pace across LGPS Investment Pooling	Review and change in asset allocation and implementation takes longer than anticipated. Government has released it's outcome to the consultation on the future of LGPS Investments which seeks to drive forward the pooling agenda steer asset allocation. The Fund needs to work with partners to further develop the long term direction for LGPS Central pool	Investment strategy implementation Operational resilience Compliance and Risk	High	Medium	High	The Fund is supportive of the potential benefits offered by pooling and will work with relevant stakeholders to meet the objectives sought in the delivery of the Fund's adopted ISS.	ADIS ADIMS EDOP HGRA

Officers Responsible for Action

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

Version Control:

Version	Responsible Officer	Change	Date
Version 1	Head of Governance, Risk and Assurance	Review ahead of Pensions Board Meeting 23.01.24- no changes made.	January 2024

This page is intentionally left blank

CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 23 January 2024
--	--

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

1.0 Purpose and Background

- 1.1 This report provides an update on investment related matters and an update on responsible investment activities, together with the ongoing development of Local Government Pension Scheme (LGPS) Central Investment Pool 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 As of 30 September 2023, the West Midlands Pension Fund's market value was £19.5 billion. The Fund has been progressing the implementation of the new strategic asset allocation as set out in the Investment Strategy Statement following the fundamental review which was concluded in March 2023. A three-step phased implementation plan from July 2023 to March 2025 has been agreed by the Fund's Internal Investment Committee (IIC) following advice from the Fund's Investment Consultant and the Investment Advisory Panel. Initial steps have been undertaken during the quarter to reduce the allocation to growth assets and subsequently increase the allocation to stabilising assets with interim benchmark weights being adjusted to reflect the implementation plan which will continue to be reviewed throughout the implementation period.
- 2.2 The Fund continues to work closely with its investment pool company, LGPS Central Ltd to review the ongoing suitability of investment products and consider opportunities to transition assets to the pool where relevant.

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.

Climate-related Financial Disclosures

- 3.3 Climate-related financial risks continue to be of utmost importance in protecting the value of the Fund's investments in the long term. Since 2020, the Fund has published on an annual basis a standalone TCFD (Task Force on Climate-Related Financial Disclosures) report detailing disclosures relating to each of the four TCFD pillars:
- Governance
 - Strategy
 - Risk Management
 - Metrics & Targets.

The Fund has undertaken its annual climate-related financial analysis for 2023, reporting progress against its ambitions and targets. As outlined in the 2023 report, to date, the Fund has achieved a 30% reduction in carbon intensity in its listed equity portfolio between December 2019 and March 2023. The Fund continues to work with its service providers to increase emissions data availability and extend carbon analysis to a broader range of asset classes where possible, aligning with latest industry best practice and standards.

- 3.4 The TCFD was established with the goal of developing a set of voluntary, climate-related financial risk disclosures to help organisations better understand and control the risks and opportunities associated with climate change. The Fund has clearly defined its aspirations in relation to Climate Change within the Climate Change Framework and Strategy, which was last reviewed in 2021. Progress against targets within the framework are reviewed annually, with the next full review of the framework due in 2026/27.

The Fund's most recent TCFD report, which can be found at appendix A, was approved for publication by the Pensions Committee at their meeting in December 2023.

Responsible Investment Framework

- 3.5 The Fund's Responsible Investment (RI) Framework sets out the Fund's approach to integrating responsible investment across its investment strategy and defines the beliefs, principles and processes that underpin the work carried out by the Fund. As part of the

annual review of the Responsible Investment Framework, the Fund is looking to enhance its policies and processes for monitoring asset managers' integration of responsible investment factors.

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

Member Communication Strategy

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

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, with the February meetings set to review the Company's business and budget plans for 2024/25, in line with the annual cycle and collaborative pool process.
- 4.3 The Joint Committee for LGPS Central last met on 21 July 2023 and will next meet on 2 February 2024. The agenda, reports, minutes and questions are available via the Joint Committee hosting authority website; a link is provided within the background papers below. The Committee membership includes the Chair of Pensions Committee and Trade Union Representative Malcolm Cantello (Unison), Pensions Committee Member.
- 4.4 In August 2023, the Department for Levelling Up Housing and Communities (DLUHC) launched a [consultation](#) on next steps for investment for Local Government Pension Schemes (LGPS). The Fund provided its response by the 2 October 2023 deadline reflecting broad support for the direction of travel on pooling and investment in illiquid assets and those supporting the levelling-up agenda. However, the Fund did raise some practical points on implementation and the importance of fiduciary duty to our stakeholders. DLUHC provided their [response](#) to the consultation late in November 2023, broadly sticking with their original proposals with some modifications reflecting our and other respondents comments. A briefing on the proposals and initial views of the Fund was provided to Pension Committee at the December meeting. The Fund will be cognisant of the proposals in its consideration of investment strategy and the implementation thereof, and in its role as

Shareholder and Partner of LGPS Central, in order to look after the interests of the Fund's members and employers.

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 LGPS Central Joint Committee agendas, papers and questions: [Meetings and Agendas | Members \(cheshirepensionfund.org\)](https://www.cheshirepensionfund.org/Meetings-and-Agendas-Members)
- 9.2 Local Government Pension Scheme (England and Wales): Next Steps on Investments Consultation Outcome: [Local Government Pension Scheme \(England and Wales\): Next steps on investments - GOV.UK \(www.gov.uk\)](https://www.gov.uk/local-government-pension-scheme-england-and-wales-next-steps-on-investments)
- 9.3 Local Government Pension Scheme (England and Wales): Next Steps on Investments – Government Response: [Local Government Pension Scheme \(England and Wales\): Next steps on investments - government response - GOV.UK \(www.gov.uk\)](https://www.gov.uk/local-government-pension-scheme-england-and-wales-next-steps-on-investments-government-response)

10.0 Schedule of Appendices

- 10.1 Appendix A- Taskforce for Climate-related Financial Disclosure Report.

This page is intentionally left blank



CLIMATE-RELATED DISCLOSURE REPORT 2023

*Prepared in alignment with the recommendations of the
Task Force on Climate-Related Financial Disclosures.
Report prepared in collaboration with LGPS Central Limited.*

CONTENTS

OUR FUND 3	STRATEGY 11
EXECUTIVE SUMMARY 4	RISK MANAGEMENT 14
INTRODUCTION TO THE TCFD 5	METRICS AND TARGETS 19
OUR CLIMATE JOURNEY TO DATE 6	GLOSSARY 25
GOVERNANCE 7	

OUR COMMITMENT



STRONG GOVERNANCE

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



CUSTOMER FOCUSED

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



GLOBAL INFLUENCE

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



DELIVERING FOR LOCAL PEOPLE

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

OUR FUND

“ Providing sustainable futures for all.

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

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

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

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

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

£19.3bn assets under management
340,000+ members
800+ employers



Information correct as at 31 March 2023

EXECUTIVE SUMMARY

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



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

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

We provide updated disclosures under each of the four TCFD pillars: **governance, strategy, risk management and metrics & targets**. Between 2019 and 2023 the carbon footprint of WMIPF's listed equities portfolio decreased by 30% and

as at 31 March 2023 was 41% more carbon efficient than the reference benchmark. We also report progress of exposure to fossil fuel, thermal coal and clean technology and provide an update on portfolio companies' alignment to the Transition Pathway Initiative Framework.

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

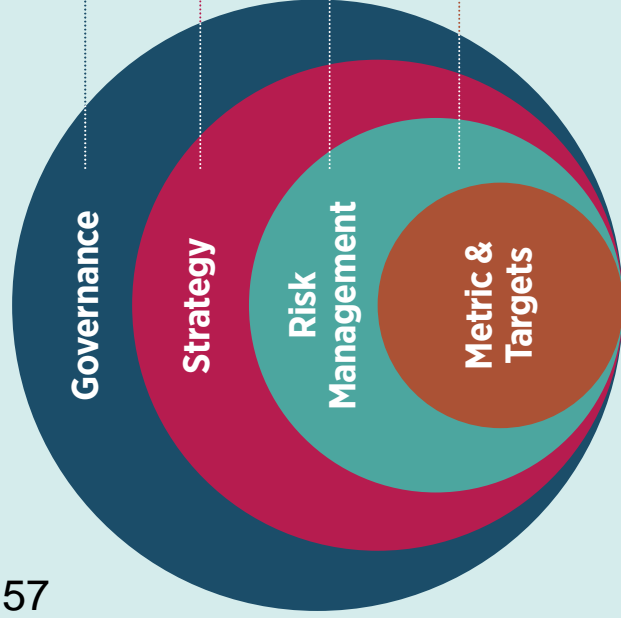
INTRODUCTION TO THE TCFD

In 2017, the TCFD¹ released recommendations designed to improve transparency by asset owners, asset managers, companies, banks and insurance companies with respect to how climate-related risks and opportunities are being managed.

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



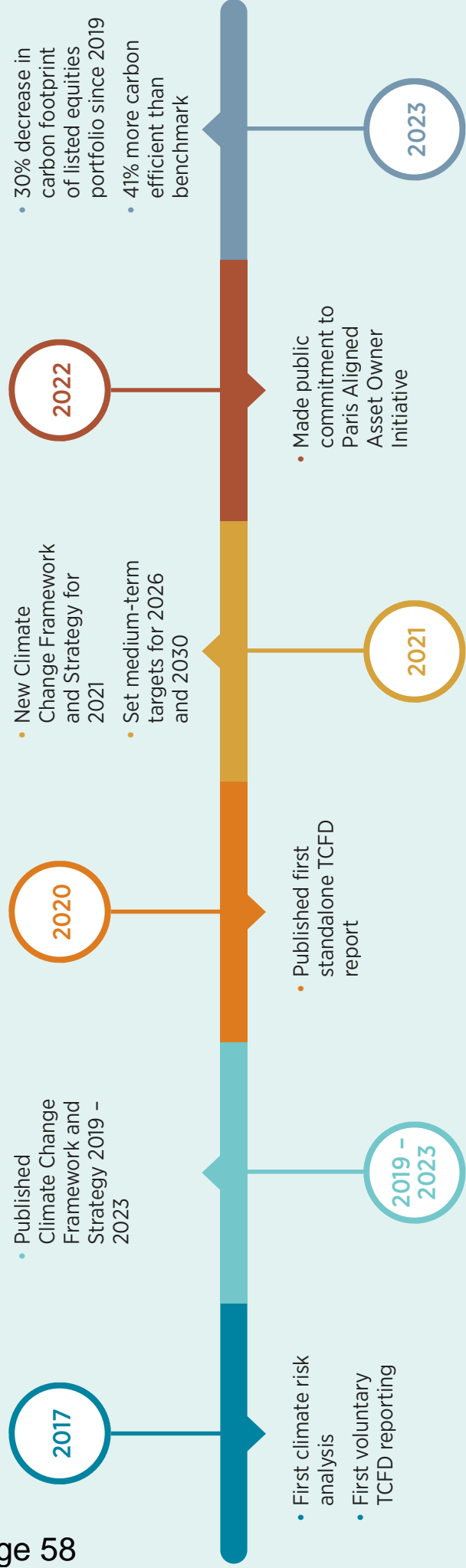
Figure 1: Core Elements of Recommended Climate-Related Financial Disclosures



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

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

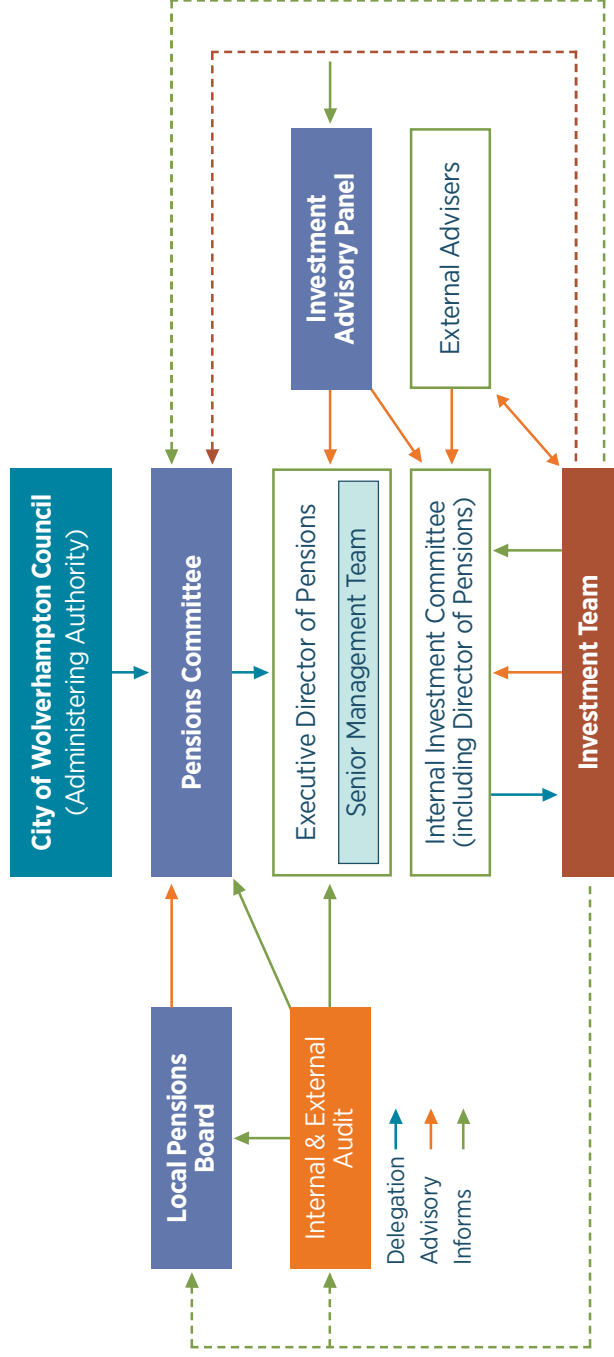
OUR CLIMATE JOURNEY TO DATE



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

GOVERNANCE

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



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

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

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

TCFD RECOMMENDED DISCLOSURE:

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



“
Strong governance
is the key to ensure
effective management
of climate-related risk

Governing Body Training

The Fund is committed to building the knowledge and skills appropriate for our governing bodies in an evolving regulatory landscape². The Fund firmly believes that the benefits over the long-term are essential to the effective governance and management of the Fund.

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

Training Hours

742

Pensions Committee

465

Local Pensions Board

277

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

GOVERNANCE



TCFD RECOMMENDED DISCLOSURE:

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

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

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

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

Assessment

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

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

Management

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



STRATEGY

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

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

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

TCFD RECOMMENDED DISCLOSURE:

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

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

	Short & Medium-Term	Long-Term
Risks	<ul style="list-style-type: none"> • Carbon prices • Technological change • Regulatory & policy tightening • Consumer preferences • Asset valuations under a range of climate scenarios • Biodiversity 	<ul style="list-style-type: none"> • Resource scarcity • Extreme weather events • Sea level rise • Fund employers • Asset valuations under a range of climate scenarios • Just transition & employment
Opportunities	<ul style="list-style-type: none"> • Engagement to support transition • Ability to influence • Resource efficiency • Technological change 	<ul style="list-style-type: none"> • Engagement to support transition • Improvements to long-term health • Resource efficiency • Training and upskilling
Asset class	<ul style="list-style-type: none"> • Listed equities • Growth assets • Energy-intensive industry • Oil-dependent sovereign issuers • Carbon-intensive corporate issues • Currencies 	<ul style="list-style-type: none"> • Infrastructure • Property • Agriculture • Commodities • Insurance • Private assets

TCFD RECOMMENDED DISCLOSURE:

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

STRATEGY

The Fund recognises that climate change poses risks and opportunities to our investments, and inherently, our ability to pay our members their pension benefits. As part of our fiduciary duty, we incorporate these considerations into all areas of our investment strategy, from the selection and stewardship of assets, which we look to develop in forthcoming years and in line with the IIGCC's Net Zero Investment Framework³.

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

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

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

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



³ [Net_Zero_Investment_Framework_Implementation_Guide_Final.pdf](#) (hubspotusercontent-eu1.net)

STRATEGY

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

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

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

TCFD RECOMMENDED DISCLOSURE:

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



TCFD RECOMMENDED DISCLOSURE:

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

RISK MANAGEMENT

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

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

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

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



RISK MANAGEMENT

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

These include but are not limited to:

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

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

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

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

TCFD RECOMMENDED DISCLOSURE:

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

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

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



THE FUND'S COLLABORATIVE AND ENGAGEMENT PARTNERSHIPS



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



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



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



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



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



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



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

TCFD RECOMMENDED DISCLOSURE:

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

RISK MANAGEMENT

Identifying:

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

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

Assessing:

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

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

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

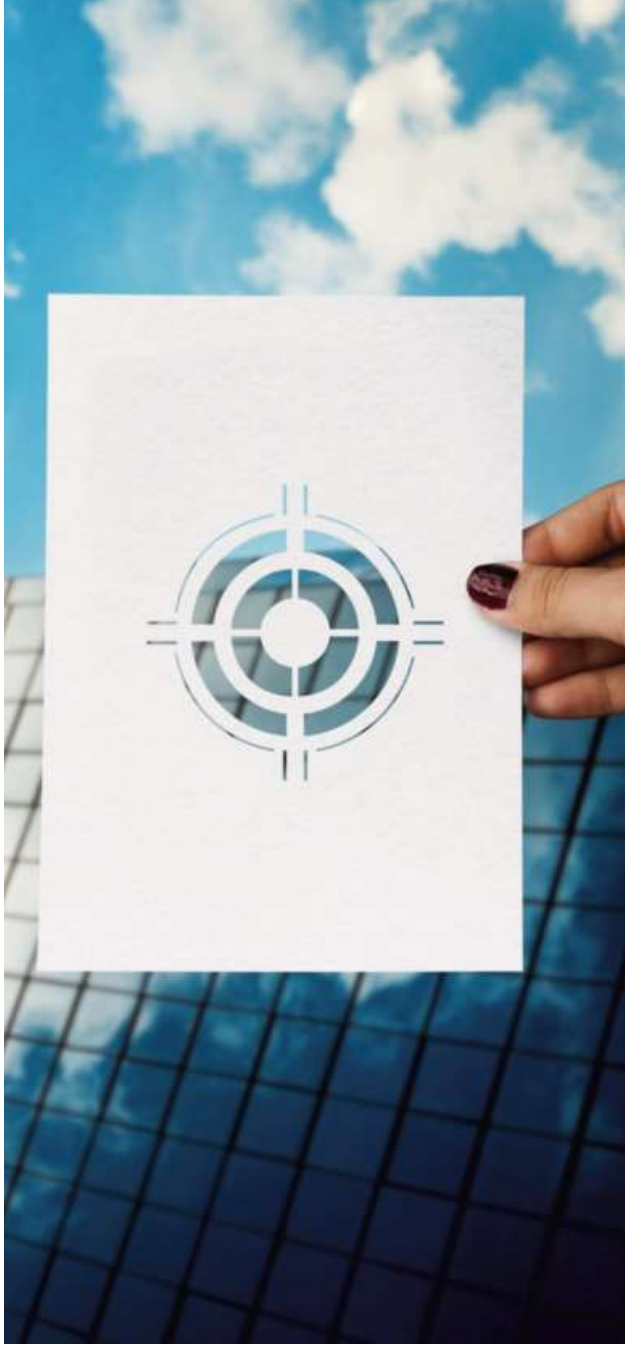
Managing:

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

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



METRICS AND TARGETS



TCFD RECOMMENDED DISCLOSURE:

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

The Fund utilises a suite of backward-looking climate risk metrics to assess the progress that we have made against our 2019 decarbonisation baseline and 2021 climate targets⁴.

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

- Carbon Footprint (Weighted Average Carbon Intensity [WACI])
- Exposure to Fossil Fuel Reserves

- Weight in Thermal Coal Reserves
- Weight in Coal Power⁵
- Exposure to Clean Technology
- TPI Management Quality

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

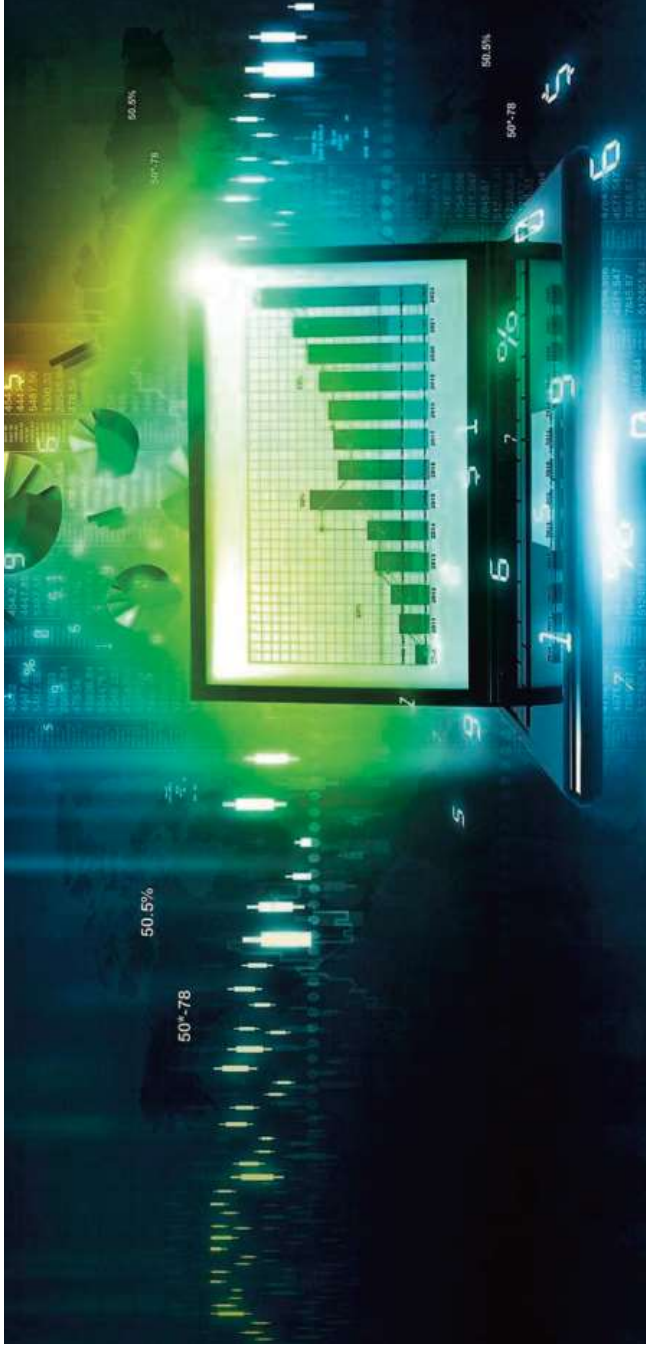
⁴ [WMPF Climate Change Framework and Strategy 2021 \(wmpfonline.com\)](#)

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

TCFD RECOMMENDED DISCLOSURE:

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

METRICS AND TARGETS



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

This year we have updated our reporting date from 31 December to 31 March⁶ to align with expected future reporting requirements. The data reported here reflects Scope 1 and 2 greenhouse gas emissions only and where relevant historic numbers for the Fund's portfolio and the reference benchmark have been restated to reflect updated data.

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

Figure 1: Carbon Footprint - WACI, Listed Equities

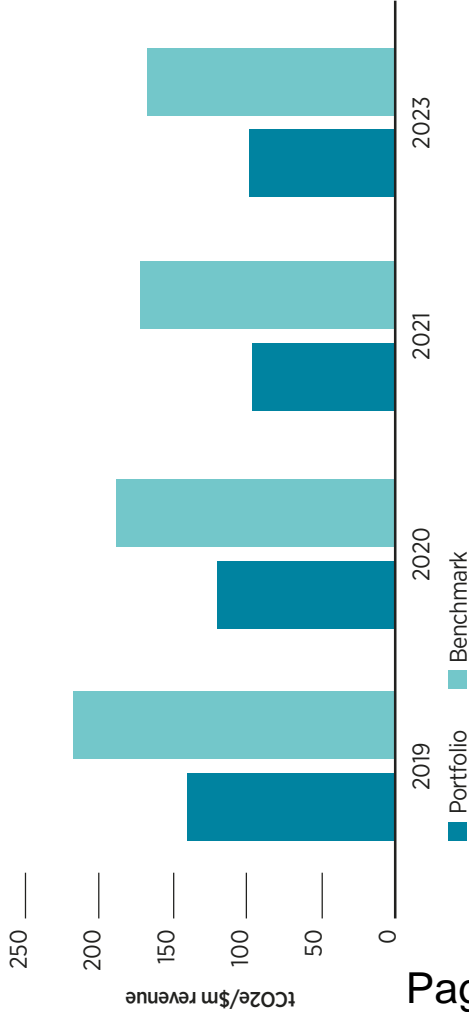


Figure 2: Weight in Fossil Fuel Reserves, Listed Equities

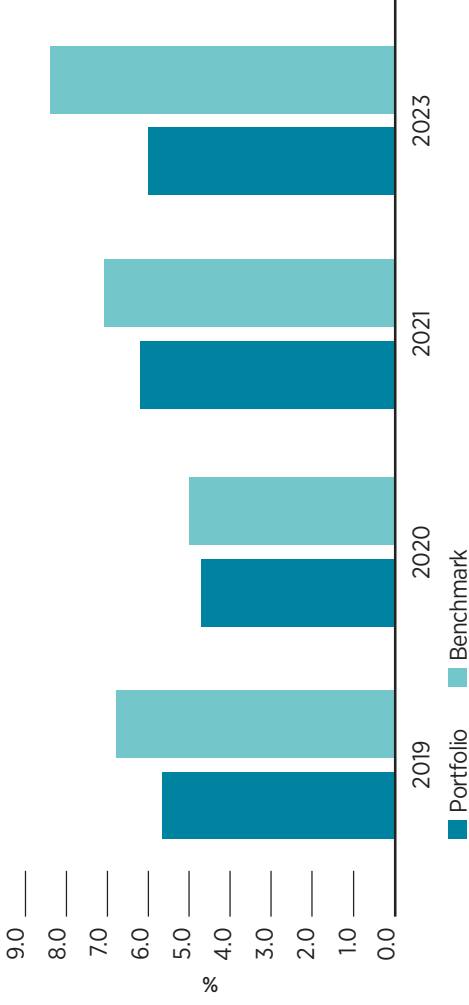


Figure 3: Weight in Thermal Coal Reserves, Listed Equities

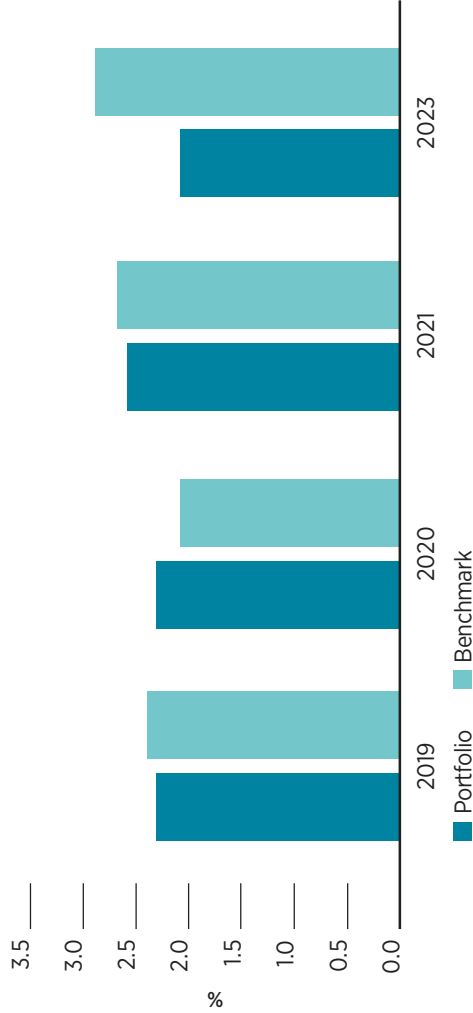


Figure 4: Weight in Clean Technology, Listed Equities



Carbon Footprint

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

At 31 March 2023 the listed equities portfolio is 41% more carbon efficient than the blended equities reference benchmark⁷ (Figure 1) highlighting that delegated managers are managing climate risk exposure in their respective portfolios.

Fossil Fuels

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

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

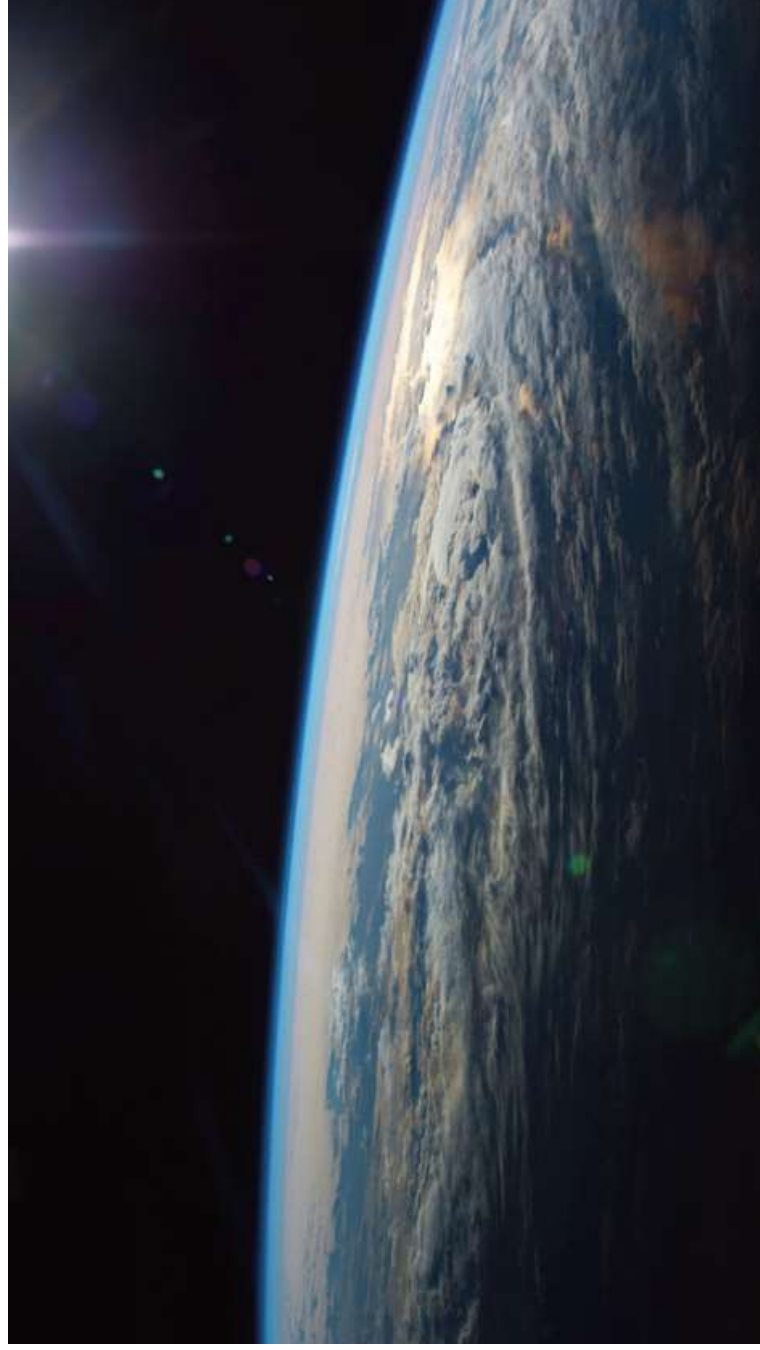
Thermal Coal

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

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

Clean Technology

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



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

Transition Pathway Initiative (TPI) Management Quality⁸

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

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

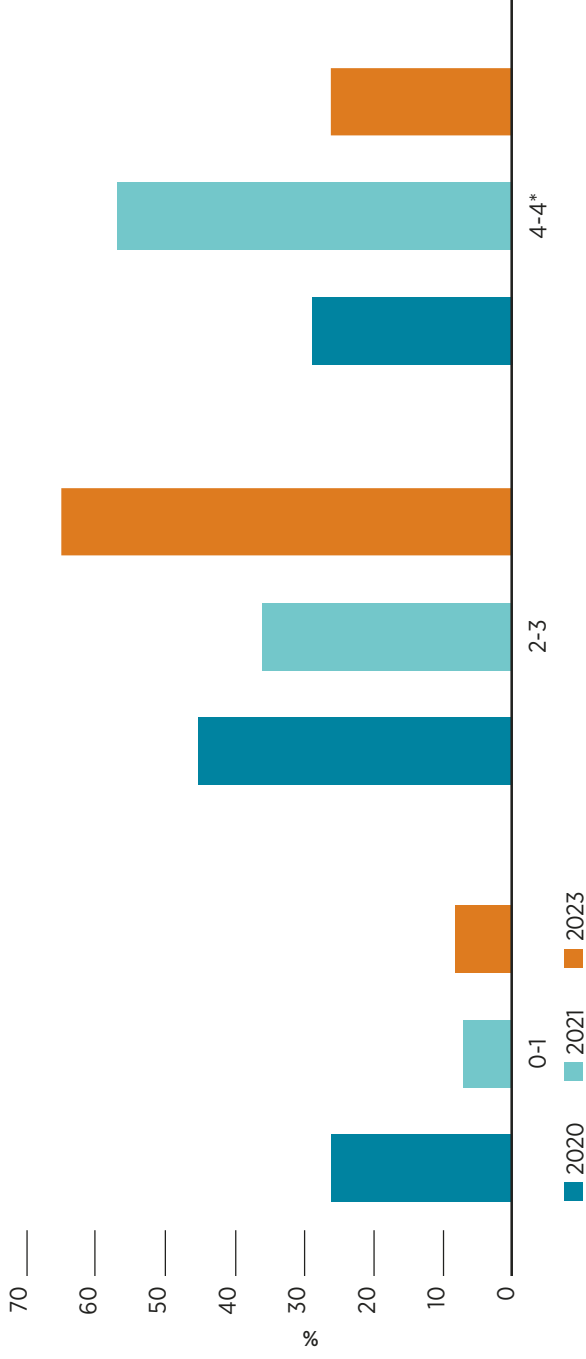
- Level 0 – **Unaware of (or not Acknowledging) Climate Change as a Business Issue**
- Level 1 – **Acknowledging Climate Change as a Business Issue:** the company acknowledges that climate change presents business risks and/or opportunities, and that the company has a responsibility to manage its greenhouse gas emissions. This is often the point where companies adopt a climate change policy.

Level 2 – Building Capacity: the company develops its basic capacity, its management systems and processes, and starts to report on practice and performance.

- Level 3 – **Integrating into Operational Decision-Making:** the company improves its operational practices, assigns senior management or board responsibility for climate change and provides comprehensive disclosures
- Level 4 – **Strategic Assessment:** the company develops a more strategic and holistic understanding of risks and opportunities related to the low-carbon transition and integrates this into its business strategy and capital expenditure decisions.

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

Figure 5: TPI Management Quality Score



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

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

TCFD RECOMMENDED DISCLOSURE:

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

METRICS AND TARGETS

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

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

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

50%	reduction in investment portfolio carbon emissions by 2030 (vs 2019 baseline).
60%	asset coverage by 2026 – expanding our measurement tools and methods of analysis across our property and infrastructure investments

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

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



GLOSSARY

Carbon Footprint/Portfolio Carbon Footprint

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

Clean Technology/Weight in Clean Technology

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

Climate Solutions

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

Engagement

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

ESG Factors

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

Fossil Fuel Reserves/Weight in Fossil Fuel Reserves

The weight of a portfolio invested in companies that own fossil fuel reserves.

Just Transition

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

Net Zero Emissions

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

Net Zero Target Coverage

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

Paris Agreement

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

Physical Risk/Climate Physical Risk

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

Responsible Investment

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

Scope 1 Greenhouse Gas Emissions

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

Scope 2 Greenhouse Gas Emissions

Indirect emissions from the generation of purchased energy.

Scope 3 Greenhouse Gas Emissions

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

Stewardship

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

Thermal Coal Reserves/Weight in Thermal

Coal Reserves

The weight of a portfolio invested in companies that own thermal coal reserves.

Transition Risk

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

Voting

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

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank