

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

Venue Committee Room 3 - Civic Centre, St Peter's Square, Wolverhampton WV1 1SH

Membership

Chair Cllr Ian Brookfield (Lab)

Vice-chair Cllr Keith Inston (Lab)

Labour

Cllr Harbans Bagri
Cllr Alan Butt
Cllr Jasbir Jaspal
Cllr Stephen Simkins
Cllr Clare Simm
Cllr Paul Sweet

Conservative

Cllr Paul Singh
Cllr Jane Stevenson

District Members

Cllr Muhammad Afzal (Birmingham City Council)
Cllr Steve Clark (Dudley Metropolitan Borough Council)
Cllr Sandra Hevican (Sandwell Metropolitan Borough Council)
Cllr John Mutton (Coventry City Council)
Cllr Angela Sandison (Solihull Metropolitan Borough Council)
Cllr Angela Underhill (Walsall Metropolitan Borough Council)

Trade union observers

Mr Malcolm Cantello
Mr Martin Clift
Mr Ian Smith

Quorum for this meeting is eight Councillors.

Information for the Public

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

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[NOT PROTECTIVELY MARKED]

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

Agenda

Part 1 – items open to the press and public

- | <i>Item No.</i> | <i>Title</i> |
|-----------------|--|
| 1 | Apologies for absence (if any) |
| 2 | Notification of substitute members |
| 3 | Declarations of interests (if any) |
| 4 | Minutes of the previous meeting - 20 June 2018 (Pages 5 - 18)
[For approval] |
| 5 | Matters arising
[To consider any matters arising from the minutes of the previous meetings] |
| 6 | GMB Nomination to Pensions Committee (Pages 19 - 20)
[To approve the nomination of Janice Wadrup to join the Pensions Committee] |
| 7 | Annual Report and Accounts 2017/2018 (Pages 21 - 60)
[To seek approval of the audited annual report for the year ending 31 March 2018 and its publication on the Fund's website] |
| 8 | Budget Monitoring 2018/2019 and Quarterly Accounts June 2018 (Pages 61 - 68)
[To provide an update on the forecast outturn for the year against operating budgets and quarterly accounts as at the end of June 2018] |
| 9 | Pensions Administration Report - April to June 2018 (Pages 69 - 92)
[To report on the work undertaken by the pensions administration service during the period 1 April to 30 June 2018 for both the Main Fund and the West Midlands Integrated Transport Authority Fund] |
| 10 | Customer Engagement Update (Pages 93 - 114)
[To provide an update of the Fund's customer engagement activity from 1 April to 30 June 2018, in line with its Customer Engagement Strategy] |
| 11 | Data Management Report April to August 2018 (Pages 115 - 118)
[To report on the work undertaken in the Fund's management of data to ensure compliance with statutory and regulatory duties] |
| 12 | Governance Update Report April to September 2018 (Pages 119 - 138)
[To provide an update on the work of the Fund in delivering a well governed scheme through the management of effective internal controls and a performance monitoring framework] |

13 **Quarterly Investment Report to 30 June 2018** (Pages 139 - 164)
[To provide a quarterly update on a range of investment issues, primarily the economic and investment background, the Fund's responsible investment activities, an update on LGPS Central investment pooling and the quarterly performance of both the West Midlands Pension Fund and the West Midlands Integrated Transport Authority]

14 **Exclusion of the 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 on the grounds shown below]

Part 2 - exempt items, closed to press and public

- 15 **Investment Strategy and Activity Update** (Pages 165 - 176)
[To provide an update on investment strategy and activity in the Fund over the last quarter; the WMITA Fund's investment strategy; and on the product development plan and launches of LGPS Central Ltd sub-funds and arrangements for the Fund to transition assets]
- Information relating to the financial or business affairs of any particular person (including the authority holding that information) Para (3)
- 16 **West Midlands Integrated Transport Authority Fund- Outcomes from the Government Actuary Department (GAD) Section 13 Review** (Pages 177 - 182)
[To provide an overview of the outcomes of GAD Section 13 review in relation to the West Midlands Integrated Transport Authority Fund and update on the action officers are taking in response to the proposed recommendations to the Ministry of Housing Communities and Local Government]
- Information relating to the financial or business affairs of any particular person (including the authority holding that information) Para (3)
- 17 **Pension Fund Structure and Service Development** (Pages 183 - 192)
[To provide details of the internal Fund structure and an update on the steps being taken by the Fund to increase the utilisation of apprenticeships, one-year university placements and graduate trainee roles to support development of employees, increase the pool of potential new hires and increase the profile of the Fund as a leading employer]
- Information relating to the financial or business affairs of any particular person (including the authority holding that information) Para (3)

CITY OF WOLVERHAMPTON COUNCIL	Pensions Committee Minutes - 20 June 2018
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Attendance

Members of the Pensions Committee

Cllr Ian Brookfield (Chair)
Cllr Keith Inston (Vice-Chair)
Cllr Harbans Bagri
Cllr Alan Butt
Cllr Jasbir Jaspal
Cllr Stephen Simkins
Cllr Clare Simm
Cllr Paul Singh
Cllr Jane Stevenson
Cllr Paul Sweet
Cllr Steve Clark (Dudley MBC)
Cllr Sandra Hevican (Sandwell MBC)
Cllr Angela Sandison (Solihull MBC)
Cllr John Mutton (Coventry City Council)
Malcolm Cantello (Trade Union Observer Representative)

Employees

Rachel Brothwood	Director of Pensions - West Midlands Pension Fund
Jan Chambers	Personal Assistant - West Midlands Pension Fund
Jill Davys	Assistant Director - Investments and Finance - West Midlands Pension Fund
Peter Farrow	Head of Audit - City of Wolverhampton Council
Dereck Francis	Democratic Services Officer - City of Wolverhampton Council
Rachel Howe	Head of Governance and Corporate Services - West Midlands Pension Fund
Claire Nye	Director of Finance - City of Wolverhampton Council
Amy Regler	Head of Operations West Midlands Pension Fund
Darshan Singh	Head of Finance - West Midlands Pension Fund
Holly Slater	Governance Officer - West Midlands Pension Fund
Simon Taylor	Head of Pensions - West Midlands Pension Fund

Part 1 – items open to the press and public

Item No. Title

- 1 **Apologies for absence (if any)**
Apologies for absence were submitted on behalf of Martin Clift (GMB), Alan Phillips (GMB) and Ian Smith (Unite)(Trade Union observer representatives).

2 **Notification of substitute members**

No notification of substitutes were received for the meeting.

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

No declarations of interests were made.

4 **Minutes of the previous meeting - 21 March 2018**

Resolved:

1. That Minute 1 (Apologies for absence) be corrected by the substitution of the name '(UNITE)' following Martin Clift for '(GMB)'.
2. That subject to 1 above, the minutes of the previous meeting held on 21 March 2018 be approved as a correct record and signed by the Chair.

5 **Matters arising**

With reference to Minute 25 (Investment Pooling – Transitional and Legal Agreements), Rachel Brothwood, Director of Pensions confirmed that a meeting had taken place between LGPS Central Ltd and Trade Union representatives on the Transfer of Undertakings (Protection of Employment) (TUPE) arrangements and changes to terms and conditions ahead of the transfer of staff from the Fund to LGPS Central.

With reference to Minute 26 (West Midlands Pension Fund Custody Services), the Director of Pensions advised that potential future change to the Fund's Custodian was still under review.

6 **Appointments and Dates and Times of Meetings 2018 - 2019**

The Committee was invited to note/confirm appointments onto the Pensions Committee and agree the dates and times of its meetings and those of the Pensions Board for the 2018-2019 Municipal Year.

Resolved:

1. That it be noted that in accordance Constitution of the Fund, the City of Wolverhampton Council at its Annual Meeting on 16 June 2018 reappointed Councillor Ian Brookfield as Chair of the Pensions Committee and Councillor Keith Inston as Vice-Chair of the Committee for the 2018-2019 Municipal Year.
2. That the appointment of the following Trades Union observer representatives onto the Committee for the Municipal Year 2018-2019 be confirmed:
 - Martin Clift and Ian Smith - UNITE
 - Malcolm Cantello - Unison
 - Alan Phillips - GMB
3. That the following dates and times of meetings of the Pensions Committee and Pensions Board for the Municipal Year 2018-2019 be confirmed:

Pensions Committee – 10 am:

5 September 2018
12 December 2018
27 March 2019

Pensions Board - 2pm

3 July 2018

22 January 2019

7 Economic and Market Update - May 2018

Jill Davys, Assistant Director, Investment and Finance outlined the salient points of the economic and market update quarterly report from the Fund's investment adviser, Hymans Robertson.

Resolved:

That the global economic and market update paper prepared by the Fund's adviser, Hymans Robertson be noted.

8 Asset Allocation and Investment Monitoring Performance Period to 31 March 2018 West Midlands Pension Fund

Jill Davys, Assistant Director, Investment and Finance presented a summary of the key points from the quarterly asset allocation and investment performance of the Fund and on the implementation of its investment strategy for the period ended 31 March 2018.

The Chair highlighted the contribution the passive currency hedging programme had made to the Fund's performance and in protecting the Fund from currency losses arising from a strengthening in sterling.

In response to a question from Malcolm Cantello (Unison), the Assistant Director undertook to report back on the cost to the Fund of consolidating its regional overseas passive equity portfolios into a global (ex UK) fund during the first quarter of 2018.

Malcolm Cantello also referred to the increase in cash held within the Funds invested assets and asked how the positive net cashflow would be handled to ensure that the Fund received a reasonable return. The Assistant Director reported that money market funds were used to generate returns on cash which had increased at the end of the quarter as the Fund closed futures positions held on equity markets, a part of a move to reduce allocation and exposure to this asset class. The Fund was actively seeking and in a number of cases close to finalising new investments in assets held to increase income generation in line with the targeted asset allocation.

Councillor Angela Sandison asked whether the Fund should consider its asset allocation in the light of the under-performance against benchmark over the last 12 months. The Assistant Director reported that the asset allocation was kept under review each quarter, noting under performance was largely driven by losses on insurance linked assets following a period of higher incidents and increases in expected claims. In terms of the Fund's strategic asset allocation, it remained underweight in the real assets and infrastructure class. They would be areas where the Fund is seeking to target increased investments.

Resolved:

That the contents of the asset allocation and investment performance report for the period ended 31 March 2018 be noted.

- 9 **Asset Allocation and Investment Monitoring Performance Period to 31 March 2018 West Midlands Integrated Transport Authority (WMITA) Pension Fund**
Jill Davys, Assistant Director, Investment and Finance summarised the key points from the performance on asset allocation and investment monitoring report for the WMITA Pension Fund and on the implementation of its investment strategy for the period ended 31 March 2018.

In response to Councillor Stephen Simkins, the Assistant Director, Investment and Finance undertook to include in the next quarterly performance monitoring report action taken/ proposed regarding the poor performance of Newton, one of the diversified growth fund managers.

Malcolm Cantello (Unison) noted from the report the payment of twice yearly deficit contributions to the WMITA Pension Fund. He asked how this was reconciled with the Main Fund's strategy of making monthly payments, Rachel Brothwood, Director of Pensions explained that the payment profile had been agreed following discussion with the employers as part of the 2016 actuarial valuation and was in line with the rates and contributions certificate provided by the Actuary.

Resolved:

That the contents of the asset allocation and investment monitoring report for the period ended 31 December 2017 be noted.

- 10 **Responsible Investment Activities**
Rachel Brothwood, Director of Pensions presented the update on the work undertaken by the investment team regarding their responsible investment activities since the last Committee meeting. She particularly highlighted the continuing work on the Fund's stewardship themes of climate change, cyber security and diversity; shareholder voting activity; and the outcome of the House of Commons Environmental Audit Committee summary of the UK's 25 largest pension funds, noting the advanced position of the Fund demonstrated in the summary of responses and ratings. The Fund had been classified as 'more engaged'.

Councillor Stephen Simkins asked whether the Fund had a strategy for investing in new environmental technologies. The Director of Pensions reported that it had a number of current and potential investments in this area, noting the potential for value particularly as companies transition towards new energy sources.

Responding to other questions, the Director of Pensions agreed to report back to the next meeting on the names of the two UK Companies the Fund would be focussing its own efforts on as part of Climate Action 100+, an engagement on climate change risk. Regarding Carillion, the Director explained that the Fund had some exposure to Carillion Plc through its infrastructure portfolio. Carillion was also an employer within the Fund, however, the liability and funding exposures were low, and action was ongoing to assess the impact of redundancies, following which the Fund seek to recover any losses through the redundancy payment service.

Resolved:

1. That the Fund's voting and the Local Authority Pension Fund Forum's (LAPFF's) engagement activity for the three months ending 31 March 2018, including Appendix 1 to the report be noted.

2. That it be noted that the issues discussed by LAPFF are set in the Quarterly Engagement Report which is available on the LAPFF website:
<http://www.lapfforum.org/publications/qrtly-engagement-reports/>
3. That progress against the Fund's 2018 stewardship themes be noted.
4. That the Fund's response to the Environmental Audit Committee and initial "more engaged" rating given to the Fund be noted
5. That other activity undertaken to ensure the Fund continues to develop and support its approach to Responsible Investment be noted.

11 **LGPS Central Update**

Jill Davys, Assistant Director, Investments and Finance presented the update report on the ongoing development of LGPS Central Ltd, a jointly owned investment management company established by West Midlands Pension Fund and seven Partner Funds to deliver investment pooling in accordance with the criteria laid down by the Secretary of State.

Malcolm Cantello (Unison) noted that the Fund's Director of Pensions and Assistant Director, Investments and Finance served on the Practitioners Advisory Forum (officer group). Rachel Brothwood, Director of Pensions, confirmed that the other seven Partner Funds on LGPS Central were similarly represented on the Forum. The Fund's Head of Governance and Corporate Services has also been providing governance support to the ongoing work programme of the Central pool. The Fund's Head of Pensions and Head of Operations would be participating in the Central strategic administration group. Malcolm Cantello added that he was pleased that the Fund's advisors would be working closely with LGPS Central.

Resolved:

That the update on LGPS Central progress be noted.

12 **Budget Monitoring 2017 - 2018 and Quarterly Accounts March 2018**

Jill Davys, Assistant Director, Investments and Finance presented the key highlights from the update report on the forecast outturn for the year against the Fund's operating budget and quarterly accounts for the West Midlands Pension Fund and West Midlands Integrated Transport Authority Pension Fund for the quarter ending 31 March 2018.

Malcolm Cantello (Unison) commented that he was surprised to see from the operating budget that premises costs had increased and that he would have expected to see a reduction given that the Fund was sharing a building with LGPS Central. Rachel Brothwood, Director of Pensions reported that the costs in the report related to the 2017/2018 financial year. The Committee would see premises cost reduce during 2018/2019 as premises would be separated from April 2018.

Councillor Paul Sweet asked whether the Fund was likely to see an increase in the cost per member before it stabilises and fall. The Director of Pensions advised that she expected it to be higher this year and then stabilise noting the potential for some duplication of cost during the 2-3 years of transition and the need to continue to invest in the Funds administration and digital services.

The Chair added that another key cost was the investment management costs per member. This had reduced and was within budget. The Director of Pensions reported that the Funds management costs were considerably lower than other Pensions Funds partly due to scale but also due to significant functions performed in house.

Councillor Stephen Simkins asked about the Fund's strategy for helping employers to understand why the Fund requires accurate and timely data from them. The Director of Pensions reported that the Funds' strategy was set out in the Pensions Administration Strategy and Customer Engagement Strategy to be discussed later on the agenda.

Malcolm Cantello noted the two entries for 'accounts contributions receivable' in the ITA accounts and asked if the entry in the main Fund's accounts could be split to clarify contributions paid in advance.

Resolved:

1. That the quarterly accounts for the period ending 31 March 2018 be noted, which show that:
 - the value of West Midlands Pension Fund at this date was £15.3 billion, an increase of £1.0 billion from 31 March 2017;
 - the value of West Midlands Integrated Transport Authority Pension Fund at this date was £492 million, a decrease of £11 million from 31 March 2017.
2. That it be noted that the outturn against operating budgets as at the end of March 2018, is an under spend of £12.6 million, primarily attributable to lower investment management costs.

13

Statement of Accounts 2017 - 2018

Jill Davys, Assistant Director, Investments and Finance presented for approval a report on the Fund's draft annual report and statement of accounts for the year ending 31 March 2018. The draft statement of accounts including the accounts for the West Midlands Integrated Transport Authority (ITA) were now being audited by the Fund's external auditors, Grant Thornton.

In response to Malcom Cantello (Unison), the Assistant Director confirmed that whilst the ITA had not incurred any set up costs for LGPS Central, it would incur costs in terms of its ongoing operation and investment management services, that would be apportioned to it as they arise. In response to a question from Jill Sanderson, the Director of Pensions explained how the funding level was calculated.

Resolved:

1. That the draft statement of accounts for the year ending 31 March 2018 be approved.
2. That it be noted that the draft accounts have been certified by the Section 151 Officers as required by regulations.

3. That it be noted that the draft annual report and accounts for West Midlands Pension Fund would now be subject to audit by the Fund's external auditors, Grant Thornton, with the final version, including their audit opinion, to be reported to the Committee in September.
4. That it be noted that the audit of the accounts for the West Midlands ITA Pension Fund is nearing completion, and the auditors anticipate issuing an unqualified opinion.

14

Compliance and Risk Monitoring 1 January to 31 March 2018

Rachel Howe, Head of Governance and Corporate Services presented the quarterly update of compliance monitoring for the Fund for the period 1 January to 31 March 2018 together with an overview of the Fund's risk management actions as outlined in the risk register.

The Chair commented that the production and issue of Benefits Statements on time was an issue on which the Fund had continued focus.

Responding to a question from Malcom Cantello (Unison), the Head of Governance and Corporate Services confirmed that from 1 April 2018 day to day trading activity would be carried out by LGPS Central where assets were held in pooled sub funds. The Director of Pensions explained how this would work in practice.

Regarding the risk register overview, Malcolm Cantello also commented that the control 'regular data backups' for the risk area 'IT and cyber security' should state what data would be backed up and when. The Head of Governance and Corporate Services undertook to add more detail to the risk register overview to explain the controls.

Resolved:

That the contents of the report be noted.

15

Service Plan Monitoring and Key Performance Indicators

Rachel Howe, Head of Governance and Corporate Services presented the main points from the report on an annual review of the Fund's performance against its key performance indicators (KPIs) and on the actions by the Fund in the delivery of its objectives as set out in the Service Plan 2017 – 2022.

The Chair noted from the KPIs that training hours for members of the Committee had increased during 2017-2018. In commenting on the unique nature of the Committee and members roles on it he asked that this indicator as well as attendance of Trustees /Board members at Committee / Pensions Board meetings and training events be closely monitored. Councillor Paul Singh added that where members miss meetings they should be reminded of the important role they have and where they are regularly absent action should be taken to seek a replacement.

Councillor Angela Sandison asked about the Fund's response to the increase in sickness absence KPI. Head of Governance and Corporate Services reported that there had been some long-term sickness absences during the year which were more pronounced in the reporting due to the size of the Fund workforce.

Resolved:

1. That performance against the Fund's Key Performance Indicators as an annual review for the year 2017 – 2018 be noted.
2. That delivery of the Fund's objectives as set out in the 2017 – 2022 Service Plan be noted.

16

Annual Policy Review 2018

Rachel Howe, Head of Governance and Corporate Services presented the report on an overview of the Fund's statutory duty and good practice policies and sought approval of their drafting for the year 2018/2019. Some of the policies had been reviewed to ensure that the Fund was prepared for the start of asset pooling within LGPS Central on 1 April 2018 or as a result in changes to national policies.

Councillor Stephen Simkins commented that with the complexities of the care sector, employees within that sector considering joining the LGPS needed to understand how it would work for them. He asked for a report on the care sector and the Pensions Scheme.

In response to Councillor Angela Sanderson, the Head of Pensions confirmed that there had been roadshows in Solihull Metropolitan Borough Council area in the past and that the Borough would be revisited.

Resolved:

1. That the Customer Engagement Strategy for the Fund be approved.
2. That the actions taken by the Fund to review the Policies in line with the Annual Review Plan be noted.

17

Annual Report of the Local Pensions Board

Rachel Howe, Head of Governance and Corporate Services presented the report on the work undertaken by the Local Pensions Board during 2017/2018.

The Chair asked for an update on the Scheme Advisory Board's(SAB's) review of the Pensions Board. The Head of Governance and Corporate Services reported that the survey responses had been analysed but only a summary had been issued and no further comment had been made at this time.

Councillor Stephen Simkins asked about the Pensions Board meeting quarterly rather than biannually. Rachel Brothwood, Director of Pensions reported that the SAB survey results report had noted some Pensions Boards were meeting more frequently. The West Midlands Pensions Board had two formal meetings per year but Board members also attended other events such as the Mid-Year Review and Annual General meeting. The Pensions Board would be discussing the terms of reference including the frequency of meetings on 3 July 2018. The outcome from their discussions would be reported back to the Committee.

Resolved:

- That the contents of the report be noted.

18 **Internal Audit Annual Report 2017- 2018**

Peter Farrow, Head of Audit, City of Wolverhampton Council presented the report on the outcome of the work programme for internal audit for 2017-2018. No significant audit issues had arisen throughout the year and where identified weaknesses / improvements had been identified during the course of audit work, management had agreed recommendations. The Head of Audit reported that he was able to provide reasonable assurance that the Fund had adequate and effective governance, risk management and internal control processes.

Rachel Brothwood, Director of Pensions added that any recommendations from Internal Audit were acted upon and monitored by the Fund's senior management team.

Resolved:

That the internal audit report for 2017-2018 be noted.

19 **Pensions Administration Report from 1 January to 31 March 2018**

Amy Regler, Head of Operations presented the report on work undertaken by the pensions administration service during the period 1 October to 31 December 2017 for both the Main Fund and the West Midlands Integrated Transport Authority Fund.

The Chair reported that he was pleased with the movement and progress the Fund had made on its key performance indicators and expressed his appreciation to the Fund's employees for their work.

Referring to the workflow statistics for the Main Fund, Malcolm Cantello (Unison) commented that last year the Fund authorised overtime to manage outstanding items of work. He asked what arrangements had been put in place this year to deal with the 33,875 items of work outstanding in the Main Fund as at 31 March 2018. The Head of Operations advised that multiple options had been considered in the way the Fund worked including more self-service options for scheme members and scheme employers. Further action to help manage the outstanding administrative processes was being taken and had been planned for within existing budgets.

Resolved:

1. That the write-offs detailed in section 8.0 of the report be approved.
2. That the applications approved by the Director of Pensions and the Chair or Vice Chair of Pensions Committee for admission to the West Midlands Pension Fund be noted.
3. That the pensions administration activity for both the West Midlands Pension Fund (the Main Fund) and the West Midlands Integrated Transport Authority Fund (the WMITA Fund) be noted.

20 **Customer Engagement Update**

Simon Taylor, Head of Pensions presented the update of the Fund's customer engagement activity from 1 January to 31 March 2018, in line with its Customer Engagement Strategy. He also highlighted Prudential's announcement of a company-wide transformation programme designed to modernise the business with implications for the face to face support provided to the members of LGPS Funds.

Resolved:

1. That the engagement activity to date and plans for future engagement on the horizon be noted.
2. That the announcement made by Prudential and the associated review of service be noted.

21

Data Quality and Employer Performance

Rachel Howe, Head of Governance and Corporate Services presented the report on an update on the work of the Fund in the area of data quality and to provide assurance on the action the Fund is taking with employers to improve scheme record keeping and enable issue of benefit information to members.

Councillor Angela Sanderson asked whether it was with the smaller sized employers that the Fund had issues regarding data quality. The Head of Governance and Corporate Services reported that it was across all employers and not specifically attributable to smaller employers.

Resolved:

1. That the implementation of monthly submissions as business as usual be noted.
2. That the quality of data held by the Fund and the comparison on quality for the 2016/2017 and 2018/2019 year be noted.
3. That the performance of employers in the area of data quality be noted.
4. That the revised Data Improvement Plan and preparations for 2018 Annual Benefit Statements be noted.

22

Pension Administration Strategy 2018

Simon Taylor, Head of Pensions presented for approval proposed revisions to the Pension Administration Strategy (PAS) and Engagement Roadmap, in preparation for the revised strategy being implemented from July 2018. Extensive consultation had been taken place with employers. The feedback was being collated and as a result one change would be made to the Strategy.

Responding to questions from Malcolm Cantello. the Head of Pensions confirmed that the reference in the page 4 of the Strategy to Trustees and Scheme Managers referred to 'employers'

The Committee discussed whether the Fund was being too lenient in terms of the timelines in the benefit administration queries escalation procedure contained within the draft Employer Engagement Roadmap, and whether there were sanctions the Fund could apply. The comment was also made that any response to employers should be proportionate. The Head of Pensions reported that the roadmap was a new document and the Fund had to allow employers the time to get use to expectations this placed on employers. The effectiveness of the procedures would be kept under review to ensure that it is working and fit for purpose. The Pensions Administration Strategy included the ability of the Fund to levy a charge on a scheme employer who failed to meet expected levels of performance.

Rachel Brothwood, Director of Pensions added that in terms of the timescales in the escalation policy, there needed to be the right balance between employers responding to routine tasks and project tasks. Too much emphasis in one area would impact on the responses the Fund requires from employers in another area.

Resolved:

That the revised draft Pension Administration Strategy be approved, subject to feedback from the employer consultation.

23 Exclusion of the 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.

Part 2 - exempt items, closed to press and public

24 Employer Covenant Update

Simon Taylor, Head of Pensions presented an update on employer covenant monitoring including guarantees the Fund had secured on individual cases under review; changes to the Local Government Pension Scheme regulations relating to exit credits; and the progress on the procurement of legal advisors.

Resolved:

1. That authority be delegated to the Director of Pensions, in consultation with the Chair or Vice Chair of Pensions Committee, to award a contract to the Fund Panel's preferred legal advisor in line with the procurement process via the National LGPS Framework.
2. That the highlighted case studies be noted.
3. That the change in LGPS Regulations with regards to Exit Credits be noted.
4. That the progress on procurement of legal advisers be noted.

25 Guaranteed Minimum Pension Reconciliation

Simon Taylor, Head of Pensions presented an update report on progress made by the Fund in the reconciliation of members contracted out records held by HM Revenue and Customs (HMRC) with the member data held on the Fund's pension administration system. The overall project for the reconciliation was currently on track and had a RAG status of Green'.

Resolved:

That the action taken by the Fund and ITM on Guaranteed Minimum Pension reconciliation be noted.

26 Pension Fund Structure 2018

Rachel Brothwood, Director of Pensions presented the report on an overview of changes to the internal Fund structure and decision-making processes aligned to the development of fund services and the creation of LGPS Central investment pool.

In response to a request from members of the Committee, it was agreed that a report on the detailed staffing structure of the Pensions Fund, including an update on the Fund's programmes for apprentices; and industry placements and graduates within its ongoing recruitment programme.

The Director of Pensions reported that the budget for 2018/2019 contained an allowance for service developments and known projects. Delegated authority was sought to secure extra support where project work required a focus on activity in a short timeframe. This would either be brought in or outsourced and would be funded from the service developments and known projects allocation. If the cost of the additional resource could not be met from within budget the matter would be presented to Committee for consideration. The secured additional support would be reported back to the Committee.

Resolved:

1. That the evolution of the pension fund service structure to meet the growing demands on the administration functions and changes made to the finance and investment functions to facilitate the transition to investment pooling be noted.
2. That the governance structures in place to support implementation of investment strategy and decision making in partnership with LGPS Central Limited be noted.
3. That authority be delegated to the Director of Pensions in consultation with the Chair of the Committee to secure extra support where project work required a focus on activity in a short timeframe, to be funded from the 2018/2019 budget for service developments and known projects.
4. That a report on the detailed staffing structure of the Pensions Fund, including an update on the Fund's recruitment programme and programmes for apprentices; and industry placements and graduates.

27 **Annual Report on the Investment Advisory Panel and West Midlands Integrated Transport Authority (WMITA) Investment Strategy Panel**

Rachel Brothwood, Director of Pensions presented the report on the activities of the Investment Advisory Panel (IAP) and the WMITA Strategy Panel (Investment and Funding) during 2017/2018.

The Chair commented value to the Fund of the work of the two bodies had been immense. They had proved to be an excellent sounding board and their activities and involvement work was bearing fruit for the Fund.

Resolved:

That the work of the Investment Advisory Panel and the WMITA Strategy Panel (Investment and Funding) for 2017/2018 be noted.

28 **Investment Strategy and Activity Update**

Jill Davys, Assistant Director, Investments and Finance presented the salient points from the update report on investment strategy and activity in the Fund over the last quarter and on the West Midlands Integrated Transport Authority (WMITA) Fund's investment strategy.

Resolved:

1. That the update on investment strategies for the main Pension Fund and the West Midlands Integrated Transport Authority Fund be noted.
2. That the highlights of recent activity within the Pension Fund be noted.

29

Investment Pooling Update

Jill Davys, Assistant Director, Investments and Finance presented the main points from the update report on the transition of West Midlands Pension Fund assets to LGPS Central Ltd sub-funds and future development plans. The update also covered the recent Spring progress update provided to Central Government on the development of investment pooling in LGPS Central. Feedback on progress from government whilst limited at this stage indicated that they were generally pleased with the progress being made by LGPS Central towards pooling.

Resolved:

1. That the delegation to the Director of Pensions and Assistant Director, Investments and Finance to make arrangements, as required, for the appointment of transition managers to implement future transitions of the Fund's assets to LGPS Central Ltd, as and when suitable sub funds are launched be approved.
2. That the transfer of staff and assets which has taken place to LGPS Central Ltd and the arrangements in place under advisory and execution agreements with LGPS Central Ltd to ensure continuity of investment management services to the Fund be noted.
3. That the Spring Progress Report provided to Ministry of Housing, Communities and Local Government on the implementation of investment pooling for the LGPS Central Pool be noted.
4. That the arrangements for the proposed product development pipeline for LGPS Central sub-fund opening be noted.

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Pensions Committee

5 September 2018

Report title	GMB Nomination to Pensions Committee	
Originating service	Pension Services	
Accountable employee(s)	Holly Slater	Governance Officer
	Tel	01902 554521
	Email	Holly.slater@wolverhampton.gov.uk
Report has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	Rachel.brothwood@wolverhampton.gov.uk

Recommendation for decision:

The Committee is recommended to:

1. Approve the nomination of Janice Wadrup to join Pensions Committee.

1.0 Purpose

- 1.1 Following the mid-year resignation of Alan Phillips, GMB Trade Union observer, a replacement nomination has been sought from the Branch Secretary of the GMB B01 branch. Committee are required to approve this nomination to enable the individual to take up the position on Pensions Committee.

2.0 Background

- 2.1 As an agreement with Pensions Committee the Fund invites four Trade Union Observers from across the West Midlands regional branches to sit as observers on the Committee.

3.0 Nomination Received

- 3.1 Following engagement with GMB, they have confirmed their nominated representative as Janice Wadrup, Equality officer and Women's Lead.
- 3.2 Committee are asked to approve this nomination to allow Janice Wadrup to join the Pensions Committee with immediate effect.

4.0 Financial implications

- 4.1 There are no financial implications.

5.0 Legal implications

- 5.1 This report contains no direct legal implications.

6.0 Equalities implications

- 6.1 This report contains no equal opportunities implications.

7.0 Environmental implications

- 7.1 This report contains no environmental implications.

8.0 Human resources implications

- 8.1 This report contains no direct human resources implications.

9.0 Corporate landlord implications

- 9.1 This report contains no direct corporate landlord implications.

10.0 Schedule of background papers

- 10.1 None

11.0 Schedule of Appendices

- 11.1 None

Pensions Committee

5 September 2018

Report title	Annual Report and Accounts 2017/18	
Originating service	Pension Services	
Accountable employee(s)	Darshan Singh	Head of Finance
	Tel	01902 555768
	Email	darshan.singh@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	rachel.brothwood@wolverhampton.gov.uk

Recommendation for decision:

The Committee is recommended to approve:

1. The Annual Report for the year ending 31 March 2018 and its publication on the Fund's website following completion of the external audit.

Recommendations for noting:

The Committee is recommended to note:

1. Grant Thornton's Audit Findings Reports for West Midlands Pension Fund (WMPF) and West Midlands ITA Pension Fund (ITA).
2. That the Management Representations letter to Grant Thornton was signed on 31 July 2018 by the Chair and the Director of Pensions on behalf of the Fund.

1.0 Purpose

- 1.1 The purpose of this report is to seek the Committee's approval of the audited annual report for the year ending 31 March 2018 and its publication on the Fund's website.

2.0 Background

- 2.1 Local Government Pension Scheme (LGPS) funds are required by law to produce a Statement of Accounts and an Annual Report. These must be subject to external audit and published no later than 31 July (accounts) and 1 December (annual report).
- 2.2 The draft Statement of Accounts was presented to Committee on 20 June and has since been audited by the Fund's external auditor, Grant Thornton, who will attend the Committee to present their findings.

3.0 Audit Findings

- 3.1 Following the conclusion of all audit work, Grant Thornton issued unqualified audit opinions for both Funds and each Statement of Accounts was completed by the new statutory deadline of 31 July. This deadline is 2 months earlier than in previous years and was achieved in a challenging period for WMPF with an almost complete change in the Finance team, implementation of new processes and systems and the transition of employees and assets to LGPS Central Limited during closedown. The changes to the Finance team were necessitated by a combination of staff transferring to LGPS Central Ltd or securing new positions with the company, along with a retirement and a member of staff going on maternity leave, resulting in 7 members, including the Head of Finance, out of team of 11 leaving between January and April. Whilst the Fund has been successful in recruiting a combination of qualified and experienced staff who have shown considerable commitment during the closedown period alongside the remaining staff, this did inevitably impact on the closedown process which was in a shorter timeframe than hitherto. It is a credit to the team that the audit did complete by the deadline.
- 3.2 As an outcome of the audit work undertaken by Grant Thornton, some changes have been made to the WMPF accounts. These were:
- A reduction in the contributions income and debtors to account for cash pending allocation;
 - The re-classification of advanced payments of future service rate contributions from deferred income to current year income;
 - An adjustment to investment sale proceeds to separate out certain management expenses.
- 3.3 These changes have had an impact on the bottom lines of the Fund Account and the Net Assets Statement so that the final value of the Fund at 31 March 2018 is £15.4 billion as compared to £15.2 billion reported in the draft Statement of Accounts at 20 June.

- 3.4 The audit process for the ITA proceeded as planned with no significant points identified and no significant changes being made to the Fund's draft accounts.
- 3.5 Grant Thornton's findings for WMPF are summarised in their "Report to those charged with governance" (ISA 260 report) a copy of which is attached at Appendix A, following this, there were a number of changes required and an update letter issued to the Chair prior to formal sign off of the accounts. The final audit report for the Council's Accounts which incorporates the Pension Fund is in the process of being finalised and it is anticipated that there will be further commentary in that report about their findings and the changes that were implemented following recommendations from the auditors as per the points in 3.2.
- 3.6 Grant Thornton's findings for the ITA are summarised in their "Report to those charged with governance" (ISA 260 report), a copy of which is attached at Appendix B.
- 3.7 In accordance with International Auditing Standards, the Fund is required to confirm to the external auditor that it has complied with all relevant requirements and provided all relevant information to the auditor. This takes the form of a Management Representation letter which was signed by the Chair and the Director of Pensions on behalf of WMPF and on 31 July submitted to Grant Thornton.

4.0 Publication

- 4.1 It is recommended that the Annual Report and Accounts be formally approved by the Committee for publication.
- 4.2 The approved Annual Report will be placed on the Fund's website at the following link, <http://www.wmpfonline.com/annualreports>. A copy has been distributed to Members of the Committee and copies will be available at the meeting.
- 4.3 The consolidated national Scheme Annual Report will be published by the Scheme Advisory Board in due course.

5.0 Financial implications

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

6.0 Legal implications

- 6.1 This report contains no direct legal implications for the authority.

7.0 Equalities implications

- 7.1 This report has no equalities implications.

8.0 Environmental implications

8.1 This report has no environmental implications.

9.0 Human resources implications

9.1 The report has no human resources implications.

10.0 Corporate landlord implications

10.1 This report has no corporate landlord implications.

11.0 Schedule of background papers

11.1 Draft Accounts 2017/18, Report to Pensions Committee 20 June 2018

11.2 Grant Thornton Audit Findings Letter to the Chair, WMPF

12.0 Schedule of Appendices

12.1 Appendix A – Grant Thornton Audit Findings Report, WMPF

12.2 Appendix B – Grant Thornton Audit Findings Report, ITA

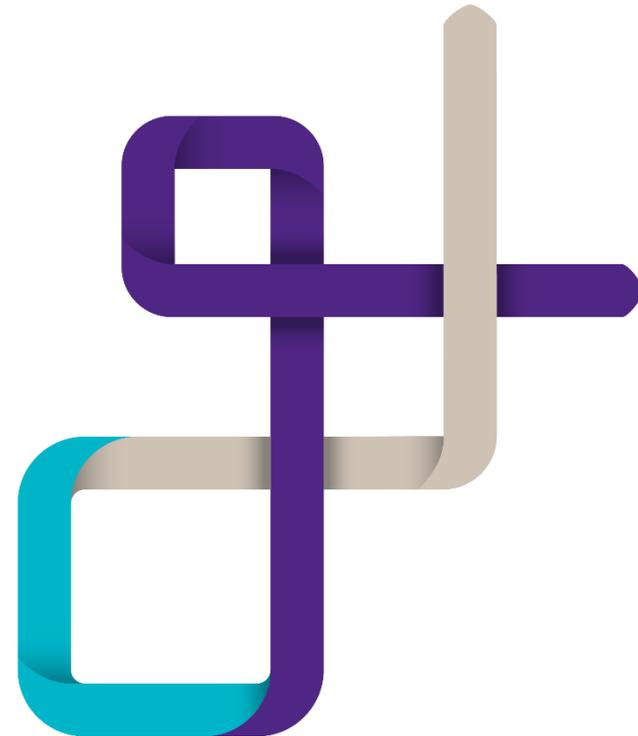
Audit Findings

Year ending 31 March 2018

West Midlands Pension Fund

20 July 2018

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Contents



Your key Grant Thornton
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Section

1. Headlines
2. Financial statements
3. Independence and ethics

Appendices

- A. Audit adjustments
- B. Misstatements
- C. Fees
- D. Audit Opinion
- E. Action Plan

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Headlines

Introduction

This table summarises the key issues arising from the statutory audit of West Midlands Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2018 for those charged with governance.

Financial Statements	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none">the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year, andhave been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.	<p>Our audit work was completed on site during June and July. Our findings are summarised on pages 5 to 12. We have identified no adjustments affecting the Fund's reported financial position. We have recommended some adjustments to improve the presentation of the financial statements, and management has made these changes. The other key messages arising from our audit of the Fund's financial statements are:</p> <ul style="list-style-type: none">We have no unadjusted misstatements to report.The draft accounts were presented for audit in accordance with the agreed earlier timetable and were of a good quality. This was pleasing given the very high number of new staff in the Finance team.Our work at year end demonstrated that access to documents and the quality of working papers was generally adequate. There is scope to improve timeliness and quality of some supporting papers e.g. those relating to fund contributions. There was an improvement in obtaining confirmations and other information from external fund managers following assistance from Pension Fund Officers, but there is still scope to improve this further. <p>Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion as detailed in Appendix D. These outstanding items include:</p> <ul style="list-style-type: none">obtaining the remainder of our sample of property deeds for investment properties (3 properties)testing of valuation of remaining sample of level 3 investments to latest accountstesting of remaining sample of pensions contributionstesting all our sample of journalstesting of some investment notesobtaining the small number of remaining direct confirmations from fund managers.receipt of the management representation letter and review of the final set of financial statements.testing of note 20- contribution debtorstesting of note 21 – creditors
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Statutory duties	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to report to you if we have applied any of the additional powers and duties ascribed to us under the Act.</p>	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We do not expect to be able to certify the conclusion of the Council's audit as we are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements.</p>
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Acknowledgements

We would like to take this opportunity to record our appreciation for the excellent assistance provided by the Finance Team and other staff during our audit.

Summary

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included an evaluation of the Pension Fund's internal controls environment and substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks. The only significant change in approach from that described in the audit plan was that we decided we did not need to treat the fund managers as management experts for the valuation of level 2 investments.

Conclusion

We have substantially completed our audit of your financial statements and, subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion, as detailed in Appendix D. These main outstanding items are included on page 3.

Our approach to materiality

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

Our assessment of the value of materiality, performance materiality and trivial matters has changed slightly from our audit plan. They are now based on the net assets of the fund as at 31 March 2018 as opposed to 31 March 2017 in the audit plan. We detail in the table below our assessment of materiality for West Midlands Pension Fund.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	114,405,000	We determined materiality for the audit of the Fund's financial statements as a whole to be £114,405,000, which is 0.75% of the Fund's net assets as at 31 March 2018. This benchmark is considered the most appropriate because users of the financial statements to be most interested in security and value of its assets.
Performance materiality	80,084,00	We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 70% of financial statement materiality for the audit of the financial statements. Our consideration of performance materiality is based upon a number of factors, including we are not aware of significant deficiencies in the control environment and historically there has not been a large number or significant misstatements arising as a result of the financial statements audits at the Fund. However there has been a large volume of staff changes in Finance.
Trivial matters	5,725,000	We determined the threshold at which we will communicate misstatements to be £5,725,000
Materiality for specific balances, transactions, or disclosures	-	In accordance with ISA320 we have considered the need to set lower levels of materiality for sensitive balances, transactions or disclosures in the accounts. We determined not to set any lower levels.

Significant audit risks

Risks identified in our Audit Plan

Auditor Commentary

1 The revenue cycle includes fraudulent transactions

Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition;
- opportunities to manipulate revenue recognition are very limited; and
- the culture and ethical frameworks of local authorities, including the City of Wolverhampton Council as the administering body, mean that all forms of fraud are seen as unacceptable.

Our audit work has not identified any issues in respect of revenue recognition.

2 Management over-ride of controls

Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.

We:

- gained an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness
- obtained a full listing of journal entries, identified and tested unusual journal entries for appropriateness
- evaluated the rationale for any changes in accounting policies or significant unusual transactions.

Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgements.

Significant audit risks (continued)

Risks identified in our Audit Plan	Auditor Commentary
3 Level 3 Investments Valuation is incorrect	<p>We:</p> <ul style="list-style-type: none"> • Gained an understanding of the Fund's process for valuing Level 3 investments and evaluated the design of the associated controls • Reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided by these types of investments. • For a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, where available, at the latest date for individual investments and agreeing these to the fund manager reports at that date. • Reconciled those values to the values at 31st March 2018 with reference to known movements in the intervening period. • for direct property investments we agreed values in total to the valuer's report and also reviewed title deeds for ownership • Consideration of the competence, expertise and objectivity of property valuer's as experts <p>Our work did not identify any significant issues in respect of valuation of Level 3 investments. We concluded the estimates were reasonable. Our testing identified that there was a combined difference greater than our triviality threshold between the estimated level three investment balances in the Pension Fund accounts and the year-end confirmations and audited accounts we received from Fund Managers.</p>

Reasonably possible audit risks

Risks identified in our Audit Plan

Auditor Commentary

1

Contributions

Contributions from employers and employees' represents a significant percentage of the Fund's revenue.

We identified occurrence and accuracy as the risks requiring particular audit attention.

We :

- evaluated the Fund's accounting policy for recognition of contributions for appropriateness;
- gained an understanding of the Fund's system for accounting for contribution income and evaluated the design of the associated controls;
- tested a sample of contributions to source data to gain assurance over their accuracy and occurrence; and,
- rationalised contributions received with reference to changes in member body payrolls and numbers of contributing pensioners to ensure that any unusual trends are satisfactorily explained.

Our work did not identify any significant issues in respect of contributions.

2

Pension Benefits Payable

Pension benefits payable represents a significant percentage of the Fund's expenditure.

As pensions in payment expenditure comes from a number of individual transactions there is a risk that pensions expenditure in the accounts could be understated. We therefore identified completeness of pension expense as a risk requiring particular audit attention.

We:

- evaluated the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness;
- gained an understanding of the Fund's system for accounting for pension benefits expenditure and evaluated the design of the associated controls;
- tested a sample of individual pensions in payment by reference to member files;
- rationalised pensions paid with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained

Our work did not identify any significant issues in respect of benefits payable.

3

The valuation of Level 2 investments is incorrect

While Level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly.

We have identified the valuation of Level 2 investments as the risk requiring special audit consideration.

We:

- gained an understanding of the Fund's process for valuing Level 2 investments and evaluated the design of the associated controls.
- reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided by these types of investments.
- for a sample of investments, tested the valuation by obtaining independent information from custodian/manager on unit prices.

Our work did not identify any significant issues in respect of valuation of Level 2 investments.

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Reasonably possible audit risks

Risks identified in our Audit Plan

Auditor Commentary

4 **Investment Income**
Investment activity not valid. Investment income not accurate.

We:
- tested a sample of investment income to ensure it is appropriate

Our work did not identify any significant issues in respect of investment income

5 **Investment purchases and sales**
Investment activity not valid. Investment valuation not correct

We :
- tested a sample of purchase and sales to ensure they are appropriate

Our work did not identify any significant issues in respect of investment purchases and sales

Accounting policies

Accounting area	Summary of policy	Auditor Commentary	Assessment
Revenue recognition	<p>a) Contribution Income</p> <ul style="list-style-type: none"> Contributions receivable are accounted for on the accruals basis at the rates recommended by the Fund’s actuary for basic contributions. Past service deficit contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary. Employers’ augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid is classed as current financial asset, which amounts due after the following year classed as long-term financial assets. <p>b) Investment Income</p> <ul style="list-style-type: none"> Interest Income is recognised as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Dividend income is recognised on the date the shares are quoted ex-dividend. Any amounts not received by the end of the reporting period, where known to be due have been accrued for in the accounts Distribution from Pooled Funds are recognised at the date of issue. Property-Related Income (consisting primarily of rental income from operating leases) is recognised on a straight-line basis over the term of the lease. Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year 	<ul style="list-style-type: none"> The revenue recognition policies are appropriate for the accounting framework used by the Pension Fund. The accounting policy choices have been complied with in the preparation of the accounts. We have no concerns in relation to the adequacy of the disclosure of accounting policies in place. 	<p style="text-align: center;">● (Green)</p>

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Assessment

- Marginal accounting policy which could potentially be open to challenge by regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Judgements and estimates	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> – Pension fund liability relating to the discount rate, salary projected increases, changes in retirement ages, mortality rates and expected returns assets; and – Level 3 investments 	<p>The results from our review and testing of the valuation of investments is covered on page 6 of this report above.</p> <p>The pension liability is based on your actuary's Barnett Waddingham valuation. We have been provided with assurance that Barnett Waddingham can be relied upon for the purpose of valuing the liability and have reviewed the assumptions. The Pension Fund has reflected the valuation as given to them by the Actuary in their accounts. The accounts have disclosed the nature of the valuation and the fact that the estimate is subject to significant variances based on changes to the underlying assumptions.</p>	 (Green)
Other accounting policies	We have reviewed the Fund's policies against the requirements of the CIPFA Code and accounting standards.	Our initial review of accounting policies has not highlighted any issues which we wish to bring to your attention.	 (Green)
Going concern	The Director of Finance has a reasonable expectation that the Fund will continue for the foreseeable future. Members concur with this view. For this reason, the Fund continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Fund's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2017/18 financial statements.	 (Green)

Assessment

-  Marginal accounting policy which could potentially be open to challenge by regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
1 Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Pensions Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2 Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related parties or related party transactions which have not been disclosed
3 Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4 Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Pension Fund which is included in papers. We have asked for the Fund to confirm that it is not aware of any significant control issues at the Fund Managers it uses.
5 Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send a confirmation request to your bank and Fund Managers. This permission was granted and the requests was sent. These requests were generally returned with positive confirmations although a few are currently outstanding. If necessary we will perform alternative procedures to gain assurance.
6 Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements
7 Significant difficulties	<ul style="list-style-type: none"> There were no significant difficulties encountered in the audit of your accounts.
8 Matters on which we report by exception	<ul style="list-style-type: none"> We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. Due to statutory deadlines the Pension Fund Annual Report is not required to be published until the 1st December 2018 and therefore this report has not yet been produced. We have therefore not given this separate opinion at this time and are unable to certify completion of the audit of the administering authority until this work has been completed.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Investment Income, Contributions and Benefits Payable as set out on the previous pages.

The matters that we identified during the course of our audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1	 (Amber)	The Agresso ledger system does not have a built in approval system for journals. We understand that the Pension Fund is developing a journal log for the 2018/19 financial year to improve controls around journals.	Ensure that the planned improvements to journal controls in 2018/19 take place.

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The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

- Assessment**
-  Significant deficiency – risk of significant misstatement (Red)
 -  Deficiency – risk of inconsequential misstatement (Amber)

Independence and ethics

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

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

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund and confirm there are none.

Adjusted misstatements

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. There are no adjusted misstatements we are required to report to you.

Unadjusted misstatements

There are no adjusted misstatements we are required to report to you.

Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Presentation and disclosure	Various	Various	<p>Our review of the accounts highlighted some improvements that were required to be made to the accounts. None of these were individually significant and they have been made to improve the final presentation and aid clarity for the reader. The proposed adjustments were agreed with the Fund and changes have been made to the draft accounts submitted for audit. These include:</p> <ul style="list-style-type: none"> • External audit fees of £48,618k to be separately disclosed in note P13. • Addition of a policy on stock lending at policy 3d vi) • Wording expanded at note P15 to describe the nature, amount and reason for a reclassification of prior year figures. • Addition of comparative (2016/17) tables for price risk, currency risk and interest rate risk in note P15-financial instruments. • Taxes on income are now disclosed on face of the Fund Account as per the Code requirement. • Note added to explain it is a defined benefit scheme • Amending note 5 to describe the main uncertainties inherent in valuation estimates. • Adding a new note 16i) on property holdings which includes necessary lease disclosures • Ensuring property disclosed on the Fund Account agrees with the detailed note. • Expanding the classification of financial instruments under note 24 • Inserting new wording in note 17i) to describe the valuation processes used by the Fund and adding a narrative description to note 17 on the sensitivity of fair value measurements to key inputs • Ensuring the correct names for valuers are referenced in the note 1h • Ensuring contribution information is included for all related parties in note P27 • Addition of all key actuarial assumptions adopted in the valuation as per Appendix 2 of the Actuarial valuation report. <p>This is in addition to the need to tidy up formatting, spelling and explanation of complex terms used prior to publication.</p>

Fees

We confirm below our final fees charged for the audit and **confirm there were no fees for the provision of non audit services.**

Audit Fees

	Proposed fee	Final fee (TBC)
Pension Fund Audit	£48,618	£48,618
Total audit fees (excluding VAT)	£48,618	£48,618

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

Audit opinion

We anticipate we will provide the Pension Fund with an unmodified audit report.

Independent auditor's report to the members of City of Wolverhampton Council on the pension fund financial statements

Opinion

We have audited the pension fund financial statements of the City of Wolverhampton Council (the 'Authority') for the year ended 31 March 2018 [set out on pages *** to **]. The pension fund financial statements (entitled "West Midlands Pension Fund") which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2018 and of the amount and disposition at that date of the fund's assets and liabilities, have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the pension fund of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance's use of the going concern basis of accounting in the preparation of the pension fund financial statements is not appropriate; or
- the Director of Finance has not disclosed in the pension fund financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the pension fund financial statements are authorised for issue.

Other Information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages [**xx to xx**] other than the pension fund financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund financial statements or our knowledge of the pension fund of the Authority obtained in the course of our work or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund financial statements the other information published together with the pension fund financial statements in the Statement of Accounts, for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities [set out on page(s) x to x], the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of pension fund financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund financial statements, the Director of Finance is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the pension fund lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the pension fund.

The Pensions Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the pension fund financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these pension fund financial statements.

A further description of our responsibilities for the audit of the pension fund financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

John Gregory
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Colmore Building, 20 Colmore Circus, Birmingham, B4 6AT

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Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1 Page 43	Ensure that the planned improvements to journal controls in 2018/19 take place.	Medium	To mitigate against the risk of mis-postings and to enhance the controls around input of journals to Agresso, the Finance team is establishing a journal template which will require review and approval by a second person prior to any entries being made. This will be used in conjunction with a journal log to record details of all completed postings.	August 2018 Head of Finance



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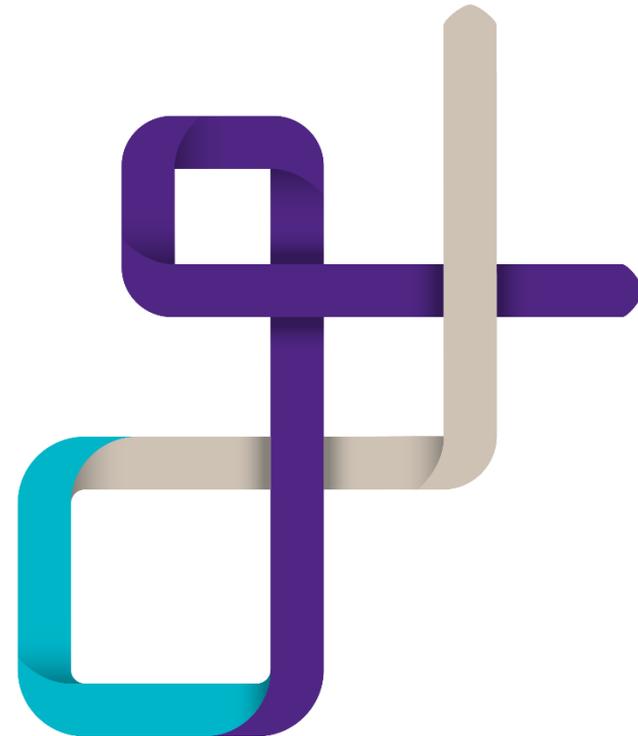
Audit Findings

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West Midlands ITA Pension Fund

21 June 2018

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Contents



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Section

1. Headlines
2. Financial statements
3. Independence and ethics

Appendices

- A. Audit adjustments
- B. Misstatements
- C. Fees
- D. Audit Opinion

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Headlines

Introduction

This table summarises the key issues arising from the statutory audit of west Midlands ITA Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2018 for those charged with governance.

Financial Statements	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none">the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year, and have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.	<p>Our audit work was completed on site during May and June. Our findings are summarised on pages 5 to 12. We have identified no adjustments affecting the Fund's reported financial position. We have recommended some adjustments to improve the presentation of the financial statements.</p> <p>We have independently estimated the value of the insurance buy-in to be £238,296,000 compared to your actuarial valuation of £238,333,000. The valuation of this estimate is complex and the difference is within 0.02% of the actuary's result and within the expected range we set. From this we have concluded that the valuation is reasonable and not materially misstated.</p> <p>The other key messages arising from our audit of the Fund's financial statements are:</p> <ul style="list-style-type: none">We have no unadjusted misstatements to reportThe draft accounts were presented for audit in accordance with the agreed timetable and were of a good quality,Our work at year end demonstrated that access to documents and the quality of working papers was of a high standard. <p>Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Risk and Assurance Committee (ARAC) meeting on 21 June 2018, as detailed in Appendix D. These outstanding items include:</p> <ul style="list-style-type: none">receipt of the management representation letter andreview of the final set of financial statements.
Statutory duties	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to report to you if we have applied any of the additional powers and duties ascribed to us under the Act.</p>	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We do not expect to be able to certify the conclusion of the Combined Authority's audit as we are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements.</p>

Acknowledgements

We would like to take this opportunity to record our appreciation for the excellent assistance provided by the finance team and other staff during our audit.

Summary

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management..

On 8 December 2017, in line with the Accounts and Audit Regulations 2015, the WMCA Board amended the Constitution to delegate the accounts approval process to the Audit, Risk & Assurance Committee (ARAC). We therefore consider ARAC are those charged with governance.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Our approach to materiality

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

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	4,920,000	We determined materiality for the audit of the Fund's financial statements as a whole to be £4,920,000, which is 1% of the Fund's net assets. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in security and value of its assets. Materiality used in the audit plan was £5,029,000.
Performance materiality	3,690,000	We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality for the audit of the financial statements. Our consideration of performance materiality is based upon a number of factors, including no significant audit findings, we are not aware of a history of significant deficiencies or a high number of deficiencies in the control environment, historically there has not been a large number or significant misstatements arising as a result of the financial statements audits at the Fund and senior management and key reporting personnel in the finance function has remained stable from the prior year audit.
Trivial matters	246,000	We determined the threshold at which we will communicate misstatements to ARAC to be £246,000.
Materiality for specific balances, transactions, or disclosures	-	In accordance with ISA320 we have considered the need to set lower levels of materiality for sensitive balances, transactions or disclosures in the accounts. We determined not to set any lower levels.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included an evaluation of the Pension Fund's internal controls environment, including its IT systems and controls and substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks. The only change in approach from that described in the audit plan was to not treat the fund managers as management experts for the valuation of level 2 investments.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Risk Committee meeting on 21 June 2018, as detailed in Appendix D. These outstanding items include receipt of management representation letter and review of the final set of financial statements.

Our assessment of the value of materiality, performance materiality and trivial matters has changed slightly from our audit plan. They are based on the net assets of the fund as at 31 March 2018 as opposed to 31 March 2017 in the audit plan.. We detail in the table below our assessment of materiality for West Midlands ITA Pension Fund.

Significant audit risks

Risks identified in our Audit Plan

Auditor Commentary

1

The revenue cycle includes fraudulent transactions

Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition;
- opportunities to manipulate revenue recognition are very limited; and
- the culture and ethical frameworks of local authorities, including the City of Wolverhampton Council as the administering body, mean that all forms of fraud are seen as unacceptable.

Our audit work has not identified any issues in respect of revenue recognition.

2

Management over-ride of controls

Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.

We:

- gained an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness
- obtained a full listing of journal entries, identified and tested unusual journal entries for appropriateness
- evaluated the rationale for any changes in accounting policies or significant unusual transactions.

Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgements.

3

Level 3 Investments Valuation is incorrect

The Prudential buy-in is the only material, directly held, 'hard to value' investment held by WM ITA Pension Fund and this will be valued by the Fund's actuary (Barnett Waddingham). We:

- Gained an understanding of the Fund's process for valuing level 3 investments and evaluated the design of the associated controls
- Reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuations provided by these types of investments. We used our in-house experts, the Grant Thornton valuation team, to assist us in doing this. We reviewed the assumptions and calculations to provide assurance that the valuation was reasonable.
- Reviewed the qualifications of the expert Barnett Waddingham to value Level 3 investments at year end.

We have independently estimated the value of the insurance buy-in to be £238,296,000 compared to your actuarial valuation of £238,333,000. The valuation of this estimate is complex and is within 0.02% of the actuary's result and within our expected range. From this we have concluded that the valuation is reasonable and not materially misstated

Reasonably possible audit risks

Risks identified in our Audit Plan

Auditor Commentary

1

Contributions

Contributions from employers and employees' represents a significant percentage of the Fund's revenue.

We identified occurrence and accuracy as the risks requiring particular audit attention.

We :

- evaluated the Fund's accounting policy for recognition of contributions for appropriateness;
- gained an understanding of the Fund's system for accounting for contribution income and evaluate the design of the associated controls;
- tested a sample of contributions to source data to gain assurance over their accuracy and occurrence; and,
- rationalised contributions received with reference to changes in member body payrolls and number of contributing pensioners to ensure that any unusual trends are satisfactorily explained.

Our work did not identify any significant issues in respect of contributions.

2

Pension Benefits Payable

Pension benefits payable represents a significant percentage of the Fund's expenditure.

As pensions in payment expenditure comes from a number of individual transactions there is a risk that pensions expenditure in the accounts could be understated. We therefore identified completeness of pension expense as a risk requiring particular audit attention.

We:

- evaluated the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness;
- gained an understanding of the Fund's system for accounting for pension benefits expenditure and evaluated the design of the associated controls;
- tested a sample of individual pensions in payment by reference to member files;
- rationalised pensions paid with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained

Our work did not identify any significant issues in respect of benefits payable.

3

The valuation of Level 2 investments is incorrect

While Level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly.

We have identified the valuation of Level 2 investments as the risk requiring special audit consideration.

We:

- gained an understanding of the Fund's process for valuing Level 2 investments and evaluated the design of the associated controls.
- reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided by these types of investments.
- for a sample of investments, tested the valuation by obtaining independent information from custodian/manager on unit and on unit prices.

Our work did not identify any significant issues in respect of valuation of Level 2 investments.

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Accounting policies

Accounting area	Summary of policy	Auditor Commentary	Assessment
Revenue recognition	<p>a) Contribution Income</p> <ul style="list-style-type: none"> Normal contributions are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Employer deficit funding contributions are accounted for on the due dates on which they are payable as set by the scheme actuary or on receipt. <p>b) Investment Income</p> <ul style="list-style-type: none"> Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year. Benefits underwritten – The annuity purchased is treated as an investment with income recognised on an accruals basis. 	<ul style="list-style-type: none"> The revenue recognition policies are appropriate for the accounting framework used by the Pension Fund. The accounting policy choices have been complied with in the preparation of the accounts. We have no concerns in relation to the adequacy of the disclosure of accounting policies in place 	 (Green)

Assessment

-  Marginal accounting policy which could potentially be open to challenge by regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Judgements and estimates <div style="writing-mode: vertical-rl; transform: rotate(180deg); position: absolute; left: -40px; top: 50%; font-weight: bold;">Page 52</div>	Key estimates and judgements include: <ul style="list-style-type: none"> – Pension fund liability relating to the discount rate, salary projected increases, changes in retirement ages, mortality rates and expected returns assets, and – Bulk annuity insurance buy-in discount rate underlying the asset valuation based on gilt yield 	<p>The results from our review and testing of the valuation of investments is covered on page 6 of this report above. The fair value of the insurance buy-in has been reviewed and is considered a reasonable estimate.</p> <p>The pension liability is based on your actuary's Barnett Waddingham valuation. We have been provided with assurance that Barnett Waddingham can be relied upon for the purpose of valuing the liability and have reviewed the assumptions. The Pension Fund has reflected the valuation as given to them by the Actuary in their accounts. The accounts have disclosed the nature of the valuation and the fact that the estimate is subject to significant variances based on changes to the underlying assumptions.</p> <p>The bulk annuity insurance buy-in is ultimately derived by the actuary's valuation. We have had our own valuation experts review the information and assumptions used by the actuary and based on this work consider the estimates and judgements used to be reasonable.</p>	 (Green)
Other accounting policies	We have reviewed the Fund's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.	 (Green)
Going concern	The Director of Finance has a reasonable expectation that the Fund will continue for the foreseeable future. Members concur with this view. For this reason, the Fund continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Fund's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2017/18 financial statements.	 (Green)

Assessment

- Marginal accounting policy which could potentially be open to challenge by regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
1 Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with ARAC. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2 Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related parties or related party transactions which have not been disclosed
3 Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4 Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Pension Fund which is included in papers.
5 Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send a confirmation request to your bank. This permission was granted and the request was sent. This request was returned with positive confirmation,
6 Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements
7 Significant difficulties	<ul style="list-style-type: none"> There were no significant difficulties encountered in the audit of your accounts.
8 Matters on which we report by exception	<ul style="list-style-type: none"> We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. Due to statutory deadlines the Pension Fund Annual Report is not required to be published until the 1st December 2018 and therefore this report has not yet been produced. We have therefore not given this separate opinion at this time and are unable to certify completion of the audit of the administering authority until this work has been completed.

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Independence and ethics

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

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

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund and confirm there are none..

Adjusted misstatements

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. There are no adjusted misstatements we are required to report to you.

Unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. There are no adjusted misstatements we are required to report to you.

Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Presentation and disclosure	Various	Various	<p>Our review of the accounts highlighted some minor improvements that were required to be made to the accounts. None of these were individually significant and they have been made to improve the final presentation and aid clarity for the reader. The proposed minor adjustments were agreed with the Fund and changes have been made to the draft accounts submitted for audit.</p> <p>Examples include:</p> <ul style="list-style-type: none"> • Audit fees per Note 11 of £16k to be separately disclosed between audit fees of £21k and PSAA audit fee refund of -£6k. • Financial assets per Note 19 disclosed as net gains at fair value through profit and loss to be separated out into 2 lines to be consistent with the Fund Account. • Amending reference to 'Administrator' to 'Administering Authority' within the Introduction. • Addition of brackets to net assets statement to demonstrate decrease in net assets <p>This is in addition to the need to tidy up formatting, spelling and explanation of complex terms used prior to publication.</p>

Fees

We confirm below our final fees charged for the audit and **confirm there were no fees for the provision of non audit services.**

Audit Fees

	Proposed fee	Final fee
Pension Fund Audit	£21,000	£21,000
Total audit fees (excluding VAT)	£21,000	£21,000

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

Audit opinion

We anticipate we will provide the Pension Fund with an unmodified audit report.

Independent auditor's report to the members of West Midlands Combined Authority on the pension fund financial statements

Opinion

We have audited the pension fund financial statements of West Midlands Combined Authority (the 'Authority') for the year ended 31 March 2018 [set out on pages *** to **] The pension fund financial statements (entitled "West Midlands Integrated Transport Authority Pension Fund") which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2018 and of the amount and disposition at that date of the fund's assets and liabilities,
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the pension fund of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance's use of the going concern basis of accounting in the preparation of the pension fund financial statements is not appropriate; or
- the Director of Finance has not disclosed in the pension fund financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the pension fund financial statements are authorised for issue.

Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages [**xx to xx**] other than the pension fund financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund financial statements or our knowledge of the pension fund of the Authority obtained in the course of our work or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund financial statements the other information published together with the pension fund financial statements in the Statement of Accounts, for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities [set out on page(s) x to x], the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the director of Finance. The Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of pension fund financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund financial statements, the Director of Finance is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the pension fund lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the pension fund.

The Audit, Risk and Assurance Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the pension fund financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these pension fund financial statements.

A further description of our responsibilities for the audit of the pension fund financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Grant Patterson
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Colmore Building, 20 Colmore Circus, Birmingham, B4 6AT

Pensions Committee

5 September 2018

Report title	Budget Monitoring 2018/19 and Quarterly Accounts June 2018	
Originating service	Pension Services	
Accountable employee(s)	Darshan Singh	Head of Finance
	Tel	01902 552768
	Email	darshan.singh@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	rachel.brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Committee is asked to note:

1. The quarterly accounts for West Midlands ITA Pension Fund for the period ending 30 June 2018 which show that:
 - the value of West Midlands ITA Pension Fund at this date was £497 million, an increase of £5 million from 31 March 2018.
2. West Midlands Pension Fund outturn against operating budgets as at the end of June 2018 is an under spend of £1.04 million primarily attributable to lower external investment management costs.
3. The quarterly accounts for West Midlands Pension Fund for the period ending 30 June 2018 are still in the process of being prepared. It is anticipated these will be available for circulation at Committee.

1.0 Purpose

- 1.1 The purpose of this report is to update the Committee on the forecast outturn for the year against operating budgets and quarterly accounts as at the end of June 2018.
- 1.2 The operating budget was approved by the Committee on 21 March 2018.

2.0 Forecast Outturn against Operating Budget 2018/19

- 2.1 The following table sets out the forecast outturn compared with the Fund's operating budget as at the end of the first quarter:

	2017/18 Actual £000	2018/19 Budget £000	2018/19 Forecast £000	Forecast variance £000
Employees	5,579	5,527	5,527	-
Premises	382	221	207	(14)
Transport	65	65	34	(31)
Other Supplies and Services	430	1,177	1,202	25
Professional Fees	1,801	1,171	933	(238)
Communications and Computing	665	534	558	24
Support Services	508	544	544	-
Miscellaneous Income	(810)	(180)	(26)	154
Net Expenditure	8,620	9,059	8,979	(80)
External Investment Management Costs	58,900	65,201	64,243	(958)
LGPS Central Charges	-	4,425	4,425	-
Total	67,520	78,685	77,647	(1,038)
Funded by:				
West Midlands Pension Fund	66,770	77,935	76,897	(1,038)
West Midlands ITA Pension Fund	750	750	750	-
Net Budget	67,520	78,685	77,647	(1,038)

- 2.2 Forecasts have been made using a combination of reviewing spend to date and considering plans for the remainder of the financial year. A prudent approach has been taken in forecasting the cost of those plans and the figures set out above are therefore likely to be subject to change by year end. At this stage of the year, the Fund is holding a forecast of an unchanged budget for staffing. It is recognised that there is likely to be an underspend primarily due to delays in recruiting to vacant posts, however, this is offset by the additional resourcing requirements including an interim finance and admin team meaning that the forecast for staffing spend is being kept constant to allow for the temporary resources to meet immediate needs. It is also recognised that in order to deliver the desired service development and ensure resilience in delivery, for an increasing employer and member base and with additional governance and oversight, the actual staffing budget may need to increase over the original budget estimate during

the year. The Committee will note that there is a separate exempt paper on the structure of the Fund and Service Development.

- 2.3 As at the end of June 2018, external investment management costs are forecast to be £0.96 million under budget reflecting the on-going work to streamline portfolio management arrangements and focus on reducing external investment management costs. However, since these are heavily influenced by market movements and investment performance, this is particularly subject to change during the remainder of the year.
- 2.4 The majority of investment management costs and fees and other costs are deducted at source by fund managers, total external investment management costs for the main fund are forecast to be £68.7 million, as follows:

	Actual 2017/18 £'000	Forecast 2018/19 £'000
External Costs:		
- Invoiced	11,424	13,619
- Deducted at Source	44,643	50,624
- LGPS Central		4,425
Total External Investment Management Costs	56,067	68,668
Internal Investment Management Costs	2,833	2,271
Total Investment Management Costs	58,900	70,939

- 2.5 Cost-per-member is a critical measure for the Fund of its cost-effectiveness. The following table sets out the forecast cost-per-member compared to budget using the three standard headings specified by CIPFA: administration, oversight and governance, and investment management. These figures are stated for West Midlands Pension Fund only reflecting the £150,000 recharge to the ITA Fund. The forecast cost-per-member is lower than budgeted for each of the three headings, but it is recognised that this is subject to change and with additional work required in advance of the actuarial valuation along with data cleansing, the final outturn may not show a reduction on budget numbers. Work is currently underway to refine the resourcing requirements for the remainder of the year:

	2017/18 Actual	2018/19 Budget*	2018/19 Forecast**
Total Administration Costs (£000)	3,826	4,964	4,884
Administration Cost per Member (£)	12.21	15.84	15.38
Total Oversight and Governance Costs (£000)	2,776	3,345	3,345
Oversight and Governance Cost per Member (£)	8.86	10.68	10.54
Number of Members	313,399	313,399	317,481
Total Administration, Oversight and Governance cost per Member (£)	21.07	26.52	25.92
Total Investment Management Costs (£000)	58,900	69,626	68,668
Investment Management Cost per Member (£)	187.94	223.70	216.29
Investment Management Costs as a Percentage of Forecast Net Assets	0.39%	0.43%	0.37%

* As at 31 March 2018

** As at 30 June 2018

2.6 The Fund, like all public-sector bodies, continues to be cost-conscious and keeps its operating costs and procedures under continuous review.

3.0 Quarterly Accounts – West Midlands Pension Fund

3.1 At the time of writing, the quarterly accounts are still being prepared but will be tabled at the meeting. This is due to work taking place on the audit of the final accounts for 2017/18 and some delays in receiving full information for inclusion in the quarterly accounts.

3.2 The estimated value of the Fund at the 30th June was £15.6 billion, an increase of £0.2 billion on the 31st March valuation.

4.0 Quarterly Accounts – West Midlands ITA Pension Fund

4.1 Appendix A provides a Fund Account for the quarter ended 30 June 2018 and a Net Assets Statement as at that date.

4.2 The Net Assets Statement provides a value for the Fund at 30 June 2018 of £497 million. This is an increase of £5 million from the 30 June 2018 value.

4.3 The main reason for the increase in the value of the Fund for the year so far is gains in the value of investment assets (£4.9 million).

5.0 Financial implications

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

6.0 Legal implications

6.1 This report contains no direct legal implications for the authority.

7.0 Equalities implications

7.1 This report has no equalities implications.

8.0 Environmental implications

8.1 This report has no environmental implications.

9.0 Human resources implications

9.1 The report has no human resources implications.

10.0 Corporate landlord implications

10.1 This report has no corporate landlord implications.

11.0 Schedule of Appendices

11.1 Appendix A – West Midlands ITA Pension Fund Quarterly Accounts 30 June 2018.

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WEST MIDLANDS ITA PENSION FUND ACCOUNTS FOR THE QUARTER-YEAR ENDING 30 JUNE 2018

Fund Account

2017/18 £'000		Q1 2018/19 £'000
	Contributions & Benefits	
(11,434)	Contributions Receivable	(2,765)
-	Transfers In	-
(2,756)	Other Income	(704)
(14,190)	Total Contributions and Other Income	(3,469)
29,093	Benefits Payable	7,173
882	Payments To and On Account of Leavers	-
3	Other Payments	-
951	Management Expenses	225
30,929	Total Benefits and Other Expenditure	7,398
	Returns on Investments	
(17,843)	Investment Income	(4,406)
(4,740)	(Profits) and Losses on Disposal of Investments and Changes in Value of Investments	(4,961)
16,689	(Increase)/Decrease in Value of Bulk Annuity Insurance Buy-In	-
(5,894)	Net Return on Investments	(9,367)
10,845	Net (Increase)/Decrease in the Fund During the Period	(5,438)
502,884	Net Assets of the Fund at the Beginning of the Period	492,039
492,039	Net Assets of the Fund at the End of the Period	497,477

WEST MIDLANDS ITA PENSION FUND ACCOUNTS FOR THE QUARTER-YEAR ENDING 30 JUNE 2018

Net Assets Statement

31 March 2018 £'000		30 June 2018 £'000
	Investment Assets (at Market Value)	
250,593	Investment Assets	255,479
238,333	Bulk Annuity Insurance Buy-In	238,333
3,453	Current Assets	4,112
(340)	Current Liabilities	(447)
492,039	Net Assets of the Fund at the End of the Period	497,477

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Pensions Committee

5 September 2018

Report Title	Pensions Administration Report from 1 April to 30 June 2018	
Originating service	Pension Services	
Accountable employee(s)	Mark Smith Tel Email	Benefit Operations and Payroll Manager 01902 551508 Mark.Smith3@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 551715 Rachel.Brothwood@wolverhampton.gov.uk

Recommendation for decision:

The Committee is recommended to:

1. Approve the write-offs detailed in section 9.0 of this report.

Recommendations for noting:

The Committee is asked to note:

1. The applications approved by the Director of Pensions and the Chair or Vice-Chair of Pensions Committee for admission to the West Midlands Pension Fund.
2. The pensions administration activity for both the West Midlands Pension Fund (the Main Fund) and the West Midlands Integrated Transport Authority Fund (the WMITA Fund).
3. The appointment of ITM to support with the reduction in outstanding leaver casework.

1.0 Purpose

1.1 To inform Committee of the work undertaken by the pensions administration service during the period 1 April to 30 June 2018 for both the Main Fund and the WMITA Fund.

2.0 Background

2.1 The Fund provides a pension administration service to its stakeholders, which covers employer, customer and member services, data management, benefit operations, payroll and systems/technical support. A report is provided to Committee on a quarterly basis to cover the activity and performance of these functions during that period.

3.0 Scheme Activity

3.1 Membership movement – Main Fund

3.1.1 The total number of scheme member records in the Fund at 30 June 2018 stands at 317,481, with an overall increase since March 2018 of 4,082. The long-term trend over a 12 year period in membership is set out in (Appendix A) which illustrates a move towards a more mature profile whereby, in general, active, pensioners and deferred membership continues to rise.

	Membership as at 31 st March 2018	Net Movements during the period	Membership as at 30 th June 2018
	Total	Total	Total
Active Members	118,093	2,515	120,608
Deferred Members	103,565	883	104,448
Pensioner Members	91,741	684	92,425
Total Members	313,399	4,082	317,481

3.2 Membership movement – WMITA Fund

3.2.1 The number of scheme member records in the WMITA Fund in all three categories stood at 4,988 on 30 June 2018, 7% are active members, 14% are deferred and the largest group are pensioner members at 79% of the total membership. The Fund is closed to new joiners but active members continue to accrue benefits. Detailed overleaf are current membership numbers showing movements between 31 March 2018 and 30 June 2018

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	Membership as at 31st March 2018			Net Movements during the period			Membership as at 30 th June 2018		
	National Express	Preston Bus Ltd	Total	National Express	Preston Bus Ltd	Total	National Express	Preston Bus Ltd	Total
Active Members	352	0	352	-5	0	-5	347	0	347
Deferred Members	709	13	722	-17	0	-17	692	13	705
Pensioner Members	3,808	115	3,923	11	2	13	3819	117	3936
Total Members	4,869	128	4,997	-11	2	9	4,858	130	4,988

3.3 Workflow statistics – Main Fund

- 3.3.1 The process analysis statistics (Appendix B) show details of overall workflow within the Pensions Administration Service during the period 1 April to 30 June 2018.
- 3.3.2 During the period covered by this report, 39,917 administrative processes were commenced and 34,452 completed. On 30 June 2018 there were 36,756 items of work outstanding. This represents an increase of 3,076 items outstanding compared to 31 March 2018 (33,680). Of the 36,756 items of work outstanding, 3,932 items were pending as a result of information awaited from a third-party e.g. scheme members, employers or transferring authorities. Within pensions administration, 32,824 processes are now either proceeding to the next stage of the process or through to final completion.
- 3.3.3 The number of active processes remains high. From 1 April to 30 June 2018, the Fund has seen an increase in the volumes received. The total number of processes outstanding remains high as part of the increased focus on data quality. Key areas of high volume include early leavers (deferments and refunds) and transfers in and out of the scheme.
- 3.3.4 The Fund has been reviewing the volumes of incoming work and putting in place plans to address key high volume areas. As part of this plan the Fund has engaged with third-party companies through the National LGPS Framework and has appointed a provider for 12-months to support the Fund with specific case work, including processing the increased volume of leaver cases. System development is being investigated in a number of areas to provide longer term, cost-effective support for increasing volumes of benefit processing work.
- 3.3.5 A detailed analysis of the key processes completed across all operational functions e.g. calculating benefits for retirements, pensioner member data changes as well as the maintenance of updating membership details is shown in (Appendix C).

3.4 Workflow statistics – WMITA Fund

- 3.4.1 During the period covered by this report 518 administrative processes were commenced and 488 completed. On 30 June 2018 there were 127 items of work to be processed.

3.5 Key Performance Indicators (KPIs)

- 3.5.1 The Fund uses a number of KPIs to measure performance when processing items such as Transfers In and Out, Retirements and Deferred Retirements.
- 3.5.2 A key area of focus across all teams has and continues to be working to maintain and improve the timely issue of information to members and this is reflected in the notable improvements and achievement of the KPIs. With the exception of April 2018 (where performance of retirement quotes was below target KPIs) performance has returned to above 90%. In line with prior years, April performance is impacted by higher volumes of 31 March retirements and delays in government confirmation and system update of CARE pension relvaution factors. 2018 has however, seen substantially improved performance compared to prior years, due to measures taken by the Fund to enable short term workarounds and increase timely delivery of information to members. For more information on KPIs by process by month over the last year, please see Appendix D.
- 3.5.3 The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014. Regulation 24 – effective 14 May 2018 allows deferred members who left prior to 1 April 2014 access to their deferred benefit from age 55. Since this change the Fund has started to receive an increase in requests for deferred retirement quotations - approximately 25 additional requests per day. This is expected to increase over coming months and normal timescales for completing deferred retirement quotations will be impacted. The Fund was already in the process of investigating development of functionality within My Pensions Portal to enable deferred members to access retirement quotations. This is now being considered as a higher priority.

3.6 Customer services

- 3.6.1 An overview of our front-line customer contact activity is shown in **Appendix E**. 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 – we have seen an increase in contact from members across most channels (phone, email, post, reception visits) compared to the same period in 2017.
- 3.6.3 The most popular queries to our contact centre include:
- Pensions Portal support
 - Updating personal details
 - Following up on an existing Fund process
 - Fund Letter/Form support

The Fund is exploring ways in which efficiencies can be identified to manage the customer contact received. Potential improvements in both our systems and internal processes are being investigated with improvements planned as part of the Fund's Digital Transformation Programme and through the Fund's internal website review project.

- 3.6.4 In June, the first Deferred Benefit Statement email alert was issued to deferred members along with a Pensions Portal promotion. This generated an increase in customer contact predominately for Pensions Portal support as more members were using this channel to

contact the Fund. As a result of this feedback, the website has been updated to include a 'Pensions Portal Guidance & Support' page. This page, complete with FAQs, guides and videos which will be promoted on future mailings that promote the Pensions Portal, allowing members to self-serve should they wish to do so.

3.6.5 All pension fund enquiries received are acknowledged or responded to by the Customer Services team. The general enquiry emails which aren't resolved immediately are referred to the relevant specialist area and/or are added to an existing benefit operation/payroll process as they require action or more detailed investigation.

4.0 IDRP (Internal Dispute Resolution Procedure) casework

4.1 In the 2018/2019 financial year there has been one case referred to Stage one of the procedure against the Fund, this case has been subsequently dismissed.

4.2 Two cases have been received for Stage two investigation against the employers, which includes one new case received during the reporting period. Overall one case has been dismissed. One case is under investigation.

4.3 The case dismissed at stage two against the employers related to the following pension issues:

- Terms of leaving employment and early access to retirement benefits.

5.0 Death grant

5.1 In this financial year no new cases have been referred to the Legal Department for consideration. These are being reviewed on a case by case basis in line with the agreed policy and case matrix.

6.0 Employer membership

6.1 The Main Fund continues to see an overall upward trend in employer numbers, with an increase of 8 employers over the previous quarter, due mainly to the establishment of academies and outsourced local government contracts, with 20 new organisations being admitted during the period 1 April to 30 June 2018. The current number of employers as at 30 June is 630. The level of on-going work being processed at the end of the period is as follows: -

- 102 admission agreements
- 22 academies
- 51 employer terminations

7.0 Application for admission body status

7.1 Organisations must satisfy one or more of the admission criteria before they can be admitted to the Main Fund following Pensions Committee approving the applications. Sometimes a decision is required which is not compatible with the cycle of Pensions Committee meetings. In these circumstances, Pensions Committee has delegated responsibility for approving such applications to the Director of Pensions in consultation with the Chair or Vice Chair of Pensions Committee.

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7.2 There have been 20 approvals requested from Committee in regard to applications for admission to the West Midlands Pension Fund, which have been approved by the Director of Pensions and either the Chair or the Vice-Chair of Pensions Committee.

Employer name	Guarantee Status (Agreement)	No of employees (Scheme members) Agreement type	Status
Accuro FM Ltd (Hodge Hill Girls School)	Birmingham CC	11 (11) Closed	Approved
Accuro FM Ltd (Hall Green Secondary School)	Hall Green Secondary School	6 (5) Closed	Approved
Arden Services (UK) Ltd (Birchfields Junior and Infant School)	Birmingham CC	7 (7) Closed	Approved
Arden Services (UK) Ltd (Highfields Junior and Infant School)	Birmingham CC	7 (6) Closed	Approved
Change, Grow, Live Ltd (Walsall MBC)	Walsall MBC	6 (6) Closed	Approved
ICE Creates Ltd (Coventry CC)	Coventry CC	3 (3) Closed	Approved
KWB Corporate Cleaning Ltd (Elms Farm Primary School)	Birmingham CC	1 (1) Closed	Approved
KWB Corporate Cleaning Ltd (Rubery Nursery School)	Birmingham CC	2 (2) Closed	Approved
Miquill Catering Ltd (Rednal Hill)	Birmingham CC	7 (5) Closed	Approved
Premier Support Services Ltd (Christchurch Primary School)	Sandwell MBC	2 (2) Closed	Approved
Premier Support Services Ltd (Severne Primary School)	Birmingham CC	3 (3) Closed	Approved
Superclean Services Wothorpe Ltd (Lyndon Academy)	Ninestiles Academy Trust	3 (2) Closed	Approved

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Tenon FM Ltd (Bournville Junior and Infant School)	Birmingham CC	3 (3) Closed	Approved
Aramark Ltd (Walsall College)	Walsall College	3 (3) Closed	Approved
Genie Cleaning Services Ltd (Chilwell Croft Academy)	Equitas Academies Trust	2 (2) Closed	Approved
Genie Cleaning Services Ltd (Springfield Primary School)	Birmingham CC	4 (4) Closed	Approved
Genie Cleaning Services Ltd (St Bernadette's Primary School)	Birmingham CC	4 (4) Closed	Approved
KWB Corporate Cleaning Ltd (Gilbertstone Primary School)	Birmingham CC	2 (2) Closed	Approved
OCS Group UK Ltd (Heath Park and St Matthias)	Wolverhampton CC	Unknown Closed	Approved
Premier Support Services Ltd (Lady Pool Primary School)	Birmingham CC	Unknown Closed	Approved

8.0 Pensions in payment

8.1 Pensions in payment – Main Fund

The gross annual value of pensions in payment for the Main Fund to June 2018 was £471.6m, £16.5m of which (£8.0m for pensions increase and £8.5m for added year's compensation) was recovered from employing authorities and other bodies as the expenditure was incurred.

8.2 Monthly payroll details for the Main Fund were:

Month	Number	Value £
April 2018	77,079	33,624,274
May 2018	77,315	34,341,903
June 2018	85,203	35,013,380

The June figure includes pensioners paid on a quarterly basis.

8.3 Pensions in payment – WMITA Fund

The gross annual value of pensions in payment for the WMITA Fund to June 2018 was £25.5m, of which no further recharges for added year's compensation will be made to employing authorities and other bodies as the member and beneficiary are deceased.

8.4 Monthly payroll details for the WMITA Fund were:

Month	Number	Value £
April 2018	3,852	1,908,734
May 2018	3,859	1,941,290
June 2018	3,927	1,948,216

The June figure includes pensioners paid on a quarterly basis.

9.0 Write-off policy decisions

A write-off relates to pensions overpaid to members, after following the debt recovery policy, these cases become uneconomical to pursue or the estate has insufficient funds to recover. In general, an overpayment is generated by late notification of death of members.

A write-on relates to monies due to the members estate in order to make pension payments up to date of death. After correspondences, the legal representative is untraceable or does not wish to claim the funds.

9.1 Write-off analysis

The following write-offs of pension payments are reported in line with the Fund's policy:

Individual Value	Main Fund		WMITA Fund	
	Number	Total	Number	Total
Less than £100	0	0	0	0
£100 - £500	12	£2,418	0	0
Over £500	4	£4,064	0	0
TOTAL	16	£6,482	0	0

9.2 Write-on analysis

Individual Value	Main Fund		WMITA Fund	
	Number	Total	Number	Total
Less than £100	2	£22	0	0
£100 - £500	0	0	0	0
Over £500	2	£917	0	0
TOTAL	4	£939	0	0

10.0 My Pensions Portal and Employer Web

- 10.1 Work is continuing to increase awareness of the My Pensions portal facility for members and Employer Web for employers. There are as at 30 June 2018, over 62,555 members registered to use the web-portal. Between the period 1 April to 30 June 2018, 5,310 members initiated web registrations (778 of which have not activated their accounts). A breakdown of those registered and authenticated between the Main Fund and WMITA is provided below:

Registered
WMITA - 857
WMPF – 61,698

Since the relaunch of My Pensions Portal there has been a marked increase in member registrations.

11.0 Transfer Out Cases

- 11.1 Transfer values over recent years have become a topical issue due to the introduction of Freedom and Choice on 6 April 2015. Freedom and Choice has been introduced in order to give members of defined contribution pension arrangements more flexibility around how they can access their pension benefits. The LGPS is a defined benefit scheme and is covered under the legislation to the extent that protections are included to help safeguard members benefits when members may be considering transferring from a defined benefit to a defined contribution arrangement. An example of this is the requirement that on transfers above £30,000, independent financial advice must be obtained before a transfer can proceed.
- 11.2 During the period 1 April to 30 June 2018, 342 transfer values were issued to members considering transferring their benefits out of the scheme.
- 11.3 Over recent months there has been increased focus by both the Pensions Regulator and the Financial Conduct Authority on the risk of fraud in transfers. This can often take the form of cold calling, promises of high or guaranteed returns, “free” pension reviews or early access to pensions, i.e. before minimum pension age of 55. The Fund takes a number of measures to ensure members have information in order to make an informed decision on whether to transfer of their benefits. The Fund provides as part of the standard information with all transfer quotations a copy of the Pension Regulators guidance on how to avoid scams. Members are sign posted to free independent and impartial bodies such as the Pensions Advisory Service. The Fund undertakes a number of checks to ensure that any schemes to which transfers take place are registered under the Finance Act 2004, that schemes are registered with HMRC and have the appropriate tax reference number. Where independent financial advice is provided, the FCA register is checked to see if that adviser is permitted to give advice regarding pension matters. Any suspected scams identified are flagged to the Governance team at the Fund for further investigation.

- 11.4 In total 65 transfer payments made during the period 1 April 2018 to 30 June 2018 resulting in a total amount transferred of £4,377,458 (previous 1 April 2017 to 30 June 2017 a total of £10,524,038 was transferred out) This amount is broken down as follows:

Value of Transfer Payments	Number of Transfer Payments
0 to £30,000	36
£30,001 to £100,000	13
£100,001 to £200,000	8
£200,001 to £300,000	6
£300,001 to £400,000	2
£400,001 to £500,000	0
Above £500,001	0
Total	82

12.0 Financial implications

- 12.1 The report contains financial information which should be noted.
- 12.2 Employees of organisations who become members of the Local Government Pension Scheme will contribute the percentage of their pensionable pay as specified in the Regulations. The Fund's actuary will initially, and at each triennial valuation, set an appropriate employer's contribution rate based on the pension assets and liabilities of the individual employer.

13.0 Legal implications

- 13.1 The Fund on behalf of the Council will enter into a legally binding contract with organisations applying to join the Local Government Pension Scheme under an admission agreement.

14.0 Equalities implications

- 14.1 This report has implications for the Council's equal opportunities policies, since it deals with the pension rights of employees.

15.0 Environmental implications

- 15.1 The report contains no direct environmental implications.

16.0 Human resources implications

- 16.1 This report has implications for the Council's human resources policies since it deals with the pension rights of employees.

17.0 Corporate landlord implications

- 17.1 The report contains no direct corporate landlord implications.

18.0 Schedule of background papers

18.1 None.

19.0 Schedule of appendices

19.1 Appendix A: Overall membership numbers

19.2 Appendix B: Process analysis

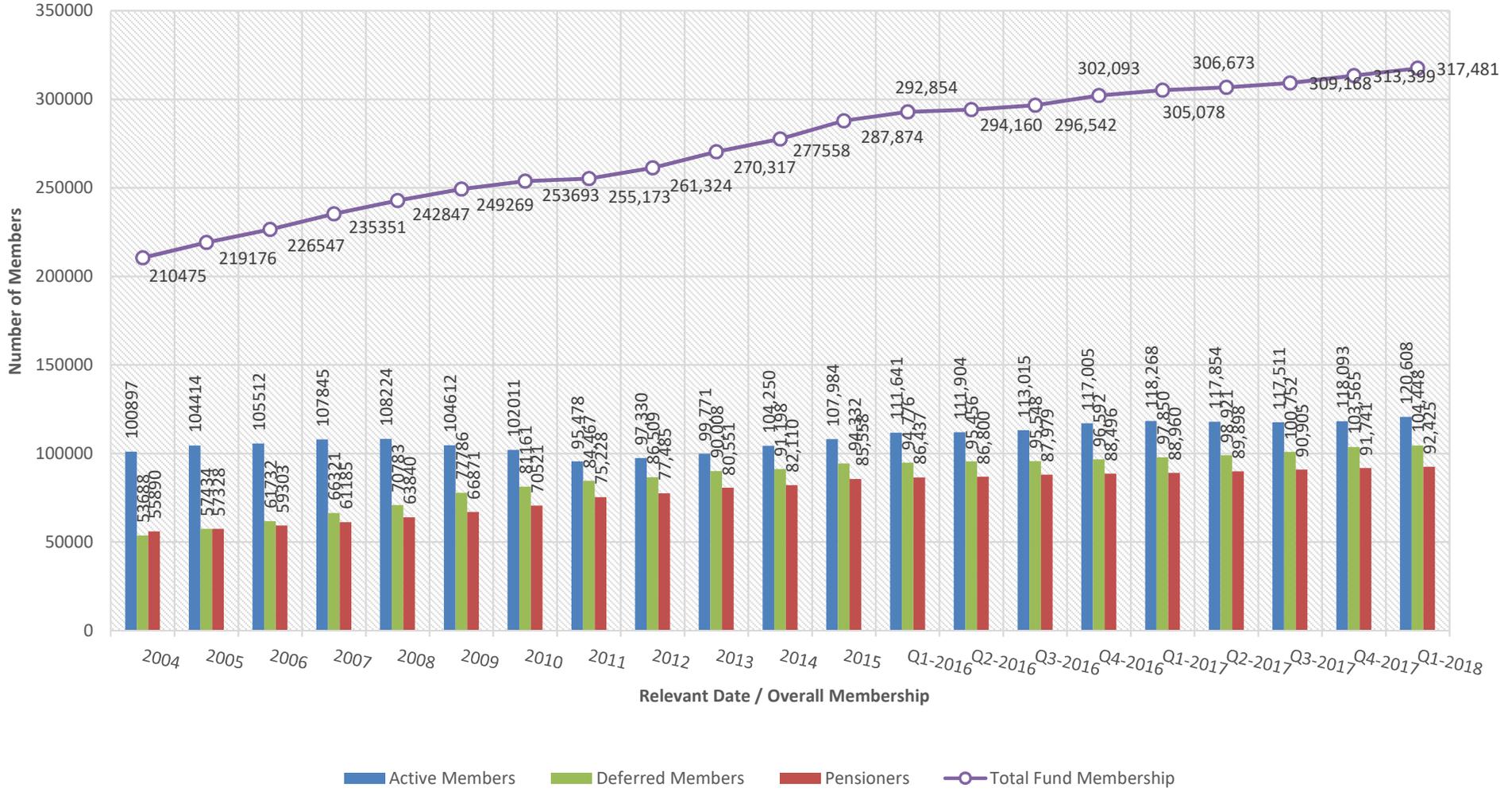
19.3 Appendix C: Detailed process analysis

19.4 Appendix D: Key performance indicators (KPIs)

19.5 Appendix E: Customer service statistics

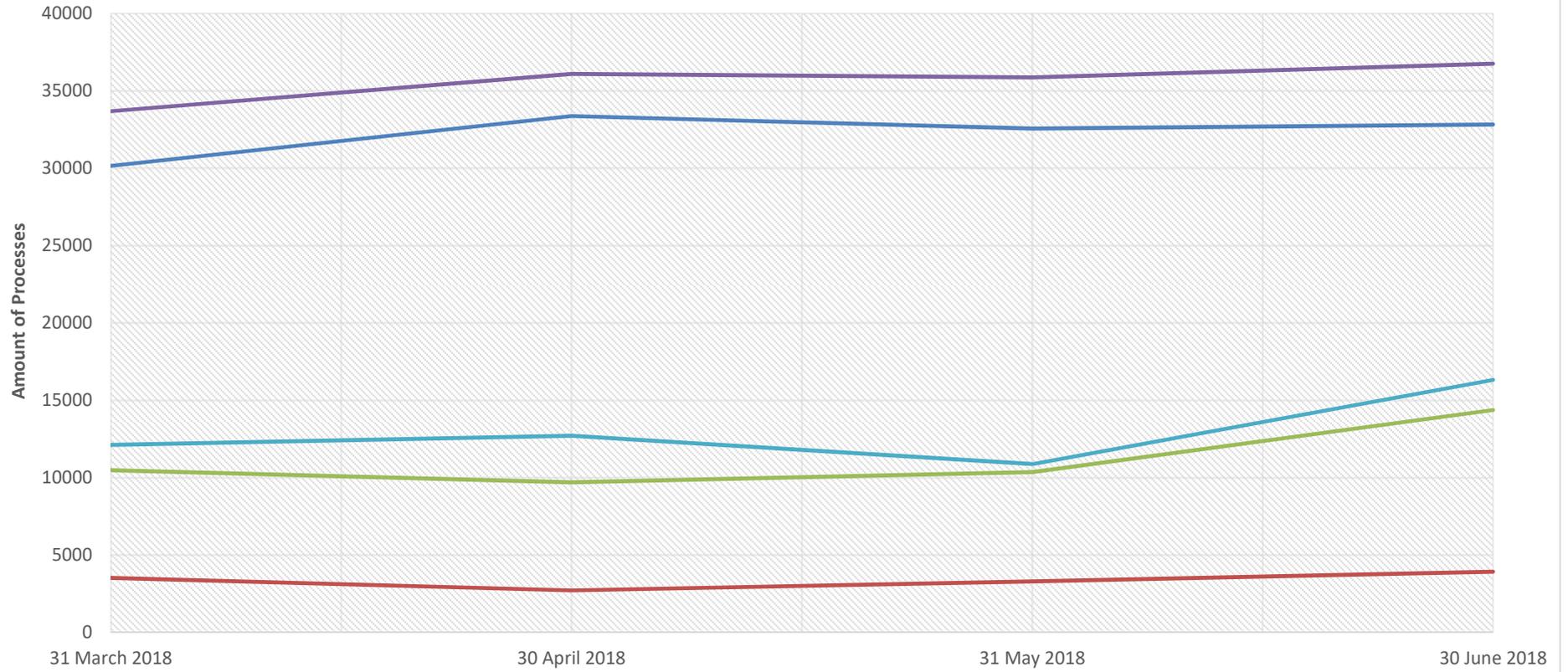
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Overall Membership West Midlands Pension Fund Membership Statistics as at 30 June 2018



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Process Analysis



Processes Completed Overall Processes Outstanding Processes Originating Active Processes Outstanding Pending Processes Outstanding

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Pension Committee Statistical Report
Detailed Process Analysis

Appendix C

2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	April	May	June	YTD
---------	---------	---------	---------	---------	---------	---------	---------	-------	-----	------	-----

Active & Deferred members

Process type												
Joiners and Rejoiners (Bulk)	8,763	6,403	11,138	13,558	9,816	16,688	20,227	17755	2800	1916	2237	6953
Changes in circumstances eg change in hours	18,759	15,303	12,385	11,273	6,391	8,752	6,370	5386	367	316	388	1071
Deferments	5,939	7,818	5,741	6,728	5,664	8,340	8,178	8629	378	491	2278	3147
Active Retirements (Employer retirements)	3,317	3,950	2,475	2,279	2,351	2,775	2,593	2676	157	190	224	571
Deferred Retirements	3,332	2,970	2,971	2,726	2,301	3,421	3,552	4429	432	355	423	1210
Deaths of members	295	262	287	285	230	379	399	470	28	35	34	97

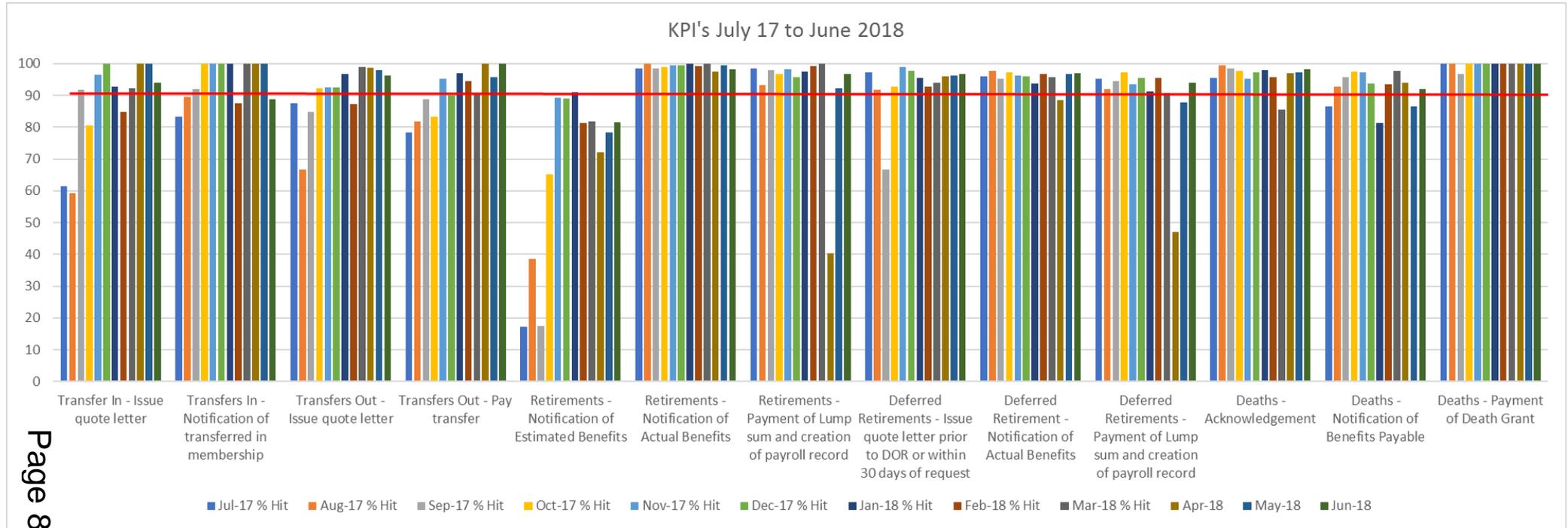
Page 85

Pensioner members

Process type												
Changes in circumstances:-												
Data eg Passwords, NI Numbers	1,310	1,804	1,865	2,017	2,604	4,548	2,427	3105	291	252	219	762
Changes of Address	2,420	2,681	2,131	1,732	1,733	2,237	2,589	3004	283	309	212	804
Changes of Bank	2,927	2,531	2,783	3,420	3,281	1,573	2,272	2214	182	182	182	546
Deaths of pensioners	2,085	2,145	2,101	2,546	2,454	1,702	2,813	2919	253	216	213	682

Payroll							Total	Total	Monthly	Monthly	Quarterly	
Actual number paid	792,724	837,189	870,804	895,018	913,864	888,954	915,275	945,196	77,079	77,315	85,203	239,597

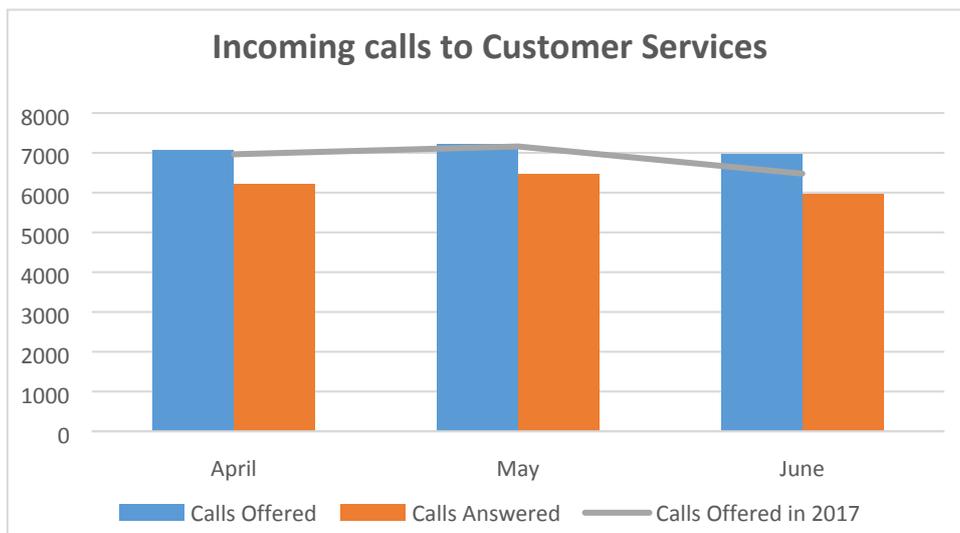
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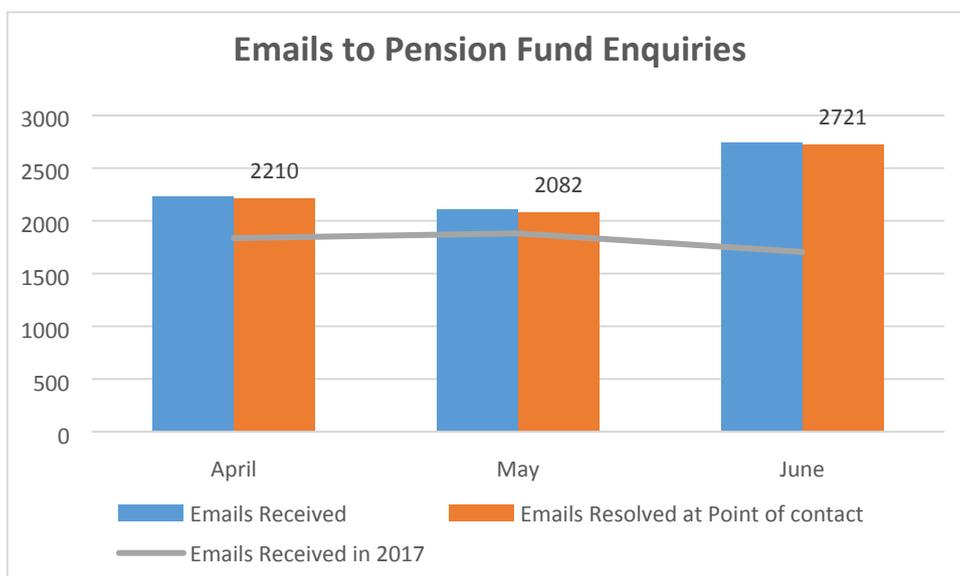
Key areas to note over the previous 12 months include the following:

- Transfers In issue quote letter has been consistently maintained above 80% since September 2017.
- Transfers In notification of transferred membership has been maintained at 100% for 7 of the last 12 months.
- Transfers Out pay transfer has been maintained above 90% since November 2017.
- Transfers Out issue quote has been maintained above 85% since September 2017.
- Retirements - Payment of Lump sum and creation of payroll record have been maintained at above 90% with the exception of April 2018 where it dropped to 40.32%
- Deferred Retirements - Payment of Lump sum and creation of payroll record have been maintained at above 90% with the exception of April 2018 where it dropped to 47.06% .
- Deferred Retirement - Notification of Actual Benefits have been maintained through the 12 month period at above 85%.
- Deaths – Payment of Death Grant has been maintained at 100% for the last 12 months.

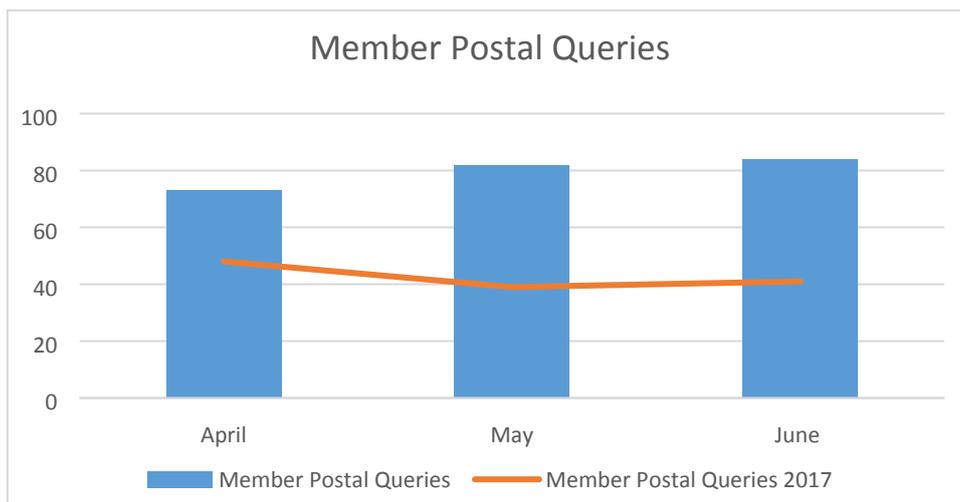
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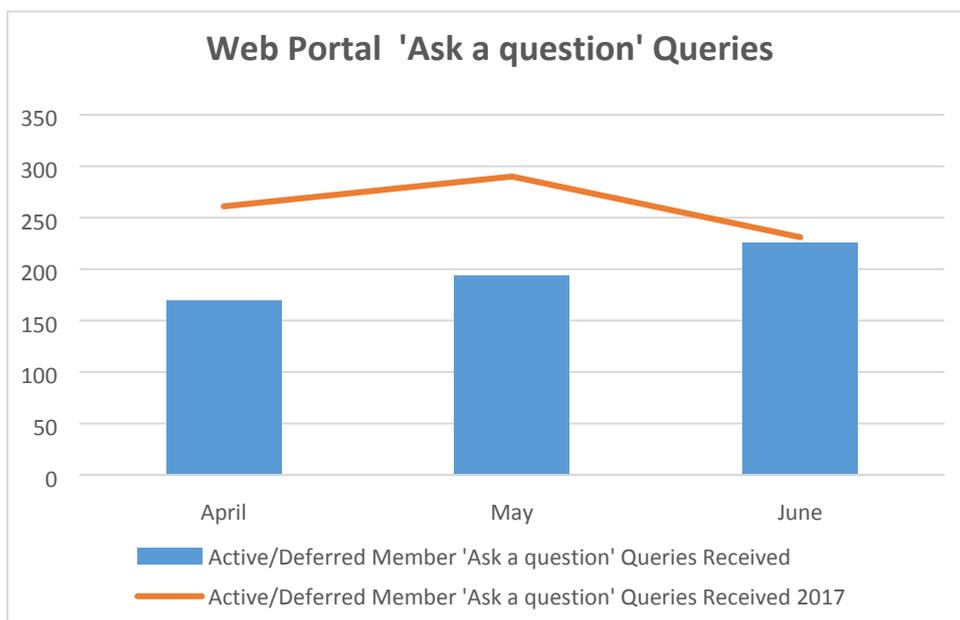
	April	May	June
Calls Offered	7055	7224	6968
Calls Answered	6216	6477	5968
Calls Offered over same period in 2017	6964	7160	6477
Answer Rate (Target 85%)	88.11%	89.66%	85.65%



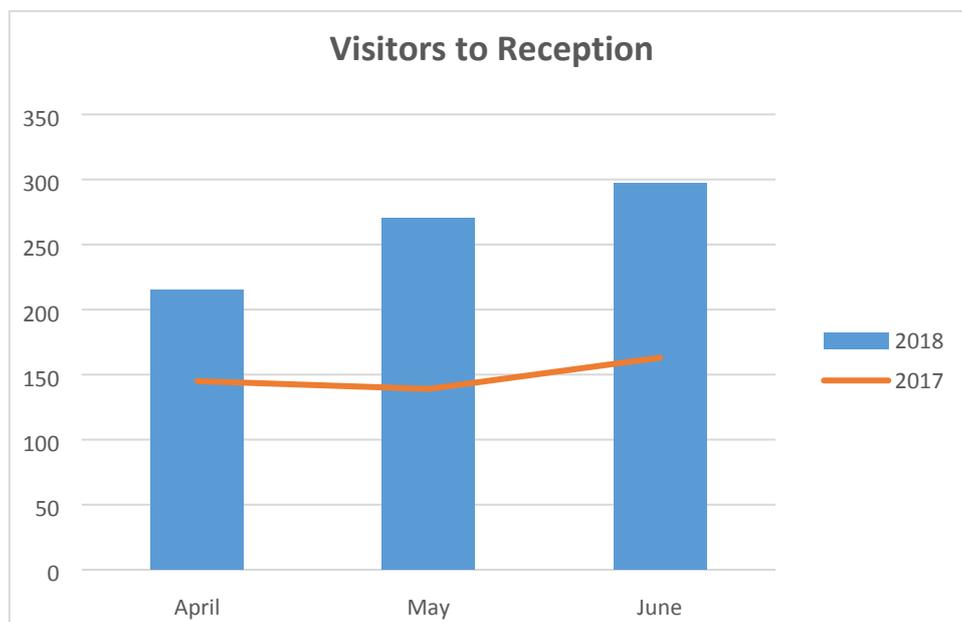
	April	May	June
Emails Received	2227	2104	2742
Emails Resolved at Point of contact	2210	2082	2721
Emails Received in 2017	1836	1881	1705
% of emails resolved at point of contact	99.23%	98.95%	99%



	Member Postal Queries	Member Postal Queries 2017
April	73	48
May	82	39
June	84	41



	Active/Deferred Member 'Ask a question' Queries Received	Active/Deferred Member 'Ask a question' Queries Received 2017
April	169	261
May	194	290
June	226	231



	April	May	June
Visitors to Reception 2017	145	139	163
Visitors to Reception 2018	215	270	297

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Pensions Committee

5 September 2018

Report Title	Customer Engagement Update	
Originating service	Pension Services	
Accountable employee(s)	Simon Taylor Tel Email	Head of Pensions 01902 554276 Simon.taylor2@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 551715 Rachel.brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Committee is asked to note:

1. The engagement activity and informed service development.

1.0 Purpose

- 1.1 To provide Committee with an update of the Fund's customer engagement activity from 1 April to 30 June 2018, in line with its 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.
- 2.2 This report summarises engagement activity and the service development this is driving.

3.0 Engagement within this reporting period

- 3.1 The Fund has undertaken a wide range of proactive engagement with our customers and other stakeholders during the period 1st April 2018 to 30th June 2018. In terms of the number of members covered, this represents a **68%** increase on the same period last year, which reflects the appetite for these services from members and the activity of the team. A summary is provided below.
- 3.2 In total, the Member Services team has assisted **2118** members with pension related information over the period 1st April 2018 to 30 June 2018. This engagement includes presentations delivered to **978** attendees held at a variety of different employers, including the district councils, universities, schools/academies and other admitted bodies.
- 3.3 The feedback from these presentations was **45.61%** of the members rated them as excellent, **41.59%** as very good, **11.83%** as good, **0.97%** as satisfactory. Further detail on the feedback can be found in appendix A with a summary of the scope of these events covered in appendix B and C.
- 3.4 Between April 2018 and June 2018, the Fund provided **5** satellite support events to hard to reach areas across **5** locations in Wolverhampton, Walsall, Smethwick, West Bromwich and Birmingham to **60** scheme members. These have included library staff, school staff and Police support staff.
- 3.5 Further support has also been provided to members either through drop in sessions or scheduled one to one support sessions. In total, additional support was delivered to **175** members on an individual basis.
- 3.6 The Fund has developed an induction programme available for all participating employers upon invitation. During this quarter we have arranged such an event at Walsall MBC to educate their new starters of the benefits of the LGPS as part of their induction programme.

3.7 The Fund has been invited to attend a number of events being held by Academy & Schools Business Managers (SBM). During this quarter this has included the Association for Wolverhampton SBM, Birmingham SBM and Solihull SBM. The Funds presentation covered a variety of subjects including funding, administration and pensions portal promotion. The Fund received positive feedback and also a request to develop an employer web pack to increase accessibility of support for new employers

3.8 “My Pensions” portal promotion

3.8.1 To contribute towards the drive to promote the new member pensions portal, the Fund has implemented a new theme “*Be Pension Smart! – take control of your benefits*” and during this reporting period has organised pension portal drop in sessions across the region assisting **248** members register for pensions portal. Events have been delivered at **6** locations, Wolverhampton Homes, Birmingham City Council, Solihull MBC, Walsall MBC, City of Wolverhampton Council and Coventry City Council.

3.8.2 The Fund has used a range of marketing techniques to advertise the portal and is actively monitoring the impact on take-up.

3.8.3 There are now over 62,000 members registered and accessing information about their benefits using the pension-portal facility. This is an increase of c25,000 since the launch of the new platform late August 2017.

3.9 Employer Coaching

3.9.1 One of the Fund’s objectives is to partner for success, of which a key element are our customers. The Fund’s Pensions Administration Strategy (PAS) sets out the roles and responsibilities for both the Fund and our participating employers. In order to provide employers with the required support and guidance to help them meet these responsibilities, the Fund provides employer coaching sessions, with a planned schedule of events set out for each calendar year.

3.9.2 At the most recent employer coaching session held on 13 June 2018, there were 13 attendees representing 10 employers. Feedback was positive with 70% of attendees rating the session as excellent. Furthermore, the feedback showed participants found the following sections the most beneficial to them:

- Calculating pay and benefits
- Monthly Data Collection process

3.9.3 We are now exploring the possibility of creating videos / webinars focusing initially on the above elements in order to enable us to cascade these education sessions to a wider section of our employer base.

3.9.4 Aligned to the Funds objective to increase its communication with individual employers on performance and data quality and serving as an extension of the employer coaching programme, a number of bespoke employer meetings have been held during the reporting period. The aim of such meetings is to discuss data improvement tailored to each employer to ensure there is continual improvement in line with the Pension Regulator's Common and Conditional data requirements, as well as processing timeliness and accuracy.

3.10 Employer Peer group

3.10.1 Aligned to the Fund's objective to partner for success, the Fund holds an Employer Peer Group every three months.

3.10.2 The employer peer group provides the Fund with valuable feedback and allows the Fund an opportunity to trial new initiatives, procedures and ideas, before implementation, to assist both member processing efficiencies and employer performance.

3.10.3 The most recent Employer Peer Group meeting held on 5th June 2018, was attended by 8 employer representatives.

3.10.4 A number of topical issues were covered including:

- Consultation on the 2018 draft Pensions Administration Strategy.
- Presenting of the draft Employer Engagement Roadmap
- Discussion of the upcoming 2018 Employer Survey
- LGPS Amendment Regulations

4.0 Employer & Member Surveys

4.1 Employer Survey 2018

The annual survey has now been issued to all employers with the final deadline for responses set mid-August 2018. This year's survey includes core questions (used for trend analysis), with the purpose of obtaining feedback on each of the Funds various functions and the extent to which support tools available to employers are being utilised. In addition to this, a section specific to the implementation of Monthly Data collection has been included

4.2 The results of the 2018 survey will be shared with employers at the AGM in November 2018 together with a proposal of the Funds planned improvements on review of the results, and summarised for Committee at the December meeting.

4.3 Member Surveys

The rolling online member survey available through the Fund's website, has continued to provide us with a stream of member feedback.

4.4 In June, the first Deferred Benefit notification email was issued to members which also advertised the Pensions Portal and the online survey. The results have identified the difficulty that some members are having in accessing their Pension Portal account and this feedback will be used to shape Portal improvements through our Digital Transformation Programme. The survey wasn't completed by any customers during April and May, which suggests that the survey needs to be re-located to a focal point of the website.

4.5 A revised version of online survey will be updated shortly, with the aim of obtaining feedback on the customer's overall experience with the Fund, on their latest interaction with us (and the identification of that interaction), and on the various communication channels the Fund offers. As a result, we expect to receive quantifiable data that we can use to monitor trends and shape services in these areas in line with our objective to improve outcomes for customers.

5.0 Communications & Publications

5.1 During the reporting period, the Fund has compiled and provided a number of new and revised publications. The communications have been produced in line with the Fund's objective of engaging to improve outcomes for our customers through provision of key guidance, messaging and support. The Fund endeavours to ensure it is at the forefront of integrating the latest industry practice and guidance into its communications, whilst also tailoring the information it provides based on feedback from its customers, and, where possible, introduces new publications based on their requirements

- **Disclosure requirements**

In order to comply with disclosure requirements as a result of the LGPS Amendment Regulations 2018 on the 14 May 2018, the Fund has worked in partnership with several other Funds and the LGA to design appropriate member communications, explaining the potential impact of such changes on their benefits

- **Customer Engagement Strategy**

Aligned to the Fund's Customer Engagement Strategy, the Fund has provided presentations and additional support to a number of employers via group forums, therefore maximising the reach of this engagement. These group forums include the Academy & Schools Business Managers Meeting (Wolverhampton) on the 25th April 2018 and Academy & Schools Business Managers Meeting (Birmingham) on the 21st June 2018. These presentations featured new interactive sessions, encouraging the participants to consider and discuss issues for themselves.

- **Deferred benefit statement provision**
The Fund produced its annual Deferred Benefits Statements for just over 90,000 members. A bulk email informing member's that their statement could be viewed on pensions portal was issued and was complemented with further support and tool kits being made available for members use.
- **Supporting employer change**
Following the merger of Stratford College into the West Midlands Pension Fund, all of the deferred members who transferred over were issued with an annual deferred benefits statement in July.

6.0 Pension Roadshows

- 6.1 As part of the Funds communication plan, the Fund provides face to face support on the pension roadshow vehicle. This enables the Fund to actively engage with its membership across the West Midlands, increasing awareness of the LGPS and its benefits and promoting the Fund's member pensions portal expanding the scope for self-service. The Fund also receives valuable feedback from these events to help shape future service delivery.
- 6.2 During this reporting period **14** roadshow events have been delivered across a variety of locations which supported **657** members. These locations included Depots, Schools, Colleges and Universities. Please see appendix E for feedback.
- 6.3 The Fund has secured dates in September and October to provide events throughout the West Midlands region with delivery of our autumn annual roadshows.

7.0 Support & communication on the horizon over the next quarter

- 7.1 The Fund will be providing various support and communication to its customers and stakeholders in the near future, which will be covered in future Committee reports. This range of activity extends from working with LGA and other funds on development of benefit statement content for 2019 to the provision of active and deferred member newsletters.
- 7.2 The Fund will also continue to focus on extending reach and accessibility of support for member and employers through online services.

8.0 Mid-Year Review / Annual General Meeting

- 8.1 The Fund held its employer Mid-Year Review at the Molineux Stadium on 15th May 2018, to which all participating employers were invited. The Fund had around 80 attendees across a wide cross-section of the employer base, including local authorities, the education sector (higher education, further education and academies), housing associations, private and voluntary sector organisations. A variety of topics were delivered to ensure the event was informative and tailored using feedback received by

employers from previous events. Two external speakers to were involved, an economist and the Pensions Regulator. Feedback from the event can be found in Appendix D.

8.2 The Fund has set a date for our Annual General Meeting which will be held at the WV1 Bar at the Molineux Stadium on the 13 November 2018. Preparation for this event is underway.

9.0 Financial implications

9.1 The report contains no direct financial implications

10.0 Legal implications

10.1 The report contains no direct legal implications

11.0 Equalities implications

11.1 The report contains no direct equalities implications.

12.0 Environmental implications

12.1 The report contains no direct environmental implications.

13.0 Human resources implications

13.1 The report contains no direct human resources implications.

14.0 Corporate landlord implications

14.1 The report contains no direct corporate landlord implications.

15.0 Schedule of appendices

15.1 Appendix A: Member Services feedback

15.2 Appendix B: Member Services events covered 1 April to 30 June 2018

15.3 Appendix C: Member Services events attendance levels

15.4 Appendix D: Feedback from MYR

15.5 Appendix E: Pensions Roadshows feedback

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Member Services Team – Presentation Feedback April to June 2018

Members feedback on the following areas

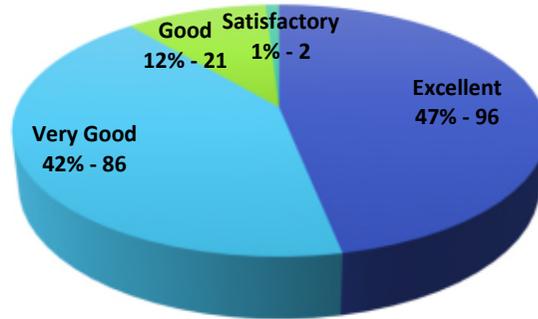
99.5% of Members confirmed presenter could answer all queries

100% of Members confirmed that they would recommend the presentation to a colleague

205 – Members surveyed April to June 2018

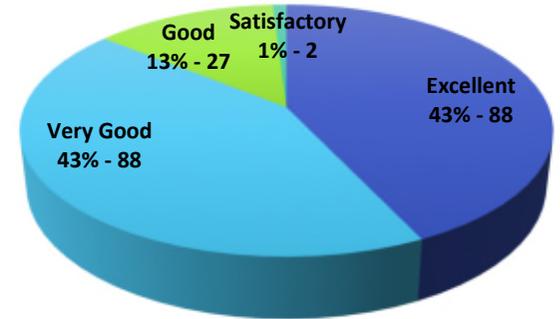
100% of Members were satisfied or more with the service provided by the Member Services Team

Style of Presenter/Approach



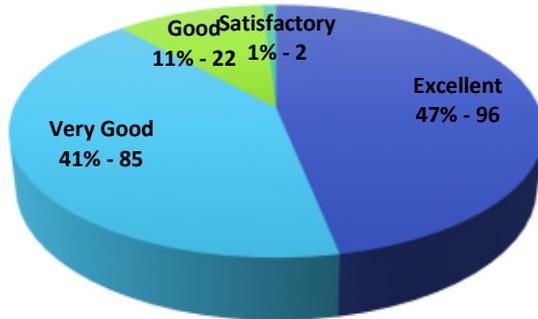
■ Excellent ■ Very Good ■ Good ■ Satisfactory ■ Poor

Structure and pace



■ Excellent ■ Very Good ■ Good ■ Satisfactory ■ Poor

Clarity of Delivery



■ Excellent ■ Very Good ■ Good ■ Satisfactory ■ Poor

Presentation Slides/Relevance



■ Excellent ■ Very Good ■ Good ■ Satisfactory ■ Poor

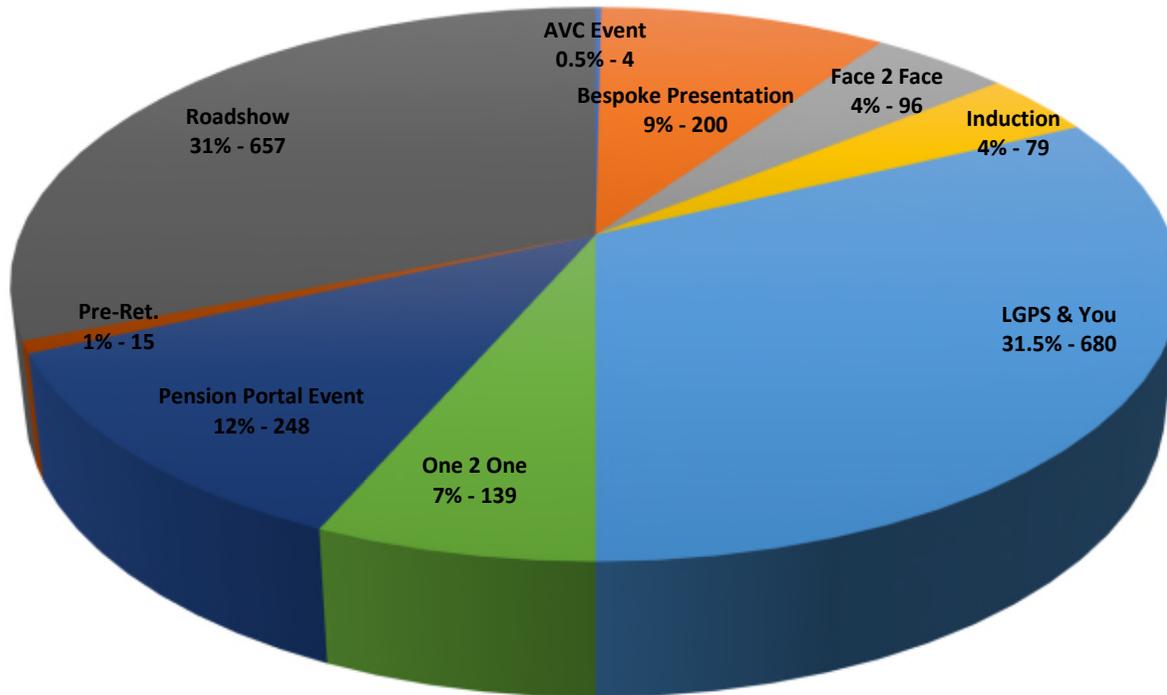
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Member Services Team Stats - Events attended

1st April 2018 to 30th June 2018

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- AVC Event
- Bespoke Presentation
- Face 2 Face
- Induction
- LGPS & You
- One 2 One

Event Type	Attendance
AVC Event	4
Bespoke Presentation	200
Face 2 Face	96
Induction	79
LGPS & You	680
One 2 One	139
Pension Portal Event	248
Pre-Ret.	15
Roadshow	657
Total	2118

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Appendix C: Member Services Team – event attendance levelsJoint Fund & Prudential Events delivered

Date	Venue	Attendees
09/04/2018	Walsall MBC	4
	Total Attendees	4

Satellite Support Delivered

Date	Venue	Attendees
05/04/2018	City of Wolverhampton Council	12
02/05/2018	Walsall MBC	15
07/06/2018 & 19/06/2018	Sandwell MBC	18
20/06/2018	West Bromwich Police	13
	Total Attendees	58

Roadshow Events Delivered

Date	Venue	Attendees
18/04/2018, 24/04/2018, 26/04/2018, 27/04/2018	Birmingham City Council	198
19/04/2018, 20/04/2018, 23/04/2018	Dudley MBC	177
17/04/2018	Coventry City Council	72
25/04/2018	Walsall MBC	40
30/04/2018	Wolverhampton Homes	60
21/05/2018	The Streetly Academy	17
26/06/2018	Halesowen College	27
27/06/2018	Sandwell College	24
28/06/2018	Stratford College	20
	Total Attendees	635

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EVENT FEEDBACK



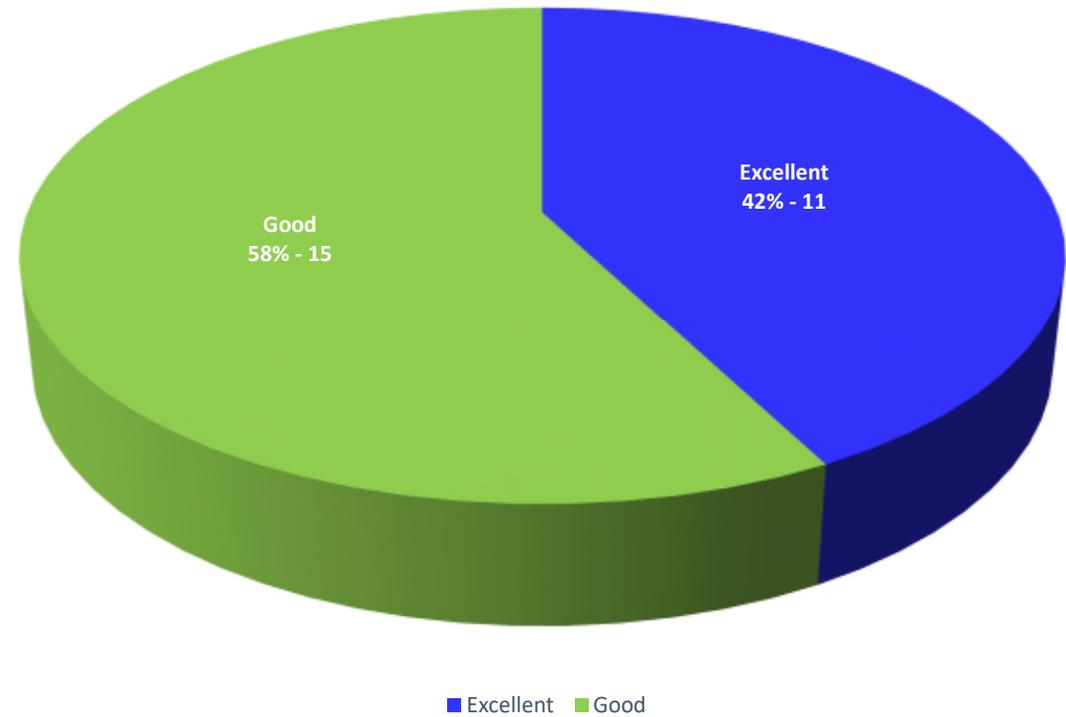
APPENDIX D

How would you rate the employers' mid-year review?



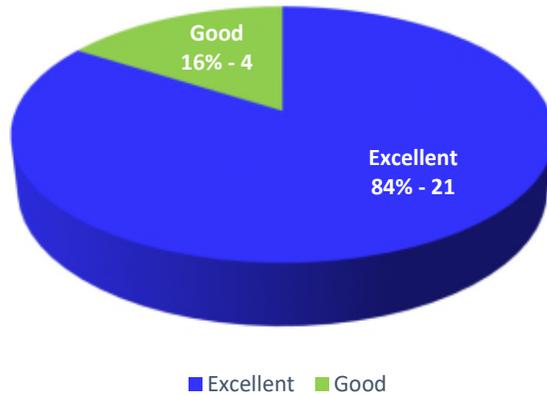
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Excellent	11
Very Good	0
Good	15
Satisfactory	0
Poor	0



Employers' were asked to rate the following:

Ease of registration



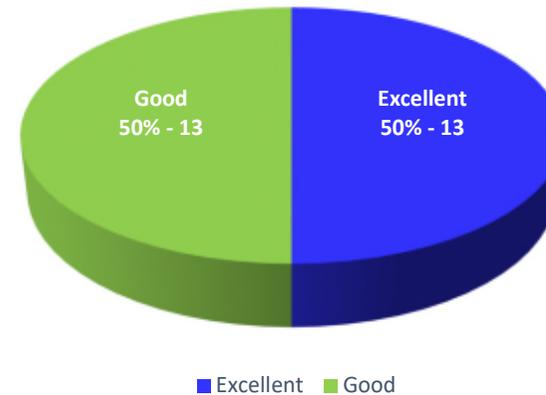
Scheduling and Timing



Organisation



Quality of Information



Employers' were asked to rate the following:

Food and Refreshments



Venue and location



Parking and Directions

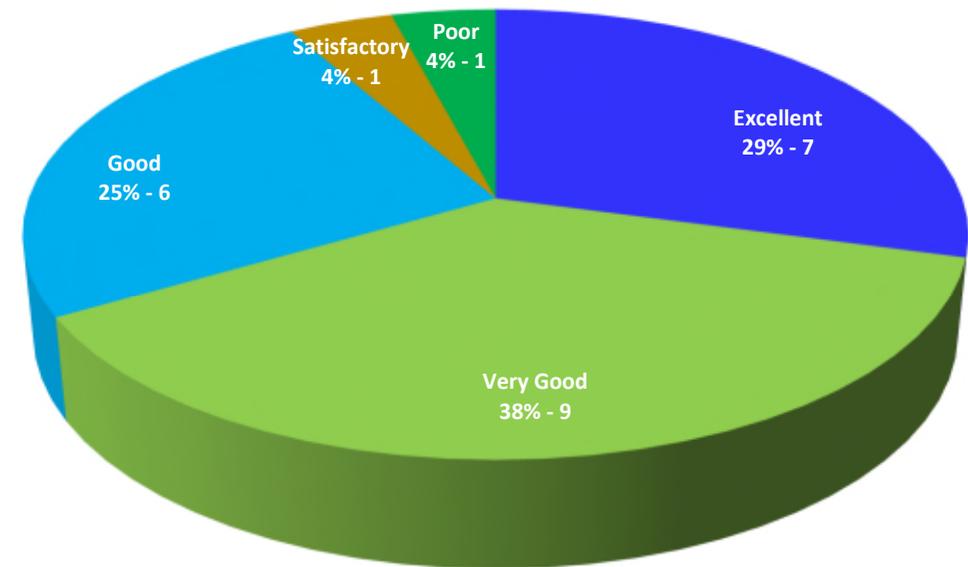


APPENDIX D

How would you rate the promotional stands and the pension support videos which were played in the break?

MYR 2018
MID-YEAR REVIEW

Excellent	7
Very Good	9
Good	6
Satisfactory	1
Poor	1



■ Excellent ■ Very Good ■ Good ■ Satisfactory ■ Poor

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Member Services Team – Employer Roadshow Feedback - April 2018 to July 2018



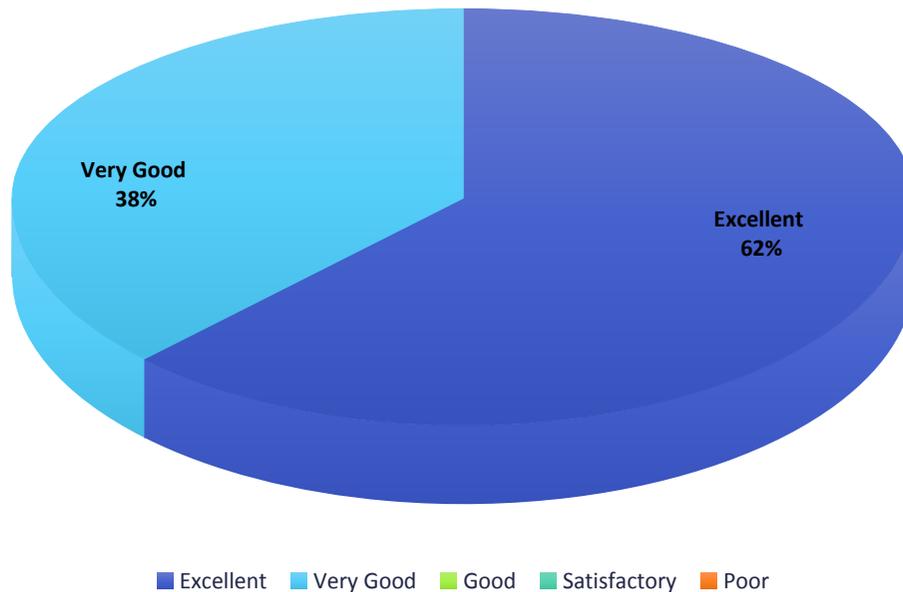
Members feedback on the following areas

100% of Employers said the event delivered fulfilled the attendees needs

100% of Employers would recommend our events to another Fund employer

100% of Employers said they were satisfied with the overall booking procedure

Roadshow Event Rating



Feedback Comments

From what I have heard from colleagues the roadshow was useful and informative.....

Professional friendly and well organised.

We appreciate that WMPF will visit the college, which helps members pay more attention to their benefits, than they may otherwise have done.

Access to information is always helpful and the road shows provide this service face to face. Questions raised can then be followed up.

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Pensions Committee

5 September 2018

Report title	Data Management Report April – August 2018	
Originating service	Pension Services	
Accountable employee(s)	Rachel Howe	Head of Governance and Corporate Services
	Tel	01902 552091
	Email	Rachel.Howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	Rachel.Brothwood@wolverhampton.gov.uk

Recommendation for noting:

The Committee is asked to note:

1. The actions taken by the Fund in the management of data.

1.0 Purpose

- 1.1 To inform Committee of the work undertaken in the Fund's management of data to ensure compliance with statutory and regulatory duties.

2.0 Data Quality and ongoing improvement

- 2.1 This year has seen a marked improvement in the quality of current data received by the Fund ready for upload to the administration system – overall, the error rate on imported files has now reduced to just under 2% following analysis by the Fund's data team. The monthly submissions program continues to be a huge success with over 97% of Fund employers submitting files on a monthly basis confirming new joiners, member details, pay changes and contributions. Going forward, this will enable the Fund to maintain records which are more up-to-date and aligned to those of our employers and most importantly, enabling the Fund to provide more timely and accurate information to our members.
- 2.2 Whilst almost all employers are now live, many employers onboarded later than expected and further support has been needed in some cases to assist with the production of a compatible monthly file. As a result, our teams have had to dedicate time over the last 2 to 3 months to completing the 2017/18 returns which has, in turn, caused a delay in starting to process the 2018/19 returns.
- 2.3 As reported in the June Committee report, the Fund has taken steps to ensure the maximisation of annual benefit statements for 2018 through the rolling production of statements up to 31 December 2018. Unfortunately, this year, the Fund has been unable to produce all Annual Benefit Statements by the 31 August deadline and continues to work with employers to ensure members are informed about their benefits with information and letters being uploaded to their Pensions Portal account as we roll out statements through to December, with most currently expected to be uploaded during September and October.

3.0 General Data Protection Regulation

- 3.1 Further to the ongoing work of the Fund to ensure continued compliance with the Data Protection Laws, we are pleased to confirm that a number of data sharing agreements have been returned to the Fund from its suppliers. A data sharing agreement is still outstanding for the Fund's software provider, Civica, and discussions are ongoing with them about its drafting. The Fund has an existing data sharing agreement under the Data Protection Act 1998 which imposes obligations on Civica in relation to their management of our data and therefore there is a low impact to the Fund in terms of its compliance with GDPR and data sharing with third-parties.
- 3.2 All information required to be provided to the Fund's members has now been published on our website and template letters have been amended to ensure they inform members about the management of their data.

- 3.3 Ongoing developments to our working practices continue, most notably in the correspondence with third-parties acting on behalf of our members to ensure the appropriate level of consent is provided for the release of information. The Fund is developing template documents to assist those providers with their adherence to our new requirements.
- 3.4 As work in this area progresses at a national level, the Fund will continue to review its implementation of GDPR, and the documents it has produced. To ensure it has achieved the highest level of compliance, the Fund are proposing to appoint an external accreditor to assess our compliance with the requirements. That assessment is due to take place over 29 – 30 September 2018.

4.0 GMP Reconciliation

- 4.1 Work continues with the Fund's service provider ITM to progress the reconciliation of GMP records. It is likely some data cleanse work will need to be undertaken by the Fund following assessments on the values to be recovered and agreeing GMP amounts. This work will be undertaken by the Fund's data team as part of their business as usual work. The project for GMP reconciliation remains on target for completion ahead of the deadline for issue of queries to HMRC, later this year.

5.0 Stratford College Merger

- 5.1 Following the successful transfer of all data files from Warwickshire Pension Fund, the Fund has been able to produce all deferred benefit statements to those transferring members and has completed a data cleanse review of the quality of data received.
- 5.2 Active benefit statements will be produced in line with the Fund's rolling benefit statement program following the submission of an Annual Return file from the College.

6.0 The Pension Regulator and Data Management

- 6.1 In June the Fund received communication from the Local Government Association (LGA) on behalf of the Pension Regulator, confirming that they were moving forward with assessing the possibility of a consistent data approach across the LGPS responding to concerns from employers and payroll providers about the inconsistent requests for data from different Funds. A survey was produced and issued to all Funds to assess the type of information held by Funds with the ability to provide commentary confirming whether a specific type of data was required.
- 6.2 Following responses from the LGPS to the survey, it has been determined that a common approach to conditional data held by Funds is not feasible at this time and the LGA propose to await the outcome of the tPR survey later this year before commencing discussions with Partner Funds on a common approach. The Fund will continue to engage with national bodies in the preparation of this work and is in the process of reviewing its conditional data quality reports as part of the data team's work.

7.0 Financial implications

- 7.1 Poor management of data could increase overall pension administration costs, lead to errors in member benefit calculations and result in fines imposed by the Pension Regulator

8.0 Legal implications

- 8.1 The Fund has a statutory obligation to provide an annual benefit statements to all its entitled members within 5 months of the end of the financial year. Failure to produce a statement could result in fines imposed by the Regulator.
- 8.2 In line with its statutory duty the Fund is required to have accurate and completed data to ensure its ability to provide statutory pension benefits.

9.0 Equalities implications

- 9.1 There are no implications

10.0 Environmental implications

- 10.1 There are no implications

11.0 Human resources implications

- 11.1 There are no implications.

12.0 Corporate landlord implications

- 12.1 There are no implications

13.0 Schedule of background papers

- 13.1 The Pension Regulator's Code of Practice
<http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-public-service-pension-schemes.aspx>

14.0 Schedule of appendices

- 14.1 None

Pensions Committee

5 September 2018

Report title	Governance Update April – September 2018	
Originating service	Pensions Services	
Accountable employee(s)	Rachel Howe	Head of Governance and Corporate Services
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Recommendations for noting:

The Committee is asked to note:

1. The work underway with LGPS Central and Partner Funds to establish a robust and consistent approach to monitoring compliance in the investment pool.
2. The Fund's risk register and the mitigations in place to manage risk at the Fund
3. The Fund's Key Performance Indicators
4. The delivery of the Fund's objectives to date and an update on our corporate objectives as noted in the Fund's Service Plan 2018 – 2023
5. The progress of the Fund in delivering benefit statements to members.

1.0 Purpose

- 1.1 To provide Committee with an update on the work of the Fund in delivering a well governed scheme through the management of effective internal controls and a performance monitoring framework.

2.0 Investment Pooling and compliance monitoring

2.1 Investment Pooling

Following the transition of passively managed equity assets into newly launched LGPS Central sub funds, discussions have been underway with Partner Funds in relation to the internal assurance provided by the Company on the direct management of assets and activity undertaken under discretionary and advisory investment management agreements.

Officers from Internal Audit departments of the 8 Partner Funds recently met with the Company to discuss the expected standard of reporting and the format that might be received from the Company, with the aim of collaborating on a single approach which will provide assurance to the Funds.

Discussions continue in this area, as the operator Company, LGPS Central Limited, looks to establish its own audit framework and develop more products and services. It is noted that further transparency is needed to meet the expectations and reporting requirements of Partner Funds and dialogue is ongoing to ensure this is delivered.

- 2.2 The Fund has in place a compliance programme which aims to ensure its internal and external (including LGPS Central) operations meet acceptable standards and best practice. This programme is directly linked to the Fund's risk register, testing the effectiveness of controls in place

The results of the tests carried out for the period April to June 2018 are summarised below on an exception basis.

Finance and Investments

Late Trades

The Fund continues to monitor late trades and for the period of April and May the number of late trades was 7, to which there was no detriment to the Fund.

Contributions

The Finance team continue to engage with employers to ensure contributions are received on a monthly basis and in line with the Actuary's rates and adjustment certificate. The procedures for monthly reconciliation of contributions have been revised with an enhanced process and this continues to be embedded within the monthly return process.

During May the Fund received 92 employer contributions (£1,842,029 in value) after the due date. Investigations continue to determine whether these are attributable to the high turnover of employers at year end.

2.3 Information Governance

This quarter the Fund is reporting 2 data breaches in connection with the management of information together with 4 recorded 'near misses'. Following the implementation of the Data Protection Act 2018, the Fund now records near misses the same as a data breach to ensure learning and controls are actioned appropriately.

In relation to the data breaches, the Fund determined there was no material impact or detriment to the individuals as information was incorrectly shared with statutory/professional bodies whose compliance with Data Protection Law meets that level expected by law.

The Fund have received no Freedom of Information requests this quarter and no Subject Access Requests.

2.4 Compliance Manual Review

Following the transition of assets to LGPS Central the Fund has reviewed its Compliance Manual to reflect the internal controls in place in the management of the Fund's assets.

While the Fund retains control for setting investment strategy, asset allocation and a wide range of investment decision making, trading is now carried out by LGPS Central Limited. As such, stricter controls previously implemented by the Fund in relation to personal dealing and front running are no longer applicable to the majority of Fund employees. This requirement now only rests with specific senior and investment roles. The manual has therefore removed detailed reference to the Financial Conduct Authority's regulations and instead focused on the Fund's obligations in relation to pension regulation. This continues to be developed as we further develop the relationship with Central's compliance team and our understanding of the expectations of the Pensions Regulator.

3.0 Risk Register

3.1 The funds risk register has been compiled to represent all known and perceived risks. The risk register has recently undergone a comprehensive review with the inclusion of operational risk maps linking into the main risk register on a quarterly basis. The additional risk maps have expanded the control framework with a capture of risks and associated controls at a stakeholder level.

3.2 Each quarter the Fund's compliance team in conjunction with Senior Managers review the top risks which are drawn from detailed risk registers separately maintained for each department of the Fund. The risk register is an active document which is regularly monitored to ensure it reflects the most recent activity of the Fund. The reporting period for risks is the most current quarter (March to June) as it is looked upon as both a reactive and proactive document to ensure risks are immediately mitigated.

3.3 The Fund has added three new risks to the main register this quarter which has included the risk of failing to produce benefit statements by 31 August 2018.

3.4 Further to the review, the full risk register is attached at Appendix A (1) which provides assurance to the Committee of the controls in place to protect the Fund and ensure payment of members' benefits.

4.0 Key Performance Indicators

4.1 The Fund continues to note year on year improvements across almost all service areas for our Key Performance Indicators and the significant progress in managing retirement quotations in the early part of 2018.

4.2 The Fund continues its project of maximising benefit statements and has seen a reduction in the number of complaints received from members compared to the same time last year. The production of deferred benefit statements has increased from last year with work ongoing to reduce large volumes of work in the leaver processes.

4.3 This quarter the Fund has seen an impact on the production of retirement quotes for active members as the team were maintaining the production of deferred member quotes which has seen a comparative increase. Both spikes in demand are largely driven by the recent member disclosure mailings, providing an update on LGPS regulations and the potential impact on member benefit options.

4.4 This quarter the Fund has developed its system reports for assessing the common and conditional data held by the Fund in line with tPR standards. Work continues to progress in this area for the conditional data report, where guidance is shortly expected to be issued by the Scheme Advisory Board to enable and encourage standardisation across the LGPS.

4.5 Work continues to develop the Fund's performance monitoring framework and review not only the reporting of performance but also the activities measured to ensure the Fund reports on elements key to the service delivery for our members.

4.6 A copy of our KPIs is attached at Appendix B.

5.0 Service Plan 2018 – 2023

5.1 In line with the Fund's objectives and corporate priorities, the Fund has continued to develop its services, transforming the way it engages with customers. In July, the Fund received confirmation of its ongoing accreditation of Customer Service Excellence, achieving 4 areas of compliance plus, the highest standard of accreditation with the Member Services Team achieving this level for a second year running. The Fund's new format Pensions Portal was also recognised as compliance plus, together with our overall approach to the monitoring and delivery of our Customer Journey. The work of the Fund has been recognised at a national level, having been shortlisted for 2 awards for our system development and Scheme Governance. The ceremonies to be held later this month.

5.2 In meeting our challenges and drivers for change for 2018 – 2023, the Fund continues to work with our national partners in shaping the LGPS for our customers. Officers from the Fund have been invited to sit on numerous working groups, including the LGPS procurement Framework assessment groups, where tenders are being re-let. Officers also continue to work with the Scheme Advisory Board and the Pension Regulator, responding to surveys and consultations. Most recently the Fund responded to a survey from the Pension Regulator on creating a consistent approach to the management of data across the LGPS and our Head of Pensions sits on the tPR working group across the Metropolitan Authority pension funds within the LGPS.

5.3 Ongoing monitoring of the Fund's corporate objectives continues as we deliver service improvement, the latest update is attached at Appendix C.

6.0 Benefit Statements 2018

6.1 This year, the Fund has seen one of the biggest transformations in its data management through the introduction of monthly returns, with the aim of increasing benefit statement production year on year achieved through the improved quality of data received from employers. In addition, the Fund has seen an impact of volumes of work created by the recent disclosure mailing to deferred members and the delay with some employers in submitting monthly files. To assist in managing the work, the Fund has diverted resource to focus on the monthly submissions program, which includes focussed resource on system testing. All of this work has enabled the Fund to develop a rolling benefit statement production for 2018, with the aim of maximising production throughout September and October maintaining the program of delivery through to December.

6.2 The Fund has engaged with employers on the production of benefit statements with communications and support offered to help manage member expectations with communications placed on our website. A face-to-face meeting with employers has been arranged to discuss the program of work and how they can help the Fund going forward to maximise benefit statement production.

7.0 Governance Assurance Framework

7.1 As part of its annual Governance Compliance, the Fund has undertaken a self-assessment of its management and administration arrangements in line with the Pension Regulator's Code of Practice and this will be a focus of work for the Fund and the Local Pensions Board as we continue to develop our services in line with the expectation set by tPR and the Scheme Advisory Board.

7.2 This year, the Fund is reporting areas of non-compliance due to developed understanding of the expectation of performance and delivery from our statutory partners. Moving forward the Fund will focus on the continued development of its services in the areas of:

- Management of internal controls and the delivery of our policies

- Developing training and self-assessment tools for our Trustees and Pension Board members
- Effective management of data
- Employer performance

8.0 Financial implications

- 8.1 Poor management of the Fund's assets can result in detrimental investment returns. Effective monitoring of the management arrangements is required to ensure the Fund is well placed to ensure the delivery of its investment strategy.
- 8.2 Failure by the Fund to meet statutory requirements of effective governance and administration could result in fines imposed by the Pensions Regulator.

9.0 Legal implications

- 9.1 The need for effective risk management is reflected throughout guidance and regulation in the LGPS, notably in Regulation 7(2) of the *Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016*.
- 9.2 The Pensions Committee, as the body charged with governance of the administering authority's pensions operations, takes the responsibility for ensuring that there is effective risk management over those operations.
- 9.3 Failure by the Fund to comply with statutory requirements of effective governance and administration could result in further action by the Regulator, including legal notices and enforcement powers.

10.0 Equalities implications

- 10.1 There are no implications

11.0 Environmental implications

- 11.1 There are no implications

12.0 Human resources implications

- 12.1 There are no implications

13.0 Corporate landlord implications

- 13.1 There are no implications

14.0 Schedule of background papers

- 14.1 Service plan 2018 – 2023

14.2 The Pension Regulator's Code of Practice annual assurance and compliance monitoring self – assessment.

15.0 Appendices

15.1 Appendix A - (1) Risk register and (2) top ten risks

15.2 Appendix B - Key Performance Indicators

15.3 Appendix C - Corporate Priorities Update 2018 - 2023

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Risk ID	Top Risks	Risk Description	Impact	Likelihood	Risk Rating	Movement from Last Quarter		Last Reviewed
						No Change	Increase Decrease	
Pooling / Investments / Finance								
P1	Yes	Failures in Systems and Controls - LGPS Central	5	3	15		↔	Jun-18
P2	Yes	Transition Risk - Fund incurs additional cost (of central pool) because of pooling resulting in loss of value or ongoing costs	5	4	20		↔	Jun-18
P3	Yes	Transition timeline slips causing additional cost/resource on the fund	5	4	20		↔	Jun-18
P4	Yes	Investments not reflecting Funds investment strategy putting investment returns at risk	4	4	16		↔	Jun-18
P5		Custody of funds assets and failure to ensure the security and safe custody of funds assets leading to a financial loss	4	2	8		↔	Jun-18
P6		Resourcing - Staff transition to LGPSC leaving insufficient resources to manage legacy assets	5	2	10		5↓	Jun-18
P7	Yes	Partner funds unable to agree on strategy or investment requirements leading to a stalling in transition of assets to the pool and not delivering cost savings	5	3	15		↔	Jun-18
P8	Yes	Pool and Partner Funds unable to agree on key issues	5	3	15		↔	Jun-18
P9	Yes	Cost savings fail to be delivered - higher regulatory and other costs, anticipated savings do not materialise	5	3	20		↔	Jun-18
I1		Investment strategy is poorly implemented	4	3	12		↔	Jun-18
I2	Yes	Fund does not achieve investment returns in line with longer term strategic objectives to meet funding objectives	4	4	16		↔	Jun-18
I3		The Fund has an inappropriate asset allocation/investment strategy	4	3	12		↔	Jun-18
I4		Poor fund manager selection	3	3	9		↔	Jun-18
I5		Investment Managers/custodian internal control arrangements expose the Fund to loss of asset	5	2	10		↔	Jun-18
I6		Impact of the markets in Financial Instruments Directive (MiFID II) on LGPS investment	2	1	2		↔	Jun-18
I7	Yes	The Funds SIAB currency exposure does not meet the stated funding objectives	5	3	15		↔	Jun-18
F1		Payments are delayed	2	3	6		↔	Jun-18
F2		Inability to settle trades due to inadequate cash flow	3	3	9		↔	Jun-18
F3		The Fund is unable to comply with CIPFA cost disclosure guidance for the annual accounts	3	3	9		↔	Jun-18
F4		Budget overspend	2	2	4		↔	Jun-18
F5	Yes	Annual report and accounts late	5	3	15		↔	Jun-18
F6	Yes	Non-payment of / or receipt of monies due to the fund	5	3	15		↔	Jun-18
Governance								
G1		The fund fails to adhere to Data Protection legislation, including the preparation for GDPR	4	2	8		↔	Jun-18
G2		The Fund is unable to meet its statutory requirements on Data Quality	4	3	12		3↓	Jun-18
G3		Loss of Data	4	2	8		↔	Jun-18
G4		Lack of knowledge and understanding by the Pension Committee, and the Local Pension Board resulting in a failure to meet statutory duty	4	2	8		↔	Jun-18
G5		The Fund cannot continue to operate and deliver its priority services following an IT disaster, IT incident or Data Loss scenario	4	2	8		4↓	Jun-18
G6		The Fund becomes a party to fraudulent activity on a members record	4	2	8		↔	Jun-18
G7		Failure to recruit and retain people with the right experience, qualifications and skill sets	3	3	9		3↑	Jun-18
G8	Yes	Failure to produce Annual Benefit Statements for the Fund's Members	4	4	16		New Risk	Jun-18
G9		Failure to adhere to statutory requirements/LGPS regulations	4	2	8		↔	Jun-18
G10	Yes	Change in government policy/LGPS reforms	4	4	16		4↑	Jun-18
Operations								
OP1		Pensions benefits are calculated with inaccurate or incomplete data (leading to under/overpayments)	4	3	12		↔	Jun-18
OP2		Payment of pensions are not made	5	2	10		↔	Jun-18
OP3		Increase in take-up of freedom of choice	3	3	6		↔	Jun-18
OP4	Yes	Failure to adhere to statutory regulatory requirements	4	4	16		8↑	Jun-18
OP5		Failure of or poor transmission of electronic data and information exchange	4	3	12		↔	Jun-18
OP6		Payment of pensions increase is not made	4	2	8		↔	Jun-18
OP7		Poor quality and/or late deliveries/upgrades by the Pension Administration System provider leading to an inability to process member data creating backlogs and delays	4	3	12		↔	Jun-18
OP8		Lack of skills and/or knowledge to understand complex regulatory changes or understand their impact	4	3	12		↔	Jun-18
OP9		Failure in systems	5	2	10		↔	Jun-18
OP10		Cyber Security	5	2	10		↔	Jun-18
Pension Services								
PA1	Yes	Pensions Administration Strategy (PAS) not complied with by employers	4	4	16		↔	Jun-18
PA2		Liabilities need to be orphaned across the funds remaining employers in the event of an employer failing	4	3	12		↔	Jun-18
PA3		The fund does not complete the Guaranteed Minimum Pension (GMP) reconciliation	4	3	12		↔	Jun-18
PA4		Future liabilities increase	4	3	12		↔	Jun-18
PA5		Failure to adhere to statutory requirements /LGPS regulations	4	2	8		↔	Jun-18
PA6		Insufficient call handling of member and employer helplines / Breach of KPI / Spike in complaints	2	3	4		2↑	Jun-18
PA7		Legal agreements are not sufficiently robust (e.g. Admissions, Supplementary agreements etc)	4	3	12		↔	Jun-18
PA8		Communications are inaccurate or Non Compliant with Regulators	4	2	8		↔	Jun-18
PA9		Insufficient or Inadequate engagement with members and employers	3	2	6		↔	Jun-18
PA10		Marketing and targeted member communications are inaccurate, insufficient / Timing of issue is poor	4	2	8		New Risk	Jun-18
PA11		Insufficient team resources	4	2	8		New Risk	Jun-18

Risk Overview (April-June)

3 Risks have increased in rating this quarter
 3 Risks have decreased in rating this quarter
 44 Risks have remained at the same rating this quarter
 2 New risks this quarter (PA10, PA11)

52 Total number of risks on fund register (14 Red / 36 Amber / 2 Green)

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Risk ID		Risk Description	Risk Rating	Movement from Last Qtr / Positions	Last Reviewed	
POOLING / INVESTMENTS / FINANCE						
P1	Pooling	Failures in Systems and Controls - LGPS Central	15		No Change	
		Controls				> Assurance that LGPSC is adhering to FCA standards, (COND, PRIN, SYSC)
						> Assurance of conflicts on interest policy (Personal Dealing) procedures are monitored
						> Assurance of compliance monitoring (Second Line of Defence) with outcomes
		> Assurance of breach reporting to relevant regulators and the fund				
P2	Pooling	Transition Risk - Fund incurs additional cost (of central pooling) because of pooling resulting in loss of value or ongoing costs	20		No Change	
		Controls				> Regular budget monitoring controls against business plan
						> Benchmarking costs with other LGPS funds transitioning to ensure not disproportionate
		> Robust Client Services Agreement and Contract Management of LGPSC				
P3	Pooling	Transition timeline slips causing additional cost/resource on the fund	20		No Change	
		Controls				> Transition plan is monitored and regularly updated to pension committee
		> Robust Client Services Agreement and Contract Management of LGPSC				
P4	Pooling	Investments not reflecting Funds investment strategy putting investment returns at risk	16		No Change	
		Controls				> Assurance of Investment managers mandate monitoring and adherence
						> Analysis of performance against Fund's objectives; Quarterly reporting; regular dialogue with LGPSC
						> Pension committee review and approve investment strategy
		> Investment working group of PAF effective in feeding requirements back to LGPSC				
P7	Pooling	Partner Funds unable to agree on strategy or investment requirements leading to a stalling in transition of assets to the pool and not delivering cost savings	15		No Change	
		Controls				> Regular meetings and working groups to agree investment requirements and changes to strategy
						> Access to investment staff and external providers to help develop strategy
		> Agree high level principles on investment objectives				
P8	Pooling	Pool and Partner Funds unable to agree on key issues	15		No Change	
		Controls				> 2 way communication - ongoing dialogue
						> Open and transparent reporting
		> Agreed key deliverables				
P9	Pooling	Cost savings fail to be delivered - higher regulatory and other costs, anticipated savings do not materialise	20		No Change	
		Controls				> Oversight and scrutiny of budgets and cost savings
						> Benchmarking costs, Cost transparency reporting
		> Financial model projections assessed and reviewed on ongoing basis				
I2	Investments	Fund does not achieve investment returns in line with longer term strategic objectives to meet funding objectives	16		No Change	
		Controls				> Diversified portfolio
						> Regular reviews of asset allocation/investment strategy
						> Monitoring of investment managers quarterly
		> Regular monitoring of market conditions				
I7	Investments	The funds SIAB currency exposure does not meet the stated funding objectives	15		No Change	
		Controls				> LGPS and internal staff to review currency exposure of benchmark V the funding objectives, to present to Pensions Committee recommending an action to mitigate
F5	Finance	Annual report and accounts late	15		No Change	
		Controls				Detailed close down timetable produced prior to year end
						> List of information required from officers (including responsible officers) for annual report and accounts. Sent to officers prior to year end
						> Set challenging deadlines ahead of strategic deadlines for contingency
						> During close down status updates are performed each week to monitor progress
		> Processes are in place to chase and take action on outstanding items				
F6	Finance	Non payment of receipt of monies due to the fund	15		No Change	
		Controls				Monthly monitoring of ongoing (FSR) and deficit (PSD) contribution payments by Finance. Finance are working in conjunction with the Employer and Data Teams through monthly submissions with more analysis, reviews and feedback
GOVERNANCE						
G9	Governance	Change in government policy/LGPS reforms	16		4	
		Controls				> The Fund keeps abreast of developments, participating in consultation and calls for evidence, and collaborating with other funds
OPERATIONS						
OP4	Operations	Failure to adhere to statutory regulatory requirements	16		8	
		Controls				> Technical team in place to translate regulations and working group to review and discuss impacts of any changes
						> Robust testing process for any system changes
						> Work with other Pension Funds to develop understanding i.e. Civica Technical Group and SPOG
						> Project management for the delivery of key changes and Statutory requirements and regulations i.e. benefit statements
		> Monitoring of KPI's and performance against disclosure				
PENSION SERVICES						
PA1	Pension Operations	Pension Administration Strategy (PAS) not complied with by employers	16		No Change	
		Controls				> Communication with employers at the Annual General Meeting (AGM) to ensure they understand the PAS and their requirements under it
						> Employers adherence to the PAS is monitored
						> PAS regularly reviewed by committee
		> Reports produced for all employers highlighting issues with data files. Regularly meetings with districts to review progress and all other employers have been assigned a "data guru" who will be responsible and the main point of contact for any issues or queries				

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Appendix B- Key Performance Indicators

Freq	Description	Target	Lead Officer	Actual (Score and RAG)	Reporting Period	Previous Score	Date Last Reported	Improvement/Deterioration
REFUNDS								
M	Notify member of Refund within 15 days	90%	AR	● 82.3%	Apr 18 - July 18	● 91.1%	Apr 18 - June 18	↓ -8.8%
	Refund payments processed within 5 days	90%		● 97.9%	Apr 18 - July 18	● 97.9%	Apr 18 - June 18	→ 0.0%
RETIREMENTS								
M	Retirement options to members within 15 days	90%	AR	● 72.2%	Apr 18 - July 18	● 77.0%	Apr 18 - June 18	↓ -4.8%
	Notification of the actual retirement benefits will be issued to the scheme member within 5 days following receipt of the required information.	90%		● 98.8%		● 98.3%		↑ 0.5%
	New retirement benefits processed for payment following receipt of election within 5 days	90%		● 78.2%		● 70.2%		↑ 8.0%
DEFERRED RETIREMENTS								
M	Retirement options to members within 30 days	90%	AR	● 96.0%	Apr 18 - July 18	● 96.3%	Apr 18 - June 18	↓ -0.3%
	Notification of the actual retirement benefits will be issued to the scheme member within 5 days following receipt of the required information.	90%		● 96.6%		● 95.3%		↑ 1.2%
	New retirement benefits processed for payment following receipt of election within 5 days	90%		● 86.7%		● 80.9%		↑ 5.8%
TRANSFERS IN								
M	Transfer in quotations processed within 10 days of receiving all the required information	90%	AR	● 94.2%	Apr 18 - July 18	● 97.2%	Apr 18 - June 18	↓ -3.0%
	Transfer notification of transferred in membership to be notified to the scheme member within 10 days of receiving payment	90%		● 96.7%		● 95.1%		↑ 1.6%
TRANSFERS OUT								
M	Transfer out quotations processed within 20 days	90%	AR	● 96.7%	Apr 18 - July 18	● 97.9%	Apr 18 - June 18	↓ -1.1%
	Transfer out payments processed within 10 days	90%		● 92.4%		● 98.5%		↓ -6.1%
DEATHS								
M	Acknowledgement of a death within 5 days of receiving the notification.	90%	AR	● 97.9%	Apr 18 - July 18	● 97.5%	Apr 18 - June 18	↑ 0.4%
	Notification of benefits payable to dependents will be issued within 5 days of receiving the required information	90%		● 91.5%		● 90.8%		↑ 0.7%
	Payment of death lump sum will be made within 10 days of receipt of all the required information.	90%		● 100.0%		● 100.0%		→ 0.0%
EMPLOYER AND MEMBER SERVICE - CALLS								
M	85% of calls received to the customer helpline to be answered.	85%	ST	● 86.6%	Apr 18 - July 18	● 87.9%	Apr 18 - June 18	↓ -1.3%
M	85% of calls received to the employer helpline to be answered.	85%	ST	● 92.8%	Apr 18 - July 18	● 92.0%	Apr 18 - June 18	↑ 0.8%
CUSTOMER SATISFACTION/SURVEY								
M	Overall member satisfaction score for members to be 90%.	90%	ST	● 100.0%	Apr 18 - July 18	● 100.0%	Apr 18 - June 18	→ 0.0%
M	Overall employer satisfaction score for employers to be 90%.	90%	ST	● 97.0%	Apr 18 - July 18	● 100.0%	Apr 18 - June 18	↓ -3.0%
6 M	Satisfaction rate from feedback of trustee training/pension board events to be 90%.	90%	RH		April 18 - Sept 18	● 100.0%	Apr 17 - Mar 18	
Q	Web Portal Registrations	65000	ST	● 62555	April 18 - June 18	● 89.0%	Mar-18	↑ 8.9%
INVESTMENT RETURNS/OVERALL FUND PERFORMANCE								
M	Main Fund - Returns to be 0.5% above the benchmark (3 Yr. Rolling)	0.50%	JD	BENCHMARK	Apr-18	BENCHMARK	Mar-18	↓ -0.08%
				9.01%		8.43%		
				ACTUAL		ACTUAL		
9.47%	8.97%							
RELATIVE	RELATIVE							
● 0.46%	● 0.54%							
M	ITA Fund - Returns to match the benchmark (3 Yr. Rolling)	0.00%	JD	BENCHMARK	Apr-18	BENCHMARK	Mar-18	↑ 0.15%
				7.28%		6.88%		
				ACTUAL		ACTUAL		
6.87%	6.32%							
RELATIVE	RELATIVE							
● -0.41%	● -0.56%							
BENEFIT STATEMENTS								
A	ABS produced for 100% of entitled active member records	100%	RH		Aug-18	● 79.0%	Aug-17	
	DBS produced for 100% of entitled deferred member records	100%		● 87.6%	Aug-18	● 85.0%	Aug-17	↑ 2.6%
CONTRIBUTIONS RECEIVED								
M	Main Fund - Employers to pay contributions	100%	JD	● 98.4%	Mar-18	● 99.2%	Feb-18	↓ -0.8%
	ITA Fund - Employers to pay contributions	100%		● 100.0%	Mar-18	● 100.0%	Feb-18	→ 0.0%

Appendix B- Key Performance Indicators

Freq	Description	Target	Lead Officer	Actual (Score and RAG)	Reporting Period	Previous Score	Date Last Reported	Improvement/Deterioration
SICKNESS ABSENCE								
M	Average number of days lost to sickness per FTE member of staff. Sickness absence to be under 6 days per annum per member of staff - cumulative.	6 days	RH	● 7.9	Apr 18 - July 18	● 9.5	Apr 18 - June 18	↑ -1.6
COST PER MEMBER								
Q	Administration and governance cost per member to be reduced from budgeted figure of £23.20	£ 23.20	DS	● £22.27	Jun-18	● £21.17	Mar-18	↓ £1.10
TRAINING HOURS								
Q	Average CPD per Fund employee to be 22 hours or more.	22 Hours	RH	● 56.9	June 18 Quarter Apr 18 - June 18 (projected)	● 40.2	March 18 Quarter Jan 18 - Mar 18 (projected)	↑ 16.7
DATA QUALITY								
Q	Common data	99%>	RH	● 96.0%	Jul-18	N/A	Sep-17	
	Conditional data	95%>				N/A		
TRUSTEE TRAINING AND PENSIONS BOARD								
6 M	Attendance rate of completed training of trustees/board members	85%	RH	● 58.9%	April 18 - Sept 18	● 58.9%	Apr 17 - Mar 18	→ 0.0%
	Amount of training provided to trustees/board members during the year.	22 hours		● 114.0	April 18 - Sept 18	● 114.0	Apr 17 - March 18	→ 0.0%
STAFF TURNOVER								
M	Staff turnover to be between 5-10% in a financial year	5% - 10%	All	● 5.5%	Apr 18 - July 18	● 3.9%	Apr 18 - June 18	↑ 1.6%
AVAILABILITY OF ONLINE SERVICES								
M	Website and web portal to be available 95% of the time (based on working hours as monitored)	95%	AR	● 98.2%	Apr 18 - July 18	● 97.7%	Apr 18 - June 18	↑ 0.5%
M	Number of occurrences web portal is unavailable	10 per month		● 3.0	Apr 18 - July 18	● 4.0	Apr 18 - June 18	↑ -1.0
QUARTERLY ACCOUNTS								
Q	Days taken to prepare quarterly accounts	20 days	JD	● 19.0 days	Dec-17	● 22.0 days	Sep-17	↑ -3.0
IDRP								
A	All IDRP cases completed within 60 days	60 days	AR		Apr 18 - Mar 19	● 64.4 days	Apr 17 - Mar 18	
COMPLAINTS MONITORING								
M	All complaints to be completed within 15 working days of receipt	100%	ST	● 100.0%	Apr 18 - July 18	● 100.0%	Apr 18 - June 18	→ 0.0%

FREQUENCY KEY	
T	Triennial
A	Annual
Q	Quarterly
6 M	6 Monthly

Appendix C

Corporate Priorities Update 2018 – 2023

Core Objectives	How we will deliver our objectives	Our timetable for delivery them	Owner	Measuring our success August 2018
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Investing to increase capacity	We will invest in our services to ensure that they deliver for our members and employers both in terms of available resources (Fund officers) and through reviewing how we provide our services to ensure they meet the changing demands of our customers through our digital transformation programme	2018-2020	Head of Operations	<p>The focus for this quarter has been the production of annual benefit statements maximising production on a rolling program through to December 2018. This has led to impact on the Digital Transformation program as resources have been diverted to ensure the delivery and support of the monthly submissions and annual conversion program.</p> <p>The Fund has seen positive inroads to volumes of work due to the support gained from our summer placement students and overall the Fund's key performance indicators have shown a positive trend and improvement year on year.</p>
	We will invest in our employers providing training and resource to educate and support them in their understanding of the Fund and the LGPS.	Every year	Head of Pensions	In consultation with Employers the Fund has developed an Employer Engagement Roadmap and re-developed its Customer Engagement strategy which seeks to educate, enable and create opportunities for action by employers.
	We will invest in our workforce to ensure they are trained and developed in their specialised area able to respond to and support our customers and employers with their queries.	Every year	People and Corporate Services Manager	The Fund continues to develop its workforce development strategy with training hours for employees far exceeding the KPI. Recently the Fund has hosted a number employee development workshops focussed on developing behaviour and soft skill qualities. This quarter the Fund has advanced its "grow your own culture" through developing a graduate placement program, apprenticeships and Fund Trainees. Recruitment in these areas is ongoing.

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Corporate Priorities Update 2018 – 2023

Core Objectives	How we will deliver our objectives	Our timetable for delivery them	Owner	Measuring our success August 2018
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	We will invest in our Trustees and Pension Board Members to ensure they are able to meet their statutory duty on knowledge and understanding to equip them with the ability to fulfil their fiduciary responsibility and to challenge decisions where necessary to protect our members’ benefits.	Every year	Head of Governance	This quarter the Fund hosted its annual 3-day structured training program for Trustees with additional induction sessions held for new Committee and Local Pension Board members. As part of the ongoing Governance Framework, a knowledge and skills matrix has been developed to ensure Trustees and Board Members are receiving training and information relevant to their roles and that meets the CIPFA knowledge and skills requirements.
	We will invest in our resources and technology to deliver our investment strategy seeking superior risk-adjusted returns, securing the future benefits for our members.	Every year	Assistant Director – Investments and Finance	Work continues to develop the products and services on offer from LGPS Central together with understanding the internal resource requirements in the Fund’s investments and finance team.
Partnering for Success	We will work with our employers and members to help shape and develop our processes to ensure they delivery to their expectations.	2018 – 2023	Head of Pensions	Through the Customer Engagement Strategy and Employer Engagement Roadmap, the Fund invites feedback and review from our employers for any changes in process and system developments. The Fund’s employer peer group acts as a sounding board for proposed business development ensuring that all considerations which may impact employers are taken on board.
	We will work with our employers and members to develop their understanding of the LGPS.	Every year	Head of Pensions	The Fund continues to deliver and develop employer coaching sessions offering day-to-day support for employers through its employer helpline. The Customer Engagement Strategy focusses on Educating and Enabling our customers.

Appendix C

Corporate Priorities Update 2018 – 2023

Core Objectives	How we will deliver our objectives	Our timetable for delivery them	Owner	Measuring our success August 2018
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	We will partner with other LGPS Funds and national organisations to help shape and develop national policy and legislation.	Every year	Senior Managers	This quarter the Fund has engaged with Cross-Pool groups and the LGPS national frameworks helping to shape outcomes and develop learning for operational improvement. Work continues to develop with the Scheme Advisory Board with officers sitting on a number of working groups considering national policy and legislative reform.
	We will work with our Partner Funds in LGPS Central to ensure the delivery of our investment strategy and to ensure that LGPS Central is high performing and efficient.	Every year	Assistant Director – Investments and Finance	Through working on the investment pooling program, the Fund has developed good relationships with partner funds who see value in collaborative working. Work has begun to develop a strategic pension administration working group. The work with the Practitioner’s Advisory Forum and Shareholder groups with LGPS Central continue to be productive as further understanding is developed of how the relationships, services and products will be established in future.
	We will work with our members to help them plan for future retirement income.	Every year	Head of Pensions	The Fund’s member services team continues to develop member literature preparing for roadshow events in September. Member communications have been very active with disclosure requirements which has seen an increase in calls to our Customer call centre.
Drive Efficiencies and Cost Savings	We will ensure our services are delivered efficiently for our members and employers	Every year	SMT for relevant service areas	The Fund continues to monitor its performance on a cost per member basis (which has reduced again this quarter). The main focus for work is in ensuring effective practices which deliver to the needs of our customers.

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Corporate Priorities Update 2018 – 2023

Core Objectives	How we will deliver our objectives	Our timetable for delivery them	Owner	Measuring our success August 2018
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	We will continue drive cost efficiencies whilst delivering a high level of services.	Every year	Senior Managers	The Fund continues to review its working practices which has notably seen an increase in performance measurements across operations in relation to timely retirement quotes, development of the Pensions Portal and more automation of systems, reducing processing time which has helped the Fund target resources more efficiently.
	We will continue to review and manage investment costs seeking return and low-cost implementation through the development of LGPS Central.	Every year	Assistant Director – Investments and Finance	Work continues to develop the products and services on offer from LGPS Central together with understanding the internal resource requirements in the Fund’s investments and finance team.
	We will work with our employers to apply appropriate contribution rates as part of our valuation.	2018 – 2020	Head of Pensions	Working towards the 2019 valuation will be a key focus area for the Fund in the forthcoming months with a dedicated project team. Early engagement with employers is key and the Employer Engagement Roadmap and Customer Engagement Strategy will be a leading path in this project.
	We will continue to target our investment returns to assist in the management of Fund deficits.	Every year	Senior Managers	The Fund’s Investment Advisory Panel continue to assist investment officers in the monitoring of investment performance ensuring appropriate strategy is developed for the Fund’s investments and desired returns.
Engage nationally to improve outcomes for our customers	We will work with national groups (TPR, LGA, SAB, PLSA) to respond to consultation to on national policy/legislation.	Every year	Head of Governance	This quarter, the Fund has engaged with Cross-Pool groups and the LGPS national framework is helping to shape outcomes and develop learning for operational improvement. Work continues to develop with the Scheme Advisory Board with officers sitting on a number of working groups considering national policy and legislative reform.

Appendix C

Corporate Priorities Update 2018 – 2023

Core Objectives	How we will deliver our objectives	Our timetable for delivery them	Owner	Measuring our success August 2018
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	We will work with both public sector and private sector pension funds to develop our understanding and delivery new initiatives for our members and employers	Every year	Head of Operations	Through engagement at a national level, the Fund is able be proactive in assessing service developments which are relevant and advantageous to our membership. Fund officers sit on a number of national groups and working parties to help shape policy and the Fund's response to change.
	We will work with our trade unions to shape and deliver our understanding and delivery new initiatives for our members and employers.	Every year	Head of Pensions	Through the engagement of our Pension Board and Committee representatives the Fund is able to engage with Trade Unions on matters most pertinent to our membership.
To be a responsible asset owner, employer and local community partner	We will maintain a responsible investment framework and be robust in challenging the companies and managers that we invest in to adhere to best principles of responsible investment believing that this will delivery long-term superior investment returns for our stakeholders.	Every year	Assistant Director – Investment and Finance	The Fund reports quarterly to committee on its EGS framework which is monitored in conjunction with the Investment Strategy Statement. When approached the Fund responds positively to communications from campaign groups noting the concerns of the members with the overriding objective of paying member benefits.
	We will continue to partner with others to protect and enhance the value of our investments.	Every year	Assistant Director – Investment and Finance	The Fund has a developed and active Responsible Investment Framework, driven by investment beliefs and applied through an engagement and stewardship programme. The Fund partners with a number of UK and Global organisations (including LAPFF, PRI, IIGCC) to increase the reach of engagement activity and has this quarter been recognised by the Environment

Appendix C

Corporate Priorities Update 2018 – 2023

Core Objectives	How we will deliver our objectives	Our timetable for delivery them	Owner	Measuring our success August 2018
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				<p>Audit Committee as being “more engaged” in response to the risks of climate change and leading in disclosure and reporting, in line with the recommendations of the Task Force on Climate-related Disclosures (TCFD).</p> <p>The Fund is advancing the integration of ESG-risks into its investment due diligence processes (both where investment is made by the Fund and through LGPS Central). The Pension Committee Chair and Director of Pensions have recently been appointed to the LAPFF Executive.</p>
	We will continue to take a proactive approach to voting globally.	Every year	Assistant Director – Investment and Finance	The Fund has a bespoke UK voting policy and works with a proxy voting provider and its custodian to ensure all shares are voted. Voting activity is reported via a portal on the Fund website and reported to Pensions Committee each quarter.
	We will acknowledge and value the contribution that staff make to the effective and efficient running of the organisation.	Every year	Assistant Director – Investment and Finance	<p>This year through its staff survey, the Fund saw an increase in employee satisfaction for the third year running with employees feeling valued and recognised for the hard work they produce on behalf of our customers.</p> <p>Development opportunities were also noted to have increased with more internal movement and promotions.</p>
	We will be an organisation that respects the local community and proactively engages and contributes to it.	Every year	People and Corporate Services Manager	Through the Fund’s staff forum, employees raised in excess of £1000 in the year to 31 March 2018 for local and national charities with further events planned later this year.

Pensions Committee

5 September 2018

Report title Quarterly Investment Report to 30 June 2018

Originating service Pension Services

Accountable employee(s) Jill Davys Assistant Director – Investment & Finance
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Recommendations for noting:

The Committee is asked to note:

1. The global economic and market update paper prepared by the fund's adviser, Hymans Robertson
2. The Fund's Responsible Investment Activities including: the Fund's voting activity for the three months ending 30 June 2018, including Appendix B; the issues discussed by LAPFF are set in the Quarterly Engagement Report which is available on the LAPFF website: <http://www.lapfforum.org/publications/qrtly-engagement-reports/> ; progress against the Fund's 2018 stewardship themes; other activity undertaken to ensure the Fund continues to develop and support its approach to Responsible Investment
3. The update on Investment Pooling
4. Quarterly Performance Reporting for the West Midlands Pension Fund
5. Quarterly Performance Reporting for the West Midlands Integrated Transport Authority

1.0 Purpose

- 1.1 The quarterly investment report covers the range of investment issues for consideration by the Committee, primarily the economic and investment background, the Fund's responsible investment activities, an update on LGPS Central investment pooling and the quarterly performance of both the West Midlands Pension Fund and the West Midlands Integrated Transport Authority.

2.0 Background

- 2.1 This paper aims to bring together routine investment matters relevant to the management and implementation of the Fund's investment strategy and related policies:
- I. The economic and market background environment in which the Fund operates and the outlook for different asset classes;
 - II. The Fund 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 and Voting Principles. There are three pillars of responsible investment that we focus on: Selection of our assets, Stewardship of our assets and Transparency & Disclosure. Each plays a key role in protecting and enhancing Fund Asset Values
 - III. The requirement to deliver investment in accordance with the criteria laid down by the Secretary of State led to the creation of LGPS Central, a jointly owned investment management pool established by West Midlands Pension Fund and seven partner Funds to deliver investment pooling. LGPS Central Ltd is the FCA authorised company operator established to help deliver investment pooling through development and launch of collective investment vehicles designed to assist in delivering higher longer-term risk adjusted returns after costs and meet partner Funds' strategic investment objectives.
 - IV. The Fund's investment strategy is outlined in the approved Investment Strategy Statement (ISS), set in conjunction with the Funding Strategy Statement to target a return over the long term to deliver the asset values required to meet benefit payments due to members. The Strategic Investment Allocation Benchmark (SIAB) forms part of the ISS and includes the target asset allocation and returns investment policies will be benchmarked against.
 - V. WMITA Pension Fund's investment strategy is set out in its Investment Strategy Statement, which also contains the fund's investment beliefs. An updated strategy was approved by the Committee on 21 March 2018.

3.0 Summary

- 3.1 During the quarter the West Midlands Pension Fund's market value increased from £15.4 billion to £15.6 billion and the West Midlands Integrated Transport Authority Funds value increased to £495.4 million from £491.9. Equity markets rallied in the second quarter following a period of volatility in the first quarter, led higher by stronger US and UK markets, although Emerging markets fell on concerns over US tightening and \$ strength. Bond markets were little changed on the quarter having risen initially then falling back due to concerns over escalating trade wars, US rates increased by 0.25% to 2.0% as the economic outlook strengthened.
- 3.2 The Fund continues to demonstrate its commitment to responsible investment in a number of ways. The Chair of the Pension Fund has recently been appointed to the LAPFF Executive Committee. The Fund continues to be supported by the Investment Director, Responsible Investment and Engagement, LGPS Central Ltd and the Director of Pensions Chairs the Responsible Investment Working Group of the Practitioners Advisory Forum. The key themes for responsible investment for the Fund for this financial year cover climate change, cyber security and diversity and the Fund is working closely with other organisations to undertake engagement with the companies in which it invests.
- 3.3 Following the launch of the first three passive equity sub-funds in April, efforts have focused on the development of the first active equity sub-fund, global external equities with a launch date scheduled for November. Work has commenced on a range of other sub-funds with the tender process underway for external emerging market managers. Set-up costs for LGPS Central have now been finalised at just over £4million with WMPF costs being an eighth of this at £502,000.

4.0 Economic and Investment Background

- 4.1 The Fund's Investment Adviser, Hymans Robertson provides a quarterly update on the economic background and market performance over the quarter to 30 June 2018. The report further sets out the outlook for the Fund's key asset classes over the coming months. The report can be found in Appendix A.
- 4.2 Equity markets rallied in the quarter to June following setbacks earlier in the year, with the UK market putting in a strong performance at +9.2% over the quarter to June outperforming other equity markets which were up 2.8%, although concerns about rising interest rates and tariff wars impacted on the performance of emerging markets which were the only area where equities fell over the quarter ending the period down by 3.7%. Bond markets were little changed on the quarter and property was marginally positive at 2.2%. In currency markets, sterling continued to be under pressure over Brexit, economic growth and political stability concerns.

4.3 In terms of the outlook, equity market valuations are looking stretched, although companies in aggregate are still delivering good earnings growth. Private equity markets have seen considerable inflows of capital in recent years and again valuations are looking stretched with investors chasing multiples higher. As with private equity, the infrastructure and property asset classes have also seen strong inflows as investors search for income, with infrastructure and property offering investors those stable income streams at a time when income is scarce in bond markets. Bond markets seem to be rangebound, although opportunities for investment can potentially be found in broader credit markets and emerging market debt which has been sold off in recent months.

5.0 Responsible Investment Activities

Stewardship

5.1 The Fund's strategy is to engage with its investee companies and other key stakeholders through partnerships and directly. The Fund aims to protect and increase shareholder value by engaging on a range of financially material ESG investment factors. A significant part of the Fund's engagement program is implemented through partnerships including the Principles for Responsible Investment (PRI), the Local Authority Pension Fund Forum (LAPFF), Institutional Investors Group on Climate Change (IIGCC) and the UK Pension Fund Roundtable.

5.2 Through LAPFF, the Fund engaged with 17 companies during the quarter. Most engagements concerned climate change. Two engagements led to a substantial improvement and four engagements led to a moderate improvement. Most engagements were conducted by meetings with specialist staff or the company Chair. A summary of LAPFF's engagement activities for the quarter are provided alongside the voting activity report in Appendix B. The issues are set out in the Quarterly Engagement Report which is available on LAPFF's website:

<http://www.lapfforum.org/publications/qrtly-engagement-reports/>

Stewardship Themes

5.3 The Fund's stewardship themes for 2018 are climate change, cyber security and diversity. These themes have been selected because they have both financial relevance and resonance with the Fund's stakeholders. The Fund is, primarily through partnerships, engaging with companies, fund managers and other relevant organisations, and using its voting rights to drive change and signal the importance of these issues to institutional investors. Progress on each theme is reported to the Pensions Committee on a quarterly basis.

Climate Change

5.4 The Fund is leveraging its partnership arrangements with the Transition Pathway Initiative (TPI) and Climate Action 100+ (CA100+), and LGPS Central's internal RI resources. The Fund is a founding partner of TPI, and integrates TPI's carbon risk analyses into its voting decisions. The keynote speaker at the TPI's State of Transition conference, held at the London Stock Exchange in July, was Archbishop Justin Welby. The Archbishop said that "TPI must lead to outcomes", a position echoed by the Fund. The CA100+ has three outcomes-led objectives for engagements with the 161 companies within its coverage: to improve governance of climate change, to improve

reporting of climate risks to investors, and to reduce emissions in line with the Paris climate accord. CA100+ has released the final list of companies in its coverage, which is based primarily on a GHG emissions ranking. LAPFF engaged 16 companies during the quarter on climate change. This included, in partnership with the 50/50 project, ExxonMobil Corporation. The company has recently committed to reduce methane leaks by 15% and reduce flaring of unwanted gas by 25%. The Fund has voted against the Chairs of all companies scoring a rating of zero on the TPI's climate change governance framework. As the person most accountable for company strategy, the Fund does not think it acceptable to vote in support of a Chair of a high impact company scoring so poorly on climate change governance.

Cyber Security

- 5.5 Within the PRI's collaborative engagement on cyber security, which includes c50 listed companies, the Fund has co-led on two UK-based companies. These engagements were progressed during the quarter in review with company meetings at each engagement target. Having been initially assessed against a range of indicators drawn up the PRI, the companies both demonstrated improvements to their management of cyber-security risks, with one company improving from a score of 10/14 to 14/14 and the other improving from 9/14 to 14/14. Engagement with other companies in the collaboration continues.

Diversity

- 5.6 The Fund has continued to press for improvements in diversity both at investee companies and at investment managers. With regards to investee companies, the Fund has decided to vote against the Chairs of Nominations Committees that have failed to achieve 25% women on the boards of FTSE 100 companies (the threshold is 20% for FTSE 250 companies). This voting strategy, which links to the Fund's engagement strategy, aligns with the Fund's membership of the 30% Club Investor Group, as well as its support for the Davies Review, the Hampton-Alexander Review and WMPF's Voting Principles. Through its voting partner, the Fund has engaged Centrica Plc on gender diversity on the board, which currently stands at less than 25%. Throughout the year three directors were female although one has stepped down and the company is yet to replace her. Whilst the company Chair will step down this year and the chairmanship of the Nominations Committee will pass to another individual, it is expected that the company will review its board composition with an expectation to achieve greater than 25% female representation on the Board. Finally, through the 30% Club and LGPS Central, the Fund is engaging a company in the energy sector. Whilst the primary objectives for the engagement concern gender diversity, the Fund expects the company to have an approach that covers broader aspects of diversity including ethnicity.

Shareholder Voting

- 5.7 The Fund currently has its own bespoke UK voting policy which our voting provider, Pensions and Investments Research Consultants Ltd (PIRC), executes on the Fund's behalf directly and via LGPS Central. The Fund follows the voting advice of PIRC for European, US, Japanese and Pacific region company meetings.

- 5.8 The voting activity for the quarter across markets and issues can be found in Appendix B. During the period the Fund voted at a total of 328 company meetings – 36 UK, 107 European, 61 North American, 7 Japanese, 70 Asia (excluding Japan), 2 Australasian/South African and 45 in the rest of the world. During this period there were 19 meetings where the Fund supported all the resolutions put forward by companies. Approximately 35% of the resolutions were not supported by the Fund. In the UK market, the largest number of resolutions that were opposed concerned the re-election of directors (usually voting against non-independent non-executive directors where the Fund or its advisors do not see sufficient independent oversight on a company board) and remuneration.
- 5.9 For the Millennium & Copthorne Plc AGM, the Fund opposed the re-election of some of the independent non-executive directors and supported a shareholder resolution calling for the re-instatement of the regular disclosure of asset re-valuations. Around a third of the minority investors opposed the re-election of five non-executives directors. Around 65% of minority shareholders supported the shareholder resolution. For the Hang Lung Properties Limited AGM, the Fund opposed the re-election of the Executive Chairman and the Non-Executive Chairman of the Nomination and Remuneration Committee. The Fund does not tend to support long-term Executive Chairs where there is insufficient separation of roles and responsibilities with the CEO; whilst the company states that the Chairman of the Nomination and Remuneration Committee is an independent non-executive, the Fund does not agree on grounds of tenure (the director joined the board in 1980) and voted accordingly. For the WPP Plc AGM, the Fund decided to abstain the re-election of the Chairman. Although the Chairman also chairs Smith & Nephew Plc, and there are some concerns regarding the handling of the recent departure of a long-standing CEO, the Fund did not oppose the re-election of the Chairman, because the company needs an individual to act as temporary Executive Chair, providing stability while a new CEO is recruited.

LGPS Central Responsible Investment

- 5.10 The Fund has a number of investment mandates agreed with LGPS Central. Through its *Responsible Investment & Engagement Framework* and its Statement of Compliance with the UK Stewardship Code, LGPS Central is able to help implement the Fund's own *Responsible Investment Framework*. LGPS Central issues Quarterly Stewardship Reports to demonstrate progress on matters of investment stewardship.

6.0 Investment Pooling Update – LGPS Central

- 6.1 As reported at the Pensions Committee meeting in June, the first three sub-funds covering passive internal equities (UK; Global ex UK and Global Dividend Growth) went live at the start of April and are performing in line with expectations. The key focus from an investment perspective during the quarter has been the development of the active external global equity sub-fund, which is now scheduled for launch at the end of November 2018. Partner Funds have been actively engaging with LGPS Central Ltd in the development of this and have been kept updated of progress. Work is now underway on transition arrangements to assist Partner Funds with the transition of existing assets across to the new sub-fund once launched.

- 6.2 The emerging market external active sub-fund is currently in development phase and a strong response from potential providers has been received and currently being reviewed. Partner Funds are working closely with the company to develop the sub-fund structure and style to ensure that it meets the strategic requirements of the Funds themselves.
- 6.3 Governance arrangements for LGPS Central Limited include a Shareholder Forum (as the group of “owner” representatives) and the Joint Committee (focused on investment matters and client-side). The Practitioners Advisory Forum, PAF (Officer group) support both groups and acts as a liaison with the Company.
- 6.4 The Fund’s Chair of Pensions Committee Chairs the Joint Committee and the second meeting of the Joint Committee took place at the end of June and received presentations from the company on the product development pipeline, working in the FCA regulatory environment and responsible investment. An update on the work of the Practitioners Advisory Forum and a draft Pool Risk Register were also reviewed. A link to the papers for the Joint Committee can be found here:
<http://www.cheshirepensionfund.org/governance-of-the-cheshire-pension-fund/lgps-central-committee/>
- 6.5 The next meeting of the Shareholders Forum is due to take place on 10 September 2018 and is due to be held in Wolverhampton. This will also see the company AGM take place on the same day.
- 6.6 The final cost of setting up the jointly owned company (over the period July 2016 to launch in April 2018) was just over £4 million; this has been shared equally between the Partner Funds, with West Midlands’ share being slightly over £500,000. Not included with this are the significant transition costs as existing investment mandates are unwound and funds are transferred into new collective investment vehicles. It is not possible to accurately predict these costs, but the initial business case included an estimate of approximately £50 million for transition to pooled vehicles.

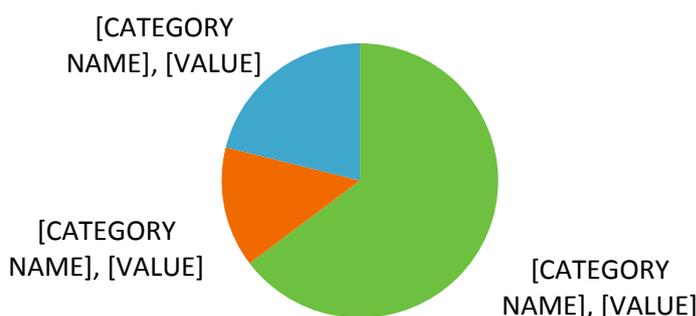
	Final outturn LGPSC Ltd set-up costs to 31st March 2018 £000
Staff Costs	1,354
Professional Advisors	1,366
Other (inc. Premises, Technology, FCA fees)	1,294
Total	4,014
West Midlands’ Share (one eighth)	501

7.0 West Midlands Pension Fund Quarterly Performance

7.1 At the end of the first quarter of the financial year 2018/19, the value of the West Midland Pension Fund had risen to £15.6 billion at 30 June 2018 from £15.4 billion at the end of the year to 31 March 2018. The current asset allocation of the portfolio at the end of the quarter compared to the strategic targets is set out in the table below:

Asset class	Value (£m)	Fund allocation (%)	Policy target (%)	Difference (%)
Quoted equities	8,649	55.4	48.0	7.4
Private equity	1,261	8.1	10.0	-1.9
Special opportunities	228	1.5	2.0	-0.5
Currency Hedge	(37)	-0.2		0.2
Total growth assets	10,101	64.9	60.0	4.9
UK gilts	167	1.1	2.0	-0.9
Index linked gilts	766	4.9	5.0	-0.1
Cash	575	3.7	2.0	1.7
Corporate bonds	395	2.5	2.0	0.5
Cashflow matching fixed interest	313	2.0	3.0	-1.0
Total stabilising assets	2,216	14.2	14.0	0.2
Specialist fixed interest	172	1.1	3.5	-2.4
Emerging market debt	597	3.8	3.5	0.3
Property	1,272	8.1	10.0	-1.9
Insurance linked funds	485	3.1	3.0	0.1
Real assets and infrastructure	772	4.9	6.0	-1.1
Total income assets	3,299	21.1	26.0	-4.9
TOTAL	15,616	100.0	100.0	0.2

The key asset allocation strategies are shown in the chart below:

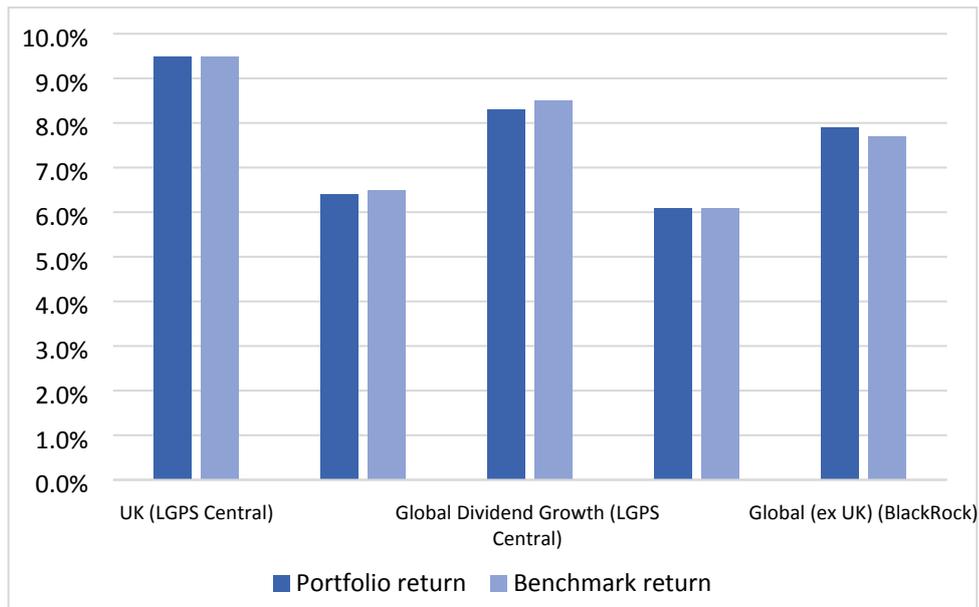


The Fund remained overweight in growth assets, although recent investments in infrastructure assets has seen the income allocation rise to just over 21%, up from 19.8% at the year end. Stabilising assets moved back towards a neutral position as the high levels of cash at the year-end were deployed to make investments in income assets.

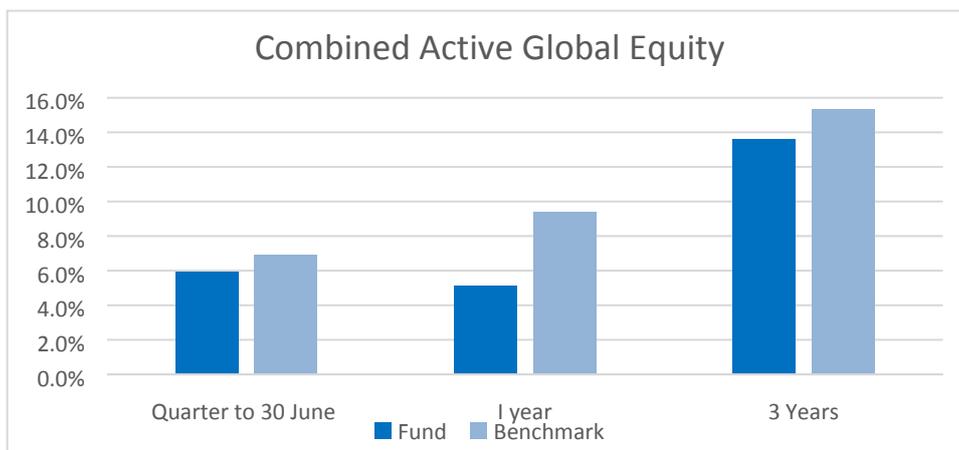
7.2 Performance of the different asset classes is set out below in line with the allocation strategies for the Fund.

Growth Assets

7.3 Passive Equity performance: the passive equity portfolio which transitioned to LGPS Central Ltd at the start of the quarter performed broadly in line with the respective benchmarks during the quarter, although the divided growth fund slightly underperformed its benchmark by 0.2% due to being unable to hold Taiwan stocks at the outset of the transition.

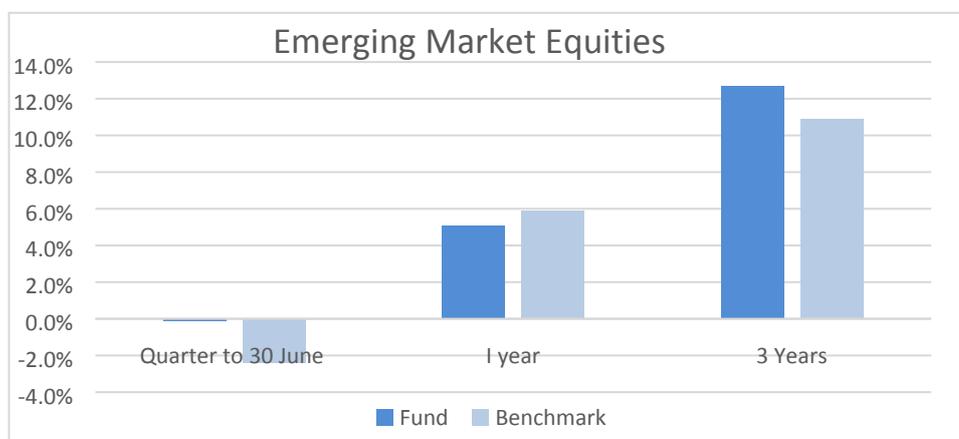


7.4 Global Active Equities performance: This portfolio comprises internal and external portfolios. The combined performance of the global equity fund over the quarter delivered a return of 5.9% compared to the benchmark return of 6.9%, with a return of 5.1% over the year and a benchmark return of 9.4%. Over the 3-year period, the returns for the Fund were 13.6% compared to a benchmark of 15.3%.

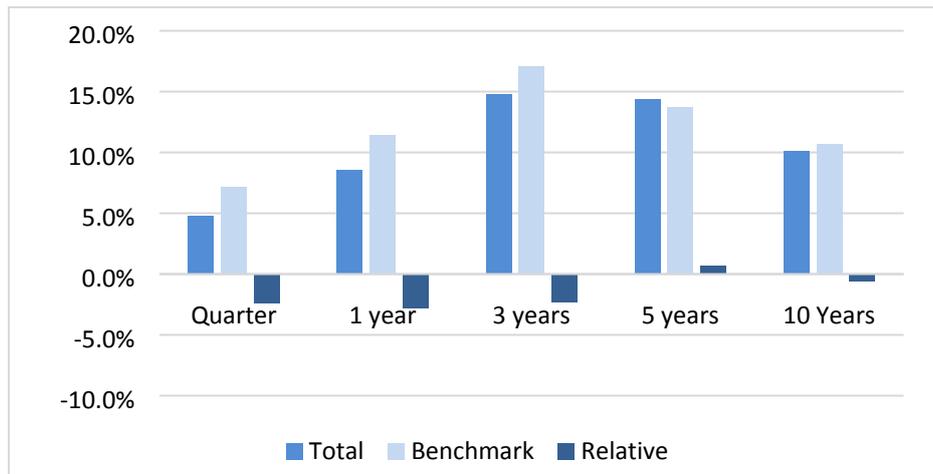


The internal active portfolio has been managed on a care and maintenance basis under an advisory agreement with LGPS Central Ltd from the start of the financial year following the resignation of the portfolio manager. The portfolio has retained a 'value' based approach which has continued to be impacted by the market's preference for growth stocks and in particular highly valued technology companies. This has had a detrimental impact on performance over both the quarter and the year, returning 5.1% and 4.1% against a benchmark return of 6.9% and 9.4% over the quarter and year respectively. The external global active portfolio showed a slight underperformance against benchmark over the quarter returning 6.6% versus 6.9%. Over the year the fund was similarly impacted by an underweight to the high performing technology sector with a return of 4.4% compared to benchmark of 9.4%, however over the longer term the performance matched the returns on the benchmark at 15.2%.

- 7.5 Emerging Market Equities: As noted earlier, emerging market equities were the one equity asset class which delivered negative returns over the quarter. The Fund has three external managers which delivered a combined return of -0.1% outperforming the benchmark where the return was -2.4% over the quarter. Over the year, the portfolio slightly underperformed compared to benchmark with returns of 5.1% and 5.9% respectively, although the three-year performance showed good returns against benchmark with returns of 12.7% compared to 10.9% as shown in the chart below:

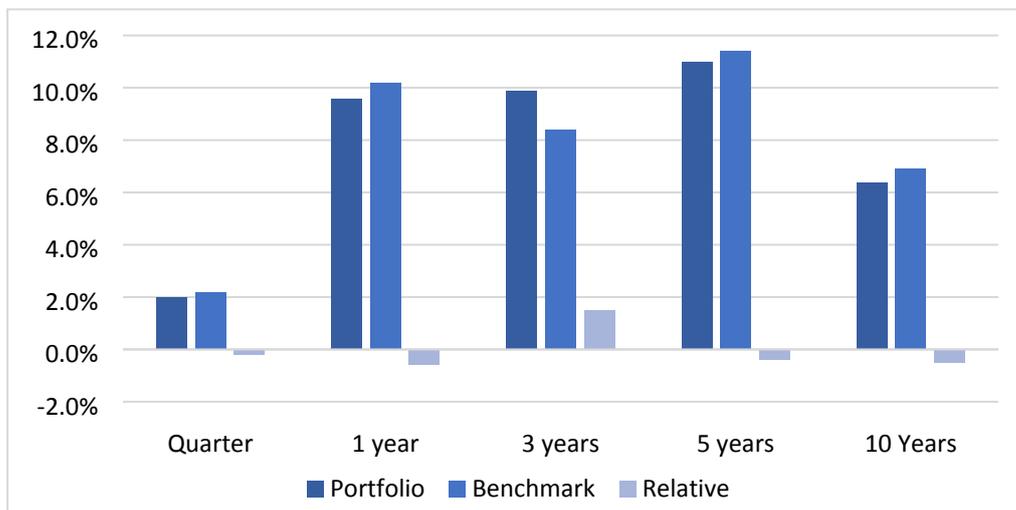


- 7.6 Private Equity: During the second quarter the Private Equity portfolio had a net cash position of £5.7 million, made up of aggregate distributions of £72.2 million and total drawdowns of £66.5 million. The Fund made investments in 2 co-investments during the quarter. The portfolio underperformed its benchmark during the quarter with the venture capital sector segment impacting on performance (23% of the Private Equity portfolio) over both the short and medium term. The quarterly, 1 year and longer-term performance of the portfolio is shown in the chart below:

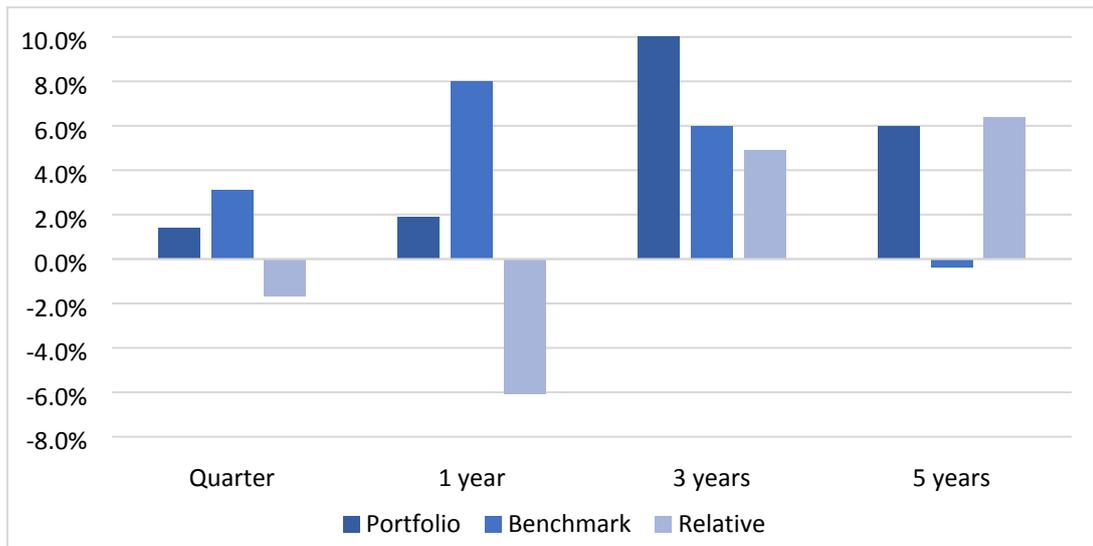


Income Assets

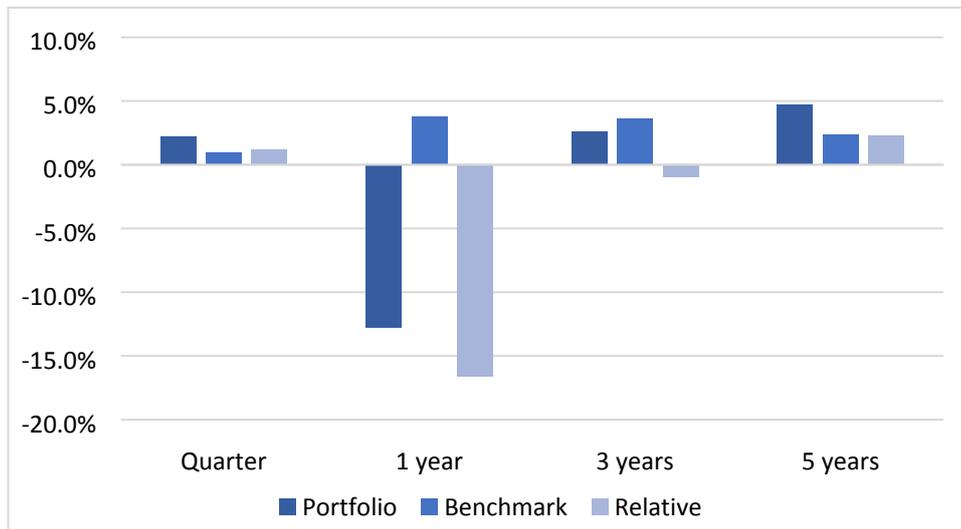
7.7 Property: There was little activity in the portfolio over the quarter although the Fund completed on 2 property purchases early in July. Performance over the quarter was 2.0% compared to benchmark of 2.1%, with the year's performance of 9.6% for the Fund and 10.2% for the benchmark. The Fund outperformed benchmark over a 3-year period delivering a return of 9.9% compared to a benchmark return of 8.4% as can be seen from the chart below:



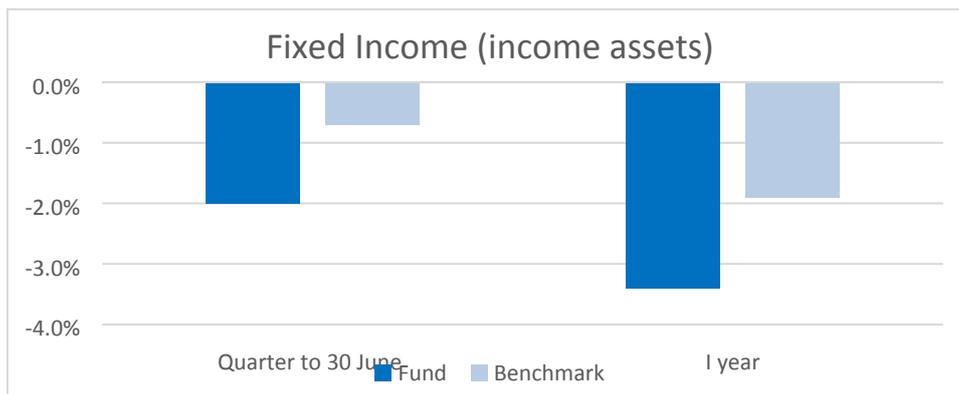
7.8 Infrastructure and Real Assets: The Fund made investments into a direct portfolio of wind energy and in an indirect infrastructure fund during the quarter amounting to £150m increasing the Fund's allocation in this area. Performance over the quarter was impacted by the markdown in one of the funds following the collapse of Carillion to which the fund had been exposed, this also impacted the 1-year performance returns against benchmark. Over the 3-year period the Fund has delivered outperformance against benchmark as can be seen in the following chart:



7.9 Absolute Return: This covers the insurance linked funds and special opportunity investments. As Members will be aware from previous committee discussions the insurance linked sector has been significantly impacted in terms of performance due to the financial impact of the hurricanes and other natural disasters during 2017. The impact of this is that the insurance linked funds are able to pass through significant premium increases and should be able to deliver stronger returns in 2018. The Fund took the opportunity to increase exposure to this area to try to capture the recovery potential in these funds investing £100 million into one of the funds during the quarter. The chart below clearly sets out the impact on the last year from the natural disasters of 2017:

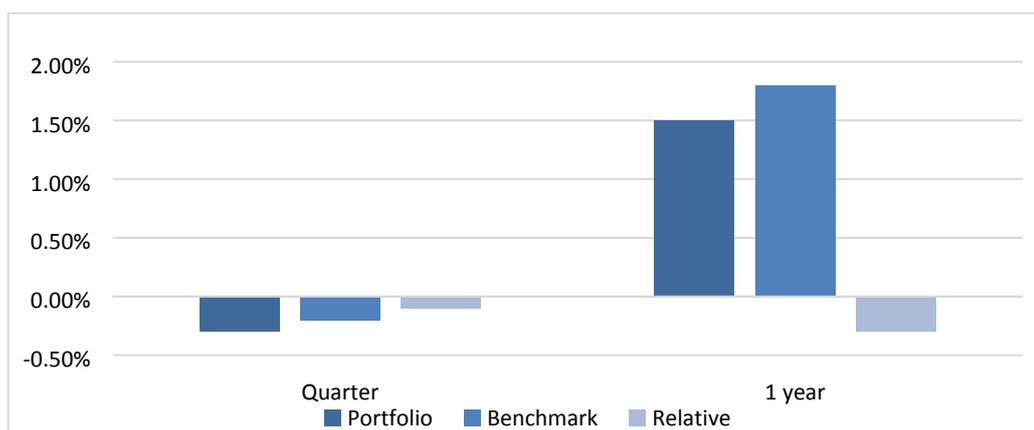


7.10 Fixed Income incorporating emerging market debt and specialist fixed income. Emerging market debt has been impacted by US\$ strength and volatility in emerging economies, although the Fund benefited from its exposure to specialist fixed income which helped to offset some of the underperformance from emerging market debt.



Stabilising Assets

7.11 Stabilising Fixed Income: There was little activity in this portfolio over the quarter and performance of the aggregate portfolio was broadly in line with benchmark over the quarter as shown below:



Currency

7.12 Having benefitted from the weakness of sterling during 2016/17, the Fund entered into a passive currency hedging programme managed by HSBC in September 2017 to protect returns in sterling terms and to reduce currency risk within the investment portfolio. The hedge is applied to the Fund's overseas quoted equity portfolios with a hedge ratio of 50% based on the strategic weights for each region.

The Fund rolled the currency hedge in June 2018 for an additional quarter; in doing so, the Fund realised a loss of £61.1 million, which represented an overall loss to the Fund of 1.5% over the period. This was attributable to the pound's depreciation against all three currencies (USD, EUR and JPY) during the second quarter of 2018. However, it should be noted that the loss was offset to a certain extent by the rise in the US equity market, which increased by 10.0% in sterling terms over the period, and corresponding increases in European (+3.4%) and Japanese (+3.2%) equities.

Investment Costs

7.13 The Fund continues to review its internal and external manager performance and fees to ensure the effective implementation of its investment strategy in line with the Fund's Investment Strategy Statement.

8.0 West Midlands Integrated Transport Authority Quarterly Performance

8.1 At the end of the first quarter of the financial year 2018/19, the value of the WMITA Fund had risen to £495.4 million from £491.9 million at the end of the year to 31 March 2018, due to a combination of cash inflows during the quarter and positive performance from the invested portfolio. The table below sets out the asset allocation of the portfolio at the end of June (excluding the buy-in element of £238.3 million), the policy targets are those that were set at the March Pensions Committee meeting when the updated Investment Strategy Statement was approved and which the Fund is in the process of implementing:

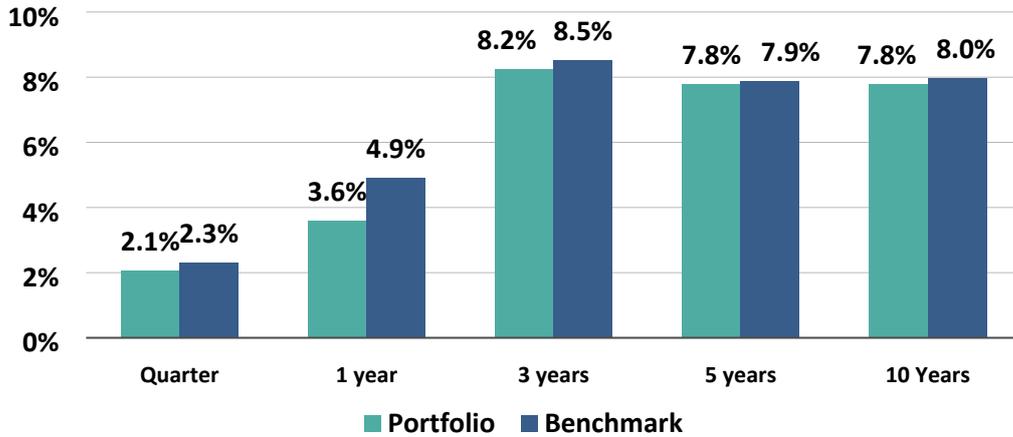
Asset class		Value (£)	Fund allocation	Policy target**	Difference
Equities	£	105,661,392	41.1%	27.6%	13.5%
Diversified Growth Funds	£	96,604,894	37.6%	37.0%	0.7%
Fixed Income & LDI	£	53,212,526	20.7%	35.3%	-14.6%
Cash	£	1,535,544	0.6%	0.1%	0.5%
TOTAL*	£	257,014,356	100.0%	100.0%	0.0%

*Excludes Prudential buy-in £238.3 million

** Policy target shows the updated policy targets agreed by Pensions Committee in March 2018

8.2 As noted above, the WMITA's policy allocation was amended at the March Committee meeting following discussions with the main employer in the Fund, West Midlands Travel Limited (trading as National Express Bus) to address concerns about the level of risk within the portfolio given the maturity of the WMITA Fund. Agreement has been reached to appoint a multi-asset credit manager and this will be in place by the time of the September Committee meeting funded primarily by a reduction in the equities exposure and the corporate bond fund. Officers are working towards putting the Liability Driven Investment in place and this should then complete the first phase of the restructuring of the portfolio with ongoing discussions on phase 2.

8.3 In the quarter ended 30 June 2018, the fund achieved a return of 2.1% broadly in line with the benchmark return of 2.3%. All asset classes returned positive performance with the exception of Bonds, -0.58%. Over the 12-month period the fund underperformed the benchmark by 1.3%, this was mainly due to the performance of the diversified growth funds (DGF), impacted by below benchmark returns from one of the managers. The chart below shows the gross performance of the portfolio over the last quarter and over the longer term.



8.4 The table below sets out the different components of the performance of the portfolio to periods to end June 2018. The passive equity portfolio has performed in line with the benchmark over all periods under review. The diversified growth portfolio is however a mixed performance with one of the portfolios impacting on the overall performance of the DGF allocation. The fixed income allocation is split between passive index linked exposure (which has performed in line with benchmark) and an active corporate bond portfolio which has outperformed over the year.

	Absolute performance				Relative performance			
	Quarter	1 year	3 years p.a.	5 years p.a.	Quarter	1 year	3 years p.a.	5 years p.a.
Equities	5.0%	7.7%	14.0%	12.0%	-0.1%	0.0%	0.0%	0.2%
Diversified Growth Funds	0.5%	0.7%	3.4%	3.9%	-0.5%	-3.5%	-0.7%	-0.3%
Bonds	-0.6%	1.5%	6.4%	7.0%	0.0%	0.3%	0.1%	0.2%
Total return	2.1%	3.6%	8.2%	6.0%	-0.2%	-1.3%	-0.3%	-0.1%

8.5 The respective performance of the two employers in WMITA is impacted by the difference in the asset allocation of the respective portfolios as shown in the tables below:

National Express Performance to 30 June 2018

	Absolute performance		Relative performance	
	Quarter	1 Year	Quarter	1 Year
Equities	5.0%	7.7%	-0.1%	0.0%
Diversified Growth Funds	0.5%	0.7%	-0.5%	-3.5%
Bonds	-0.6%	1.5%	0.0%	0.2%
Total return	2.2%	3.7%	-0.2%	-1.4%

Preston Bus Performance to 30 June 2018

	Absolute performance		Relative performance	
	Quarter	1 Year	Quarter	1 Year
Equities	5.0%	7.7%	-0.1%	0.0%
Diversified Growth Funds	0.5%	0.7%	-0.5%	-3.5%
Bonds	-0.6%	1.5%	0.0%	0.3%
Total return	1.1%	2.8%	-0.1%	-0.7%

National Express performance in absolute terms is higher due to the higher exposure of equities within the portfolio but was negatively impacted by also having a higher proportion of its assets in DGFs which underperformed over the period.

9.0 Financial implications

9.1 The financial implications are set out throughout the report.

10.0 Legal implications

10.1 This report contains no direct legal implications.

11.0 Equalities implications

11.1 This report contains no equal opportunities implications.

12.0 Environmental implications

12.1 This report contains no environmental implications.

12.0 Human resources implications

13.1 This report contains no direct human resources implications.

14.0 Corporate landlord implications

14.1 This report contains no direct corporate landlord implications.

15.0 Schedule of background papers

15.1 Investment Strategy Statement

15.2 Funding Strategy Statement

16.0 Schedule of appendices

16.1 Appendix A – Economic and Market Update August 2018

16.2 Appendix B - Voting and Engagement Activity

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Market update

Introduction

This paper, which is addressed to the Investment Advisory Panel and Pensions Committee of the West Midlands Pension Fund, provides a short economic and market commentary.

Market returns

UK	30 June - 13 August	To 30 June 18		Global	30 June - 13 August	To 30 June 18	
		3 mths	12 mths			3 mths	12 mths
EQUITIES	0.4	9.2	9.0	EQUITIES	2.2	2.8	11.2
BONDS				North America	3.8	3.7	14.4
Conventional gilts	0.2	0.2	1.9	Europe ex UK	1.9	2.6	3.9
Index-linked gilts	1.8	-1.0	1.8	Japan	-2.5	1.2	9.6
Credit	0.7	-0.1	0.6	Dev. Asia ex Jap	-0.9	1.3	8.5
PROPERTY		2.2	10.9	Emerging markets	0.6	-3.7	10.7
STERLING				GOV'T BONDS	-0.3	-0.2	0.7
v US dollar	-3.2	-5.9	1.6	HEDGE FUNDS		0.1	4.7
v euro	-1.0	-0.9	-0.7	COMMODITIES	-5.2	3.1	13.6
v Japanese yen	-3.2	-2.0	0.2				

Total return in local currency (\$ for Hedge Funds and Commodities)

Q2 18

Global economy

- GDP numbers confirmed that the pace of global growth had slowed in Q1. Subsequent data and survey evidence suggest that expansion remains intact, with the US recovering momentum but the slowdown persisting elsewhere.
- UK CPI inflation fell further, to 2.4% in May. The Bank of England pulled back from a rate rise in May, but a split vote in June has increased speculation about a rise in August.
- In contrast, higher energy prices drove headline inflation higher in both the US and Eurozone. The rise in underlying inflation was more modest, but no barrier to a further rate rise from the US Federal Reserve or confirmation that the ECB would end its QE programme at the end of 2018.
- Oil prices were again strong. Brent crude rose more than 10%, peaking just above \$80 a barrel in May, the highest level since late 2014. A production increase agreed by OPEC in June had little short-term effect on prices.
- US dollar strength was the main feature of foreign exchange markets. Sterling was the weakest of the major currencies, falling 2% in trade-weighted terms.

Bond markets

- Long-dated gilt yields, both conventional and index-linked, were little changed over the quarter. A rise at the start of the period, when a possible rate rise and US economic acceleration dictated investor sentiment, was reversed later, as trade tension raised concern about the outlook for growth.
- UK credit spreads widened a little over the quarter from historically low levels. This was in line with the pattern in global credit markets.
- Dollar strength was a catalyst for foreign investors to reduce their exposure to emerging markets (EM). Local currency debt was particularly hard hit – broad EM debt indices were down around 5% in sterling terms over Q2.

Equities

- EM equities also suffered from the strength of the dollar and were down 2.4% in sterling terms over Q2.
- In contrast, developed market equities bounced back from the downturn in Q1. Global indices (including EM) had returned over 5% by mid-June, before falling back a little as trade conflict intensified. Sterling weakness considerably increased returns to UK investors.
- Currency was also a factor in the very strong recovery of UK equities, which saw a reversal of the relatively severe setback in Q1. The market generates a substantial proportion of revenue overseas.
- Unsurprisingly given the strength of oil prices, the strongest sector performance over Q2 came from Oil & Gas. The worst performance came from Financials, where the changing shape of the US yield curve – short rates rising more than long rates – is typically unfavourable for global banks.

UK property

- In aggregate, the UK commercial property market carried on with its steady advance, but sector divergence remained marked. Based on IPD Monthly indices, capital values in the Retail sector were a little lower in May than they had been at the end of the year, while they were 5% higher in the Industrial sector.

Q3 18 update

- Initial estimates of Q2 growth reinforced the view that the global economy had shaken off the torpor of the start of the year. The US recorded its fastest quarterly growth for almost four years, the UK picked up from near-standstill and Japan returned to positive growth. The Eurozone and China slowed modestly.
- As almost universally expected, albeit not universally welcomed, the Bank of England raised its Bank Rate from 0.5% p.a. to 0.75% p.a. The Bank of Japan made some tweaks to its monetary policy, but these proved even less of a tightening move than had been expected.
- Higher interest rates did little to support sterling, which has continued to weaken as concerns about a “no-deal Brexit” have increased.
- Gilt markets were reassured by the glacial pace of future tightening suggested by the Bank of England. Yields are little changed from end-June levels, as is the case for equivalent US and German bonds.
- Yield spreads on Italian government bonds relative to German bonds have climbed back towards May's high's, but spreads on other peripheral markets have been more stable.
- Equity markets have pushed higher – the US, buoyed by economic strength, has led the way, although there have been early signs that the upgrading of corporate earnings forecast has ended for the moment.
- It was business as usual for UK commercial property at the start of Q3. The IPD Monthly Index recorded a modest rise in capital values in July, with industrial strength offsetting retail weakness.

Asset class outlook

The tables below summarise our broad views on the outlook for various assets. Each shows the relevant target weight in the Strategic Investment Allocation Benchmark as at 30 June 2018. These will not add to 100%, as the tables do not cover the allocations to the cash flow matching portfolio and special opportunities.

EQUITIES

48.0%

Global equities have clawed their way back above year-end levels, although they remain short of January's highs. (Sterling weakness casts things in a better light for unhedged UK investors.) This has done little to change our thinking on the offsetting influences on the outlook. Reported earnings continue to rise in aggregate and in most regions – in terms of a strong dollar, emerging market earnings have started to struggle. However, this is mainly a reflection of the coordinated global growth of the last year or so, and valuations are more stretched than we would like to cover the risks to the economic outlook.

Global averages continue to conceal considerable regional variations. Valuations look more stretched in the US; despite the favourable fundamentals, we would be particularly cautious here. The US market has traded on premium valuations for most of the last twenty years, but that premium looks very high by historic standards. On a long-term perspective, emerging markets look more interesting – valuations are lower and earnings are less stretched – although selling pressure from foreign investors has been more important in recent months. A similar long-term case could still be made for the UK, where domestic economic uncertainty is also high. But, as a star performance in the second quarter after a poor first quarter demonstrates, if the risks are reflected in currency weakness, that can be positive for a not-very-domestic domestic market.

PRIVATE EQUITY

10.0%

Private equity continues to perform strongly amid a supportive economic environment, with buyout funds outpacing venture capital funds. There has been increased dispersion amongst the returns delivered by individual managers, so good manager selection is more important than ever. Fundraising levels have slowed over the past year, but remain high. The resulting high levels of dry powder (uncommitted capital awaiting deployment) could sustain the market's stretched valuations, which have exceeded the peaks reached in 2007, but could also allow private equity managers to exploit market dislocations caused by spikes in volatility. Some private equity managers claim to identify pockets of value within the secondary market, although there is also evidence of high pricing here. Investors will have to be very selective about where capital is deployed.

REAL ASSETS AND INFRASTRUCTURE

6.0%

There are characteristics of infrastructure assets that we find appealing in current circumstances. The defensiveness of many assets – where revenues are unaffected or relatively insensitive to broad GDP trends – seems increasingly useful as global growth stabilises and trade-related risks rise. Where assets provide contractual growth in income, often in real terms, that provides some protection against gradual inflationary pressure. Although global monetary policy is tightening gradually, the cost of debt remains low and interest cover is typically strong. But valuations are high: record levels of unspent commitments suggest managers are struggling to find assets that meet their return objectives. We continue to believe that a selective approach is increasingly appropriate, one focused on deals with a degree of complexity or where managers can demonstrate a competitive edge.

PROPERTY**10.0%**

Three months is a short time in the UK commercial property market and the background is much as it was last time. In aggregate, rents are rising modestly and so, a little less modestly, are capital values. In both cases, the pace has eased a bit since the turn of the year – something that is true of all the major sectors. However, divergence across the sectors remains marked. In the retail sector, rental and capital value indices were lower in June than at the end of 2017; the equivalent industrial indices were 2% and 7% higher, respectively. The income yield on industrials is now a full percentage point below the retail yield – a more-than-generous recognition of changing shopping patterns. The overall income yield has dipped under 5% p.a.: the argument for property increasingly has to emphasise diversification rather than relative value.

INDEX-LINKED GILTS**5.0%**

Real yields on long-dated index-linked gilts (relative to RPI) have stayed between -1.5% p.a. and -1.7% p.a. for most of the last year. Relative to CPI this would be about 1% p.a. higher, still well short of equivalent US yields (close to +1% p.a.) and the Bank of England's relatively downbeat assessment of a long-term neutral rate (+0.5% p.a.). Economic uncertainty may well keep downward pressure on yields in the short term; so, over the next few years at least, will hedging demand, although we may be nearing the peak here. But we can see little value in index-linked gilts as a discretionary long-term investment.

CONVENTIONAL GILTS**2.0%**

Conventional gilt yields may have traded in a wider range than index-linked yields over the last year, but it is still the underlying level of real yields that is, in our view, the key determinant of value. We can see little more long-term value in conventional gilts than in index-linked. In terms of the price inflation protection implied by the gap between conventional and index-linked gilt yields, the variation by maturity is still the most interesting aspect. Conventional gilts are not cheap, but for those needing to hedge, they offer better relative value at medium maturities, and are more expensive at longer maturities.

INVESTMENT-GRADE CREDIT**2.5%**

Although the current background of decent global growth and rising corporate profits remains good for credit markets, investors have made some allowance for the risks to the outlook – Brexit, EU politics, trade tensions and modest tightening in monetary policy. Yield spreads on sterling investment-grade corporate bonds have continued to drift a little higher; they might still not look particularly attractive, but they are as high as they have been for two years and broadly in line with long-term median levels. We continue to advocate diversification of low-risk bond portfolios into asset-backed securities (ABS), where appropriate. The yield premium on ABS relative to comparable corporate bonds has narrowed in 2018, but is still around the average of recent years.

OTHER CREDIT**2.0%**

Here, too, the support of favourable economic conditions has been undermined by growing concerns about the outlook. There has been some widening of yield spreads in high-yield bond markets, but they remain expensive relative to longer-term history. Our bias is still to look for returns to factors other than pure credit risk. However, loans markets have proved relatively resilient in recent months and their relative appeal has diminished a little. Where even greater illiquidity can be tolerated, we would consider investment in private markets – both direct corporate lending and real estate debt – although these have not been immune to yield compression and weakening of covenants. We also see relative value in the ‘complexity’ premium available from structured credit, particularly CLOs.

EMERGING MARKET DEBT (EMD)**2.5%**

The divergence between the current economic situation and the perceived risks to the outlook are perhaps most stark here. In general, emerging economies are performing reasonably well. High-profile outliers, such as Argentina and Turkey, are not a major part of the main indices. But a less liberal trade environment represents a real long-term risk. Valuations stack up well against other asset classes – a yield of close to 7% on the main local currency global EMD index is above long-term averages. However, short-term sentiment, driven by trade risks and capital outflows as the dollar strengthens, has dominated in recent months and we suspect may persist for a while.

INSURANCE-LINKED SECURITIES (ILS)**3.0%**

Loss development and claims collection from 2017 catastrophe events continue to proceed in an orderly fashion. While April saw some deterioration from losses resulting from Hurricane Irma, loss estimates have typically remained below initial projections and often retained by large insurers. Insured losses in the first half of 2018 were approximately \$21bn, compared to an average of \$35bn over the last decade. Expectations of market-wide rate increases following 2017’s losses dissipated during the mid-year property catastrophe renewals. In some cases, pricing declined. Valuations look stretched relative to longer-term history, There is a ‘new normal’ in reinsurance pricing – insurance-linked securities funds grew by a factor of 5 between 2010 and 2015. Comparing current valuations with their long-term history – they look demanding – is, in our view, increasingly unhelpful. On a shorter view, the yield premium on catastrophe bonds relative to comparable corporate credit is not far away from the average of the last four years.

CASH**2.0%**

Although the downturn in global growth has not persisted, the tailwinds of accelerating growth and loose monetary policy are not what they were. Valuations remain high for most asset classes and that implies low returns over the medium term. We therefore continue to be cautious on markets and holding more cash than normal is one element of an overall strategy of reducing investment risk.

Prepared by:

Graeme Johnston, Partner

William Marshall, Partner

15 August 2018

For and on behalf of Hymans Robertson LLP

Notes

Market returns

Percentage total returns in local currency (\$ for Commodities and Hedge funds). Source: Datastream; indices as shown below.

Equities		Bonds	
UK	FTSE All-Share	Conventional gilts	FTSE-A UK Gilts All Stocks
Overseas (developed)	FTSE World	Index-linked gilts	FTSE-A UK Index Linked Gilts All Stocks
Emerging Markets	FTSE All-World	UK credit	iBoxx Non Gilts All Maturities
Property	IPD Monthly	Overseas Government	JP Morgan Global
Hedge Funds	DJ CS Hedge Fund/Core Hedge Fund	Commodities	S&P GSCI Light Energy

General Risk Warning

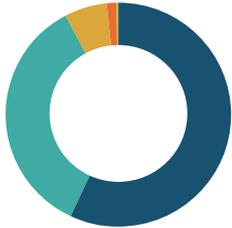
Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investments in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an overseas investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

April to June 2018

Voting report

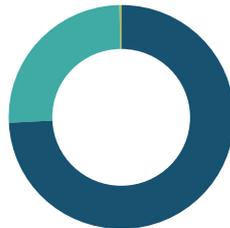
Over the last quarter, we voted at 328 meetings (4,599 resolutions). At 309 of those meetings, we opposed or abstained one or more resolutions. We supported management on all resolutions at 19 meetings.

Total
We voted at 328 meetings (4,599 resolutions) over the quarter.



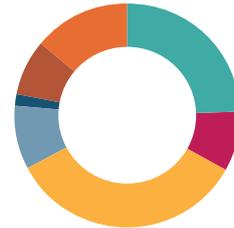
■ Total resolutions voted in favour	57.1%
■ Resolutions where voted against or abstained	35.1%
■ Non-voting	6.0%
■ Withheld	1.5%
■ US Say on Pay	0.1%

UK & British Overseas
We voted at 36 meetings (622 resolutions) over the quarter.



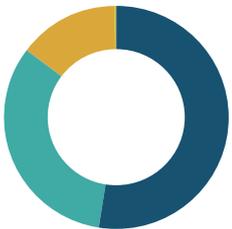
■ Total resolutions voted in favour	73.2%
■ Resolutions where voted against or abstained	26.7%
■ US Say on Pay	0.2%

UK: votes against and abstentions by category



■ Remuneration	24.7%
■ Annual reports	8.4%
■ Directors	34.3%
■ Auditors	9.0%
■ Corporate donations	1.8%
■ Share capital	7.8%
■ Other	13.9%

Europe & Global EU
We voted at 107 meetings (1,872 resolutions) over the quarter.



■ Total resolutions voted in favour	52.5%
■ Resolutions where voted against or abstained	32.6%
■ Non-voting	14.4%
■ US Say on Pay	0.1%

USA & Canada
We voted at 61 meetings (769 resolutions) over the quarter.



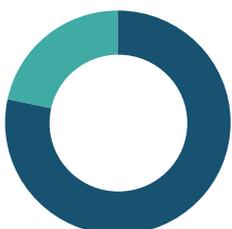
■ Total resolutions voted in favour	54.6%
■ Resolutions where voted against or abstained	36.2%
■ Withheld	9.0%
■ US Say on Pay	0.3%

Asia
We voted at 70 meetings (699 resolutions) over the quarter.



■ Total resolutions voted in favour	57.1%
■ Resolutions where voted against or abstained	42.1%
■ Non-voting	0.6%
■ Withheld	0.3%

Japan
We voted at 7 meetings (70 resolutions) over the quarter.



■ Total resolutions voted in favour	78.6%
■ Resolutions where voted against or abstained	21.4%

South America
We voted at 30 meetings (332 resolutions) over the quarter.



■ Total resolutions voted in favour	54.8%
■ Resolutions where voted against or abstained	44.9%

Rest of the World
We voted at 15 meetings (205 resolutions) over the quarter.



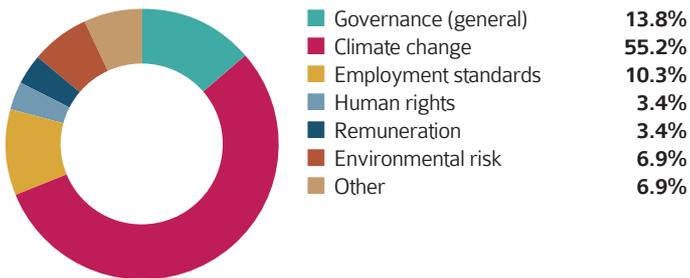
■ Total resolutions voted in favour	56.1%
■ Resolutions where voted against or abstained	43.9%

April to June 2018

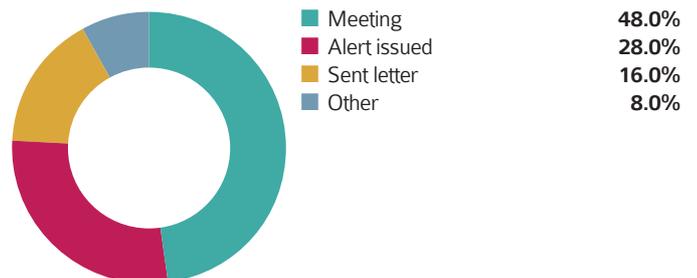
Engagement summary

Over the last quarter, the Local Authority Pension Fund Forum (LAPFF) engaged with 17 companies on a range of environmental, social and governance issues on behalf of the Fund and other members. Where applicable, LAPFF will engage with companies on more than one issue simultaneously. The engagements included in these figures are supplementary to our voting-based engagements during proxy season.

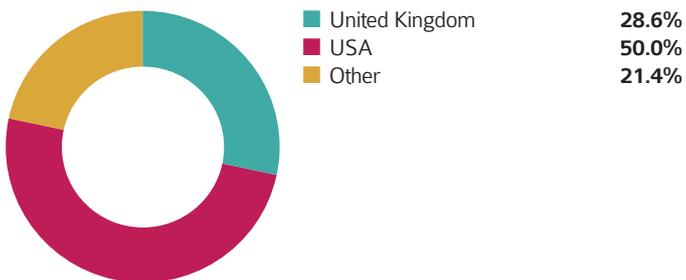
Engagement by topics



Engagement by activities



Engagement by domicile



Engagement by outcomes



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