



INVESTMENT STRATEGY STATEMENT

MARCH 2023



West Midlands Pension Fund

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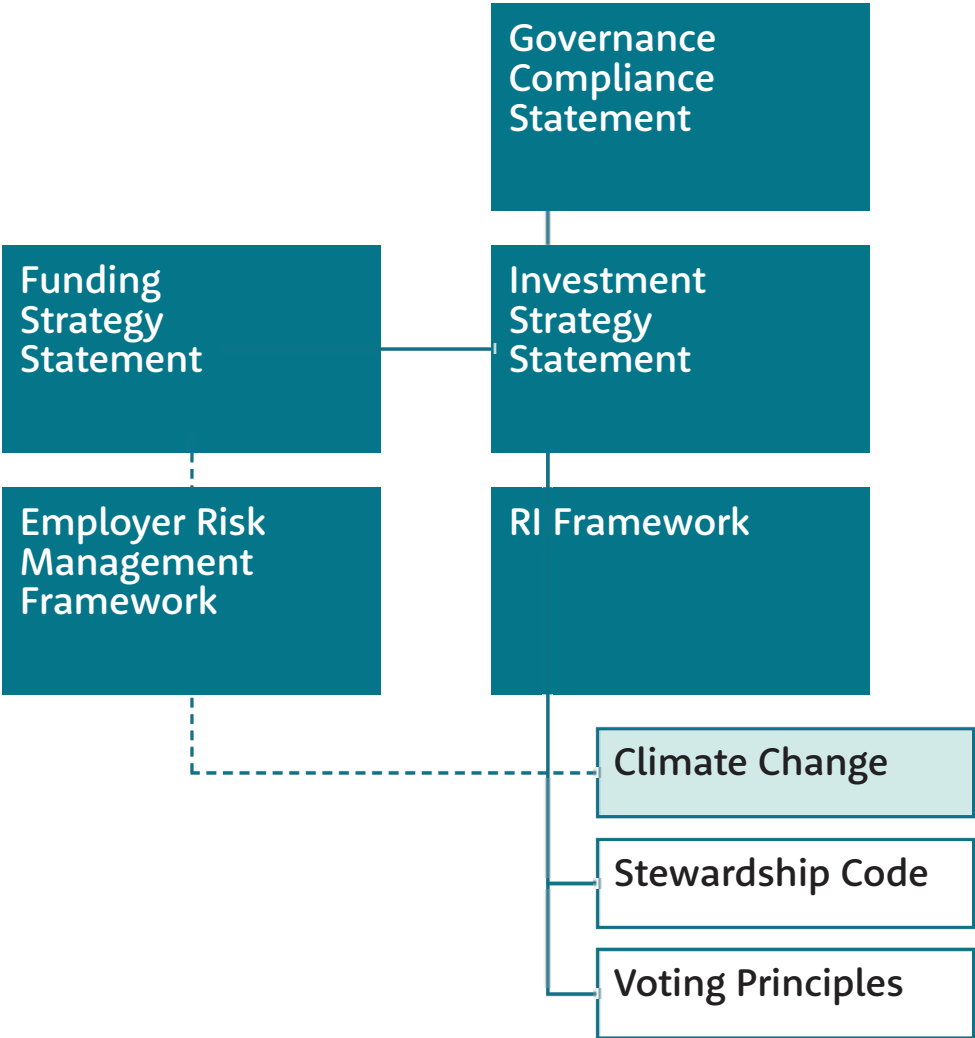
1 INTRODUCTION

Local Government Pension Scheme (LGPS) regulations require administering authorities to prepare and maintain an Investment Strategy Statement (‘ISS’). This ISS has been prepared by the West Midlands Pension Fund (the Fund) in accordance with regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the ‘Regulations’) and associated guidance. In preparing the ISS, the Fund has consulted with such persons as it considered appropriate. This statement updates and replaces the March 2022 ISS for the Fund. This statement was approved by Pensions Committee on 22 March 2023.

The ISS outlines the Fund’s investments objectives and investment beliefs, identifies the risks the Fund faces and outlines how these risks are controlled/mitigated. In defining the implementation of the Fund’s investment strategy, the ISS sets out the Strategic Investment Allocation Benchmark (SIAB) including the permitted ranges for different investment asset types.

The ISS also outlines the Fund’s views on Responsible Investment (RI) and how RI and environmental, social and governance factors are integrated into the investment decision-making process and how this and the associated *Climate Change Framework and Strategy* guide the way in which the Fund considers asset allocation and selects and stewards its assets. Further information on the Fund’s approach to RI is set out in the Fund’s *Responsible Investment Framework*.

The ISS is supported by the *Funding Strategy Statement (FSS)* and the Fund’s employer covenant monitoring framework. Together these ensure an integrated approach to funding and investment strategy and risk management, supporting the Fund in meeting its regulatory funding requirements and long-term obligation to pay member benefits. The core statements and frameworks relating to funding and investment strategy are summarised as follows:



ISS Review

The ISS is subject to fundamental review at least every three years and from time to time on any material changes to any aspects of the Fund, its liabilities, long-term cashflow projection and its attitude to risk which are judged to have a bearing on the stated investment policy. In line with other Fund policies, the ISS is reviewed annually. In preparing the ISS, the Fund has considered advice from its appointed investment and risk consultants who it reasonably considers to be qualified by their ability in and practical experience of pension scheme funding and investment matters.

Following the merger of the former West Midlands Integrated Transport Authority (WMITA) pension fund into that of the main West Midlands Pension Fund, former employers of the WMITA pension fund now participate in the main West Midlands Pension Fund with associated assets and liabilities transferred to two separate admission body funds (ABF). The associated investment strategy statements for the separate ABFs are included as appendices to this ISS (appendices D and E).

The Fund has undertaken a consultation process with key stakeholders over 2022/23 as part of its fundamental triennial review of the ISS which has included, communication and forum discussions on the funding strategy, actuarial valuation and headline investment strategy, incorporating considerations in the context of the evolving liability profile and economic environment, as relevant to meet the Fund's overarching funding and investment objectives. A copy of the draft ISS has been made available to employers and published on the Fund's website, with briefings provided to governing bodies and to wider employer representative groups on request, pending approval by Pensions Committee. The two employers covered by the ABFs have also been consulted on change to their individual investment strategies, where applicable, which are incorporated into the relevant appendices.

The City of Wolverhampton Council is the administering authority for the Fund under the LGPS regulations. The City of Wolverhampton Council delegates responsibility for the administration and management of the Fund to the Pensions Committee who, in turn, delegates certain responsibilities to the Executive Director of Pensions.

The Pensions Committee retains responsibility for the investment strategy of the Fund but has delegated oversight of its implementation to the Executive Director of Pensions, advised by the Investment Advisory Panel.

The Investment Advisory Panel includes two external advisers alongside the Executive Director of Pensions and Investment Assistant Directors. The Investment Advisory Panel provides challenge and oversight of the Fund's implementation of the ISS including strategic asset allocation and investment decisions taken by the Internal Investment Committee (IIC).

The IIC, led by the Investment Assistant Directors, is responsible for the day-to-day management of investment strategy and oversight of investment management arrangements, incorporating the aims and ambition set out in the *Responsible Investment Framework and Climate Change Framework and Strategy*. The IIC is supported by an internal investment team, investment and risk consultants, the Investment Advisory Panel and external investment managers including the pool company, LGPS Central Limited.

The Pensions Committee comprises representatives from the seven West Midlands metropolitan district councils and three local trade unions. The Fund's governing bodies also encompass a statutory Local Pensions Board whose role is to assist in the good governance of the scheme by ensuring compliance with statutory and regulatory duty. The Local Pensions Board includes representatives from sectors across the employer base. Neither the Local Pensions Board nor the Investment Advisory Panel have any decision-making powers.

Further details relating to the Fund's investment governance framework and roles and responsibilities are set out in Appendix A. The Fund is aware of the risks arising from potential conflicts of interest and has established a conflicts of interest policy which sets out the approach taken to identify, monitor and manage conflicts. Further information on the Fund's overall governance framework is set out in the *Governance Compliance Statement*.

2 PURPOSE OF THE ISS

The aims and purpose of a pension fund operating within the Local Government Pension Scheme (LGPS) are set out in the LGPS Regulations and the Public Service Pension Act 2013. With regard to funding, they can be summarised as follows.

The aims of the Fund are to:

- manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- enable primary and total contribution rates to be kept as nearly constant as possible; and
- seek returns on investment within reasonable risk parameters.

The purpose of the Fund is to:

- receive and invest monies in respect of contributions, transfer values and investment income; and
- pay out monies in respect of Fund benefits, transfer values, costs, charges and expenses, as defined in the LGPS regulations and as requirement in the LGPS (Management and Investment of Funds) Regulations 2016.

The purpose of the ISS is:

- To set out the governance arrangements for investment;
- To set out the Fund's investment objectives;
- To define the Fund's investment beliefs;
- To set out how the Fund will manage investment-related risks;
- To explain how the Fund incorporates responsible investment across the investment strategy including the integration of environmental, social and governance factors; and
- To set out the Fund's strategic investment asset benchmark (SIAB) and permitted allocation ranges

3 INVESTMENT OBJECTIVES

The primary objective of the Fund is to ensure that the Fund is able to meet the pension promises (liabilities) made to scheme members as they fall due. To meet this objective the Fund sets the investment strategy so that the target level of return is achieved over the longer-term and sufficient cashflow is available to ensure its liabilities can be met at all times.

The Fund's investment objectives are represented by the Strategic Investment Allocation Benchmark (SIAB) included as Appendix B (and Appendix D and E in relation to the ABFs). This reflects the Committee's views on the appropriate balance between generating long-term investment return and taking account of market volatility, the risk and nature of the Fund liabilities and the strength of the employer covenant. Following review over 2022/23, the SIAB has been updated to reflect the Fund's commitment to net zero and recognition of climate change as a material financial risk.

Over the long-term, it is expected that investment returns will be at least in line with the requirements underlying the actuarial valuation. The asset class (and underlying individual investment mandates) are expected to match or exceed the target returns set for each portfolio over time.

Alongside the Fund's primary investment objectives and fiduciary duty to protect and ensure monies are available to pay pensions, the Fund is committed to collaborating with other asset owners and institutional investors to influence positive change. Through a combination of capital allocation, engagement and stewardship the Fund aims to champion initiatives which enhance portfolio environmental, social and governance credentials, including through investment to support climate transition, the development of sustainable business practices and social gain on both a local and global scale. These supplementary objectives are aligned to the expectations of the Fund's key stakeholders and are considered alongside the Fund's investment risk and return objectives.

The funding objectives are set out in the *Funding Strategy Statement*.

4 INVESTMENT BELIEFS

The Fund's Statement of Investment Beliefs are set out in Appendix C. These underpin the Fund's approach to investment strategy, implementation, monitoring and stewardship framed around the following core beliefs:

- **Objectives** – Setting clear and well-defined objectives are essential to achieving success and being able to appropriately reflect the Fund's long-term ambition.
- **Governance and organisational beliefs** – The Fund believes having effective governance structures and policies will enable rigorous and tested decision making and will add value to the Fund over the longer-term. Transparency and cost effectiveness provide key tenets of a well-governed Fund.
- **Asset allocation and implementation beliefs** – The Fund adopts a long-term approach to investing as its liabilities stretch far into the future but in so doing seeks to also take a proactive approach to the management of assets, taking into account the risk/return profile of different investment opportunities over a range of time periods. Strategic asset allocation is the most important driver of the Fund's investment outcome and is a key determinant of risk and return. The Fund's investment strategy will encompass its approach to risk management, risk tolerance, return and liquidity requirements in order to meet its strategic objectives.

- **Responsible investment** – As long-term owners of capital (assets), the Fund believes that investing responsibly is key to ensuring the long-term value of the assets in which it invests is protected and where possible, enhanced. Investing responsibly and engaging as long-term owners reduces risk over time and has been proven to positively impact investment returns. The Fund is integrating responsible investment into the way it selects and stewards all assets.
- **Climate change** – The Fund adopts an evidence-based approach to climate change and believes there is overwhelming evidence to support that climate changes poses both risks and opportunities to the Fund’s investments. The Fund will consider the impact of climate change in both its asset allocation and individual investments when making decisions.

5 IDENTIFICATION AND MANAGEMENT OF RISKS

Evaluation of risks that may impact on the investment strategy of the Fund and expectation of future returns is crucial in determining the appropriate measures to mitigate those risks. The Fund operates a wider risk management framework and the ISS identifies key risks specific to the Fund’s investment strategy and the management or controls made to mitigate those risks:

Risks	Management / Control
<p>Investment risk - Assets do not deliver the return required to meet the cost of benefits payable from the Fund; potential drivers:</p> <ul style="list-style-type: none">• Inappropriate asset allocation and risk management• Investment market performance/volatility• Manager underperformance• Concentration risk that a significant allocation to any single asset category and/or region/sector and its underperformance relative to expectation would result in difficulties in achieving funding objectives• Responsible investment (RI) risks that are not given due consideration by the Fund or its investment managers	<ul style="list-style-type: none">• Investment strategy is considered in context of the Fund liabilities and return requirement set within the <i>Funding Strategy Statement</i>• Asset liability modelling and stress testing to set strategic benchmarks within Investment Strategy Statement (ISS), with annual review• Regular monitoring of strategic asset allocation and returns relative to benchmark• Regular monitoring of manager performance• Diversified portfolio with exposure to a wide range of asset classes, geographies, sectors, portfolio holdings and different management styles• The Fund actively addresses environmental, social and governance risks through implementation of its <i>Responsible Investment (RI) Framework</i> and its Compliance with the UK Stewardship Code for Institutional Investors
<p>Increasing maturity and benefit cashflow requirement; potential drivers:</p> <ul style="list-style-type: none">• Falling contribution income and increasing total benefit payments as more members start to draw their benefits• Declining active membership due to change in local authority service delivery models• Increasing reliance on income-generating assets	<ul style="list-style-type: none">• Investment strategy review is informed by future benefit cashflow projections• Modelling of investment strategy and future asset income streams• Regular monitoring of membership movements and liability profile

Risks	Management / Control
<p>Increasing future benefit costs; potential drivers</p> <ul style="list-style-type: none"> • Rising levels of future inflation • Increasing life expectancy beyond the level expected for Fund members 	<ul style="list-style-type: none"> • Diversified portfolio of growth and inflation-linked assets • Regular monitoring of funding level • Review of scheme membership experience vs expectations as part of each triennial actuarial valuation, with Fund-specific review of mortality experience
<p>Changing scheme regulations and guidance – impacting scheme benefits, funding strategy, actuarial valuations, investment strategy</p>	<ul style="list-style-type: none"> • Ongoing horizon scanning and consideration on the Fund risk register • Review and response to consultations on changes to the LGPS regulations and guidance which may impact scheme funding and investment strategy • Participation in national review and consideration of emerging issues within the LGPS
<ul style="list-style-type: none"> • Illiquidity risk - the Fund is unable to meet its immediate liabilities because it has insufficient liquid assets 	<ul style="list-style-type: none"> • Investing across a range of liquid assets, including quoted equities/bonds and implementation and monitoring of a liquidity waterfall to ensure sufficient liquidity across the investment portfolio. This recognises the Fund's need for some access to liquidity in the short-term
<ul style="list-style-type: none"> • The failure to appropriately address the impact of climate change 	<ul style="list-style-type: none"> • The Fund has a dedicated and holistic <i>Climate Change Framework and Strategy</i> (most recently updated in December 2021) covering funding and investment risk management • Net-Zero Asset Owner commitment with overarching target to achieve by 2050 or sooner in line with the Paris agreement including appropriate interim targets to ensure continual progress • Monitoring and measuring the impact of climate change risks, with annual disclosure
<p>Operational risk; potential drivers</p> <ul style="list-style-type: none"> • Transition risks – unexpected costs or losses arising from transition of assets • Custody – risk of losing economic rights to Fund assets when in custody or being traded • Counterparty and third party supplier – potential default or failure of counterparty or third party • Financial recording of assets is inaccurate 	<ul style="list-style-type: none"> • Professional advice from specialist transition managers, due diligence and oversight on transitions • Use of global custodian for directly held assets, contractual management and accounting records • Due diligence prior to appointment, review of credit ratings, internal controls reporting and compliance monitoring • Reconciliation of assets records

6 INVESTMENT STRATEGY

The Fund has translated its objectives into a suitable strategic investment allocation benchmark (SIAB) (set out in Appendix B, D and E) which takes into account the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst considering market volatility and risk, Environmental, Social and Governance risks, the nature of the Fund's liability structure, the strength of the employer covenant and the Fund's investment objectives. The investment beliefs in Appendix C also help in formulating the investment strategy.

The Committee monitors investment strategy relative to the agreed asset allocation benchmark and strategic ranges.

The Fund's investments will be diversified across multiple asset classes with different risk return expectations and correlations to deliver the targeted return of the Fund. Appendix B, D and E shows the Strategic Investment Allocation Benchmark (SIAB) and strategic ranges for the Main Fund and two ABFs.

The Fund undertakes risk attribution, stress testing and scenario analysis provided by independent advisors as part of its risk management framework and to assess the benefits of diversification and test the resilience of the portfolio to changing economic and market conditions.

7 INVESTMENT ARRANGEMENTS

Investment Managers

The Fund has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The investment managers are required to comply with LGPS investment regulations and operate within investment mandates set by the Fund. External managers are also expected to comply with the Fund's requirements on cost transparency and adopt a best practice responsible investment approach, to ensure appropriate stewardship of Fund assets.

Suitable Investments

Subject to the LGPS regulations on allowable investments the Fund may invest in a wide range of assets and strategies including quoted equity, government and non-government bonds, currencies, money markets, commodities, traded options, financial futures and derivatives, alternative strategies (including insurance linked securities and loans), private equity and debt markets, infrastructure and property. A variety of investment vehicle and approach may be utilised by the Fund, according to the nature of the asset and investment opportunity, governance and operational requirements. The Fund will use managers to carry out stock lending ensuring suitable controls/risk parameters are put in place to prevent losses.

The Fund may make use of derivatives when investing in these products, for the purpose of efficient portfolio management or to hedge specific risks.

The Fund, after seeking appropriate investment advice, has agreed specific benchmarks each mandate so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund's investment managers, subject to individual investment mandates, may hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the Fund aims to ensure a diversified portfolio across a range of geographies, investment style and economic sensitivity.

Additional Assets

Assets in respect of members' additional voluntary contributions are held separately from the main Fund assets. These assets are held with Utmost Life (from January 1st 2020) and the Prudential Assurance Company Limited. Members have the option to invest in with-profits funds, unit-linked

funds and deposit funds. The Fund monitors, from time to time, the suitability and performance of these vehicles.

Realisation of Investments

The Fund's liquidity characteristics are monitored on a regular basis and the majority of the Fund's investments may be realised quickly, if required. The Fund will ensure that the liquidity of the investments is suitable to meet future cashflow requirements. In general, the Fund's investment managers have discretion in the timing of realisations of individual, underlying investments and in considerations relating to the liquidity of those investments. Private equity, infrastructure and a number of the Fund's alternative investments, may be difficult to realise quickly in certain circumstances.

Monitoring the Performance of Fund Investments

The performance of all assets and investments is independently measured by an external provider. The Fund has a manager monitoring and oversight framework which ensures routine engagement, investigation and escalation of any significant and sustained risks to the performance of investment mandates which may impact on the Fund attaining its investment objectives. The Pensions Committee meets regularly and reviews markets and Fund investment performance at least quarterly.

8 DAY-TO-DAY CUSTODY OF THE ASSETS

The Fund invests a significant proportion of its assets in third party pooled investment vehicles, including through its pool Company, LGPS Central Limited. For segregated mandates, the Fund has appointed a custodian to ensure the safekeeping of the assets and to support with other investment administrative requirements.

9 SECURITIES LENDING

Securities lending is undertaken in respect of the Fund's quoted equities holdings through the custodian/asset servicer. There is a formal securities lending agreement and approved collateral management framework to control and mitigate risk. Securities lending may also take place in pooled investment vehicles held by the Fund including those developed with LGPS Central Limited.

10 INVESTMENT POOLING

The Fund is part of the LGPS Central pool with the objective that the pooled investments can expect to benefit from lower investment costs and the opportunity to access alternative investments on a collective basis. As a local authority-owned and FCA-registered investment manager, the pool company, LGPS Central Limited is required to provide governance, transparency and reporting to give the Fund assurance that its investment instructions are being carried out appropriately. The Fund monitors the performance and management of its assets with LGPS Central Limited on a quarterly basis as part of its manager monitoring and oversight framework.

The Fund currently invests the majority of its assets through the LGPS Central Pool, with an expectation that more investments will be made through the pooled vehicles over time. The Fund holds a number of legacy assets and may invest assets outside the pool to access investments to meet specific strategic investment requirements, where these are not available through the pool.

Investment strategy is set by the Pensions Committee who also continues to oversee implementation of the investment strategy and application of responsible investment and climate change frameworks with the assistance of Fund officers and independent advisors. This includes the ongoing monitoring of those arrangements, through the pool's governance framework.

11 RESPONSIBLE INVESTMENT

The Fund believes that it is part of its fiduciary duty to incorporate Responsible Investment ("RI") into the investment and decision-making process. The Fund defines the term RI as the integration of financially material environmental, social, and corporate governance ("ESG") factors into investment processes. The Fund's approach to RI is outlined below and is underpinned by the Fund's RI beliefs and guiding principles which are detailed in the Fund's *Responsible Investment Framework*.

RI Integration

The Fund believes that effective management of financially material RI risks, including systematic risks such as climate change, should support the Fund's requirement to protect and potentially enhance returns over the long-term. The Fund seeks to integrate responsible investment factors (adding ESG to the existing financial factors) into the investment process across all asset classes through the selection and stewardship of its assets. Therefore, investment managers are expected to incorporate RI into their investment process on behalf of the Fund.

The Fund considers RI to be relevant to the performance of the entire Fund across all asset classes. RI investments will be considered where any non-financial benefit is aligned with a positive financial benefit. There are some investment opportunities arising from environmental and social challenges which can be captured so long as they are aligned with the Fund's investment objectives and strategy. The Fund will look to incorporate opportunities which actively seek initiatives which drive both financial benefit and support change, including through the development of solutions to support the climate transition and will consider opportunities across asset classes which have a positive intent alongside a financial return. These opportunities should align with the time horizon and the financial interest of the Fund's underlying beneficiaries.

Engagement Versus Exclusion

As long-term holders of capital, the Fund believes it is part of its responsibility to ensure high standards of corporate governance and corporate responsibilities in its assets held. Investee companies with robust governance structures should be better positioned to handle the effects of shocks and stresses of future events.

Despite the underlying risk, the Fund believes there are potential opportunities in holding companies that have weak governance or financially material RI issues. Engagement provides an opportunity to positively influence company behaviour, enhance shareholder value and drive real-world change, influence that would be lost through a divestment approach. Hence, the Fund prefers to adopt a policy of risk monitoring and engagement, extending this principle of 'engagement for positive change' to the due diligence, appointment and monitoring of external fund managers.

The Fund believes that the effectiveness of engagement improves by acting collectively with other like-minded investors and gathering a more influential investor voice that is more likely heard by the company, fund manager or other relevant stakeholder compared with acting alone. The Fund will continue to monitor the success of both its individual but also collective engagement with companies.

Collaboration

The Fund recognises the need to operate at a market-wide level to promote improvements that will help it to deliver sustainable long-term growth. Where possible the Fund looks to collaborate with industry groups and like-minded investors to improve the effectiveness of its activities by acting collectively and promoting best practice in long-term stewardship of investments and RI. The Fund is a signatory to the UK Stewardship Code and the Principles of Responsible Investment (PRI). A significant part of the Fund's engagement programme is implemented through partnerships including the PRI, the Local Authority Pension Fund Forum (LAPFF), EOS at Federated Hermes (via a contract held by LGPS Central Limited) and the Institutional Investors Group on Climate Change (IIGCC).

Voting

To exercise the full opportunities and rights as a shareholder, where practical, the Fund aims to vote in every single market in which it invests in alignment with corporate governance best practice guidelines. Voting is used as part of a wider engagement strategy and is used as a form of escalation. The Fund engages a proxy research provider through LGPS Central Limited to analyse and provide advice relating to the Fund's voting opportunities, consistent with the Fund's policies. The provider also executes the Fund's votes through the relevant intermediaries. The Fund has oversight of voting outcomes which in line with the Fund's ambition for full transparency are published on a quarterly basis. Further information on the Fund's approach to voting can be found in the Fund's *Voting Principles* which are reviewed annually.

12 CLIMATE CHANGE

The Fund recognises that the scale of the potential impact of climate change and its risks is such that a proactive and precautionary approach is needed to address it. In line with the 2015 Paris Agreement, the Fund has made a net zero commitment and is working alongside the Institutional Investor Group on Climate Change to develop best practice methodologies and reporting to address this global issue.

The Fund takes an evidenced-based approach to the risks around climate change and acknowledges the potential financial risks that climate change pose to the Fund's investments. The Fund has developed and published a separate *Climate Change Framework and Strategy*, setting out how it intends to manage both the risks and opportunities of climate change and how it will integrate climate change into its broader investment strategy. The Fund monitors the risks associated with climate change through its annual climate-related financial disclosures report, produced in line with the recommendations by the Task Force on Climate-related Financial Disclosures (TCFD). Metrics included within this report aid in monitoring and reporting progress against the delivery of net zero by 2050 (or sooner), and interim targets.

The Fund intends to align its investments in line with its net zero ambition, RI beliefs and overall investment objective. This includes investing in opportunities such as 'climate solutions' with the Fund currently defining climate solutions as investments that contribute substantially to, and/or enable emissions reductions to support decarbonisation in line with credible 1.5°C pathways towards net zero. The Fund has made a number of investments in this area and continues to adopt best practice and latest industry standards to understand climate-related risks and opportunities apparent in the Fund's portfolio.

The Fund has considered climate-related risks when setting the funding strategy and has carried out engagement with employers to raise awareness of the potential implications of climate risk upon employer covenant as well as collecting data to inform future review. Through investment management arrangements and supply change, the Fund is advocating a proactive approach to climate change throughout the investment chain.

13 LOCAL INVESTMENTS

The Fund does not have a target allocation to invest in the UK or within the West Midlands region but has, over time, allocated capital to local investment opportunities, across asset classes including direct property, infrastructure, housing and small companies, where these have offered an attractive risk and reward, alignment with the Fund's RI objectives and a suitable scale and governance arrangement. The Fund will consider opportunities to invest locally on a limited and case-by-case basis noting the potential for regional benefit and innovation required to address some of the environmental and social challenges which need to be addressed by all, in order to build sustainable futures. Any decisions on local investments will continue to be made in line with the Fund's strategic asset allocation benchmark, risk and return targets, broader objectives and beliefs, in context of the Fund's primary objective to meet its fiduciary duty to its beneficiary members.

14 COMPLIANCE WITH THIS STATEMENT

The Fund will monitor compliance with this statement. In particular, it will ensure its investment decisions are exercised with a view to giving effect to the principles contained in the statement, so far as is reasonably practicable.

15 COMPLIANCE WITH MYNERS

Following from the Myners' report of 2000 into institutional investment in the UK, the Government, after consultation, indicated it would take forward all of the report recommendations identifying investment principles to apply to pension schemes.

These principles cover the arrangements for effective investment management decision-making, setting and monitoring clear investment objectives, focus on asset allocation, arrangements to receive appropriate expert advice, explicit manager mandates, shareholder activism, use of appropriate investment benchmarks, measurement of performance, transparency in investment management arrangements and regular reporting.

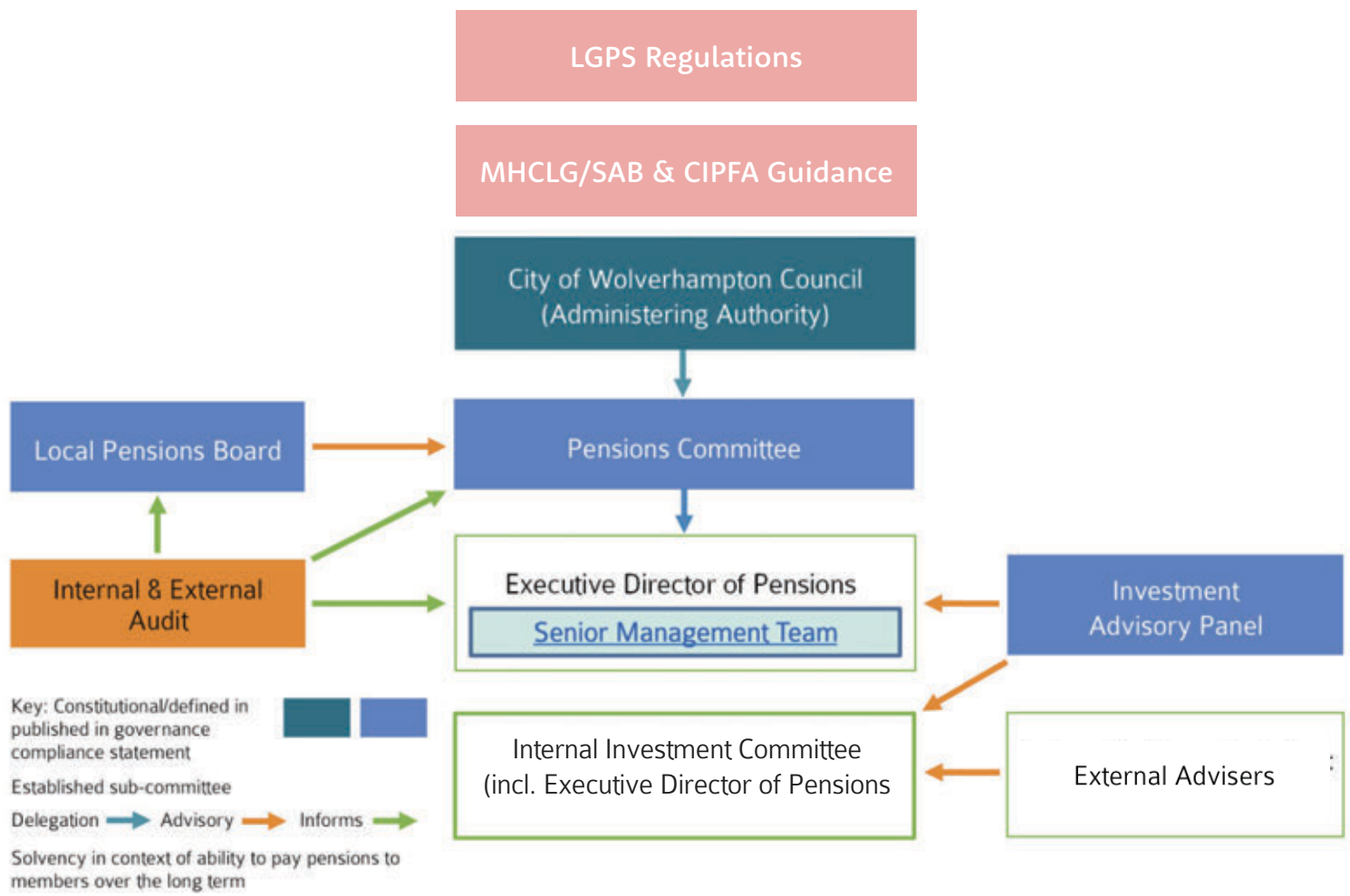
The Myners' principles have since been updated, and the Fund continues to support and comply with them.

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- **Appendix A** – Roles and Responsibilities
- **Appendix B** – WMPF Main Fund Strategic Investment Allocation Benchmark (SIAB) and Ranges
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APPENDIX A: ROLES AND RESPONSIBILITIES

The regulatory and governance framework in place to manage investment strategy includes:



The roles and responsibilities of the different bodies in the governance structure are outlined below:

Pensions Committee	<ul style="list-style-type: none">Oversee the management and administration of the Fund including implementation of investment strategy following approval of the <i>Investment Strategy Statement</i>
Local Pensions Board	<ul style="list-style-type: none">Review the process of effective decision-making
Executive Director of Pensions	<ul style="list-style-type: none">Delegation for day-to-day management of Pension Fund including investments and implementation of investment strategy
Investment Advisory Panel	<ul style="list-style-type: none">Supports the Executive Director of Pensions and Internal Investment Committee with strategic advice, challenge, market commentary and oversight of portfolio management
Internal Investment Committee	<ul style="list-style-type: none">Day-to-day asset allocation and investment strategy decision-making and implementation of investment strategy, together with oversight and monitoring of investment management arrangements
Investment Advisors	<ul style="list-style-type: none">Provision of advice on markets, investment strategy, risk management and implementation
Internal & External Audit	<ul style="list-style-type: none">Review process, decisions and implementation and to provide assurance to those charged with governance of the Pension Fund

APPENDIX B: WMPF MAIN FUND STRATEGIC INVESTMENT ALLOCATION BENCHMARK AND RANGES

Medium-term asset allocation			
	Target %	Total %	Range %
Growth		37.5	30-45
Liquid growth		31.5	
Developed market equities	26.5		
Emerging market equities	5.0		
Illiquid growth		6.0	
Private equity	5.0		
Special opportunities	1.0		
Income		44.5	35-50
Liquid income		19.5	
Multi-asset credit	3.5		
Corporate bonds	8.5		
Emerging market debt	2.5		
Liquid stable income	5.0		
Illiquid income		25.0	
Infrastructure	9.0		
Property	9.0		
Diversified private credit	7.0		
Stabilising and liability aware		18.0	10-25
Government bonds	4.0		
Index-linked bonds	14.0		
Total	100.0		

Note: Liquid stable income allocation includes an allocation to cash. Asset allocation may be outside ranges shown above whilst transitioning to the medium-term asset allocation.

The Fund is developing a combination of dedicated mandates and guidelines within mandates which actively support the Fund’s commitment to sustainable futures and net zero. Progress and outcomes of these will be reported in the Fund’s annual Climate Risk Monitoring and Stewardship Reports.

APPENDIX C: STATEMENT OF INVESTMENT BELIEFS

The Fund’s investment beliefs outline key aspects of how it sets and manages the Fund’s investment strategy including the management of exposure to investment risk. The Fund’s investment beliefs are as follows:

Objectives
<ul style="list-style-type: none">• Setting clear and well-defined objectives are essential to achieving success and being able to appropriately reflect the Fund’s ambition and path to achieving it long-term direction of travel• Use of an integrated risk management framework including interlinking with both employer covenant monitoring and funding work to assist in delivering the sustainability of the Fund• Objectives and subsequent implementation decisions to achieve such objectives are made based on data and evidence where possible and through a combination of quantitative and qualitative assessment which is used to continue to test and evolve the Fund’s approach
Governance and organisational beliefs
<ul style="list-style-type: none">• Having effective governance structures and policies will enable rigorous and tested decision-making and will add value to the Fund over the longer-term• Transparency and cost effectiveness provide key tenets of a well-governed Fund• Effective governance and clear decision-making structures promote clear accountability, audit and transparency in decision-making leading to appropriate levels of challenge and improved investment outcomes• Having a diverse workforce within a leadership team and across the organisation will likely lead in outperformance and can add value
Asset allocation and implementation beliefs
<ul style="list-style-type: none">• The Fund takes a long-term approach to investing as its liabilities stretch far into the future• The Fund takes a proactive approach to the management of assets considering the risk/return profile of different investment opportunities over a range of time periods• There exists a relationship between the level of investment risk taken and the rate of expected investment return. The Fund monitors the long-term returns (10 years plus) of asset classes and their level of risk through time• Strategic asset allocation is the most important driver of the Fund’s investment outcome and is a key determinant of risk and return. The Fund believes that strategic asset allocation will add greater value than individual manager or stock selection over time• Diversification through effective portfolio construction is a key technique available to investors for spreading risk across a range of factors and improving risk-adjusted returns• There are opportunities for the Fund to access a level of illiquidity premium by its ability to invest longer-term in illiquid assets where there is evidence that it is beneficial to do so. Any investment in illiquid opportunities will be considered in the context of the liquidity of the Fund’s investment portfolio to ensure the Fund has sufficient liquidity to meet its ongoing cashflow requirements

Asset allocation and implementation beliefs (continued)

- Alternative asset classes add further diversity to the portfolio and improve its risk-return characteristics
- Markets are dynamic and asset values can become distorted over time providing opportunities for the Fund to benefit from the mispricing of assets which may occur due to market disruption or dislocation. Strategic asset allocation targets need to encompass flexibility to be able to take account of market volatility and enable the Fund to effectively meet its objectives
- Active management can add value over time, but it is not guaranteed and can be hard and more expensive to access. Where active strategies are not considered to add value, a passive approach will be selected
- Investment costs should be fully transparent and assessed as part of any investment decision with effective cost management being able to enhance overall returns. It is important to understand all costs associated with any particular investment including the costs of trading
- The use of derivatives can enable the Fund to implement its investment strategies and make asset allocation changes in a cost effective and efficient way

Responsible investment beliefs

- As long-term owners of capital, the Fund believes that investing responsibly is key to ensuring the long-term value of the assets in which it invests
- Investing responsibly and engaging as long-term owners reduces risk over time and positively impacts investment returns
- Responsible Investment should be integrated into the investment process across all assets
- Effective management of financially material ESG risks including climate change risks should support the Fund's requirement to protect and optimise returns over the long-term
- Investee companies with robust governance structures should be better positioned to handle the effects of shocks and stresses of future events
- The Fund looks to invest sustainably across its investment portfolio and will seek to invest in opportunities such as, but not limited to, climate solutions where doing so aligns with the Fund's overall investment objectives
- There are some investment opportunities arising from environmental and social challenges which can be captured so long as they are aligned with the Fund's investment objectives and strategy
- The Fund believes in an approach of engagement rather than divestment/exclusions in order to drive meaningful change and have a positive real-world impact
- The Fund may take into account non-financial factors when making investment decisions, provided that it is able to demonstrate no significant financial detriment from doing so
- The Fund believes working collaboratively with other investors will deliver improvements to the way in which companies are managed and provides the opportunity to influence wider policy which could impact positively on the long-term returns to the Fund

Climate change beliefs

- The Fund adopts an evidence-based approach to climate change and believes there is overwhelming evidence to support that climate changes poses both risks and opportunities to the Fund's investments and that this will have longer-term consequences for the Fund's financial returns if not managed
- The Fund will consider the impact of climate change in both its asset allocation and individual investments when making decisions
- Climate change has the potential to impact the funding level of the pension fund through impacts on employer covenant, asset pricing, and longer-term inflation, interest rates and life expectancy
- A transition to a low carbon economy is essential and that carefully designed and targeted government and company policies can ensure a just transition for workers and communities, with substantial economic and social benefits. In addition, public finance will be important as a cross cutting mechanism to invest in human capital and inclusive growth
- The Fund will collaborate with other investors to campaign for positive changes to policy both nationally and at a company level to bring about change aligned to the Paris accord of 1.5 to 2.0 degrees scenarios
- The Fund will adopt a focused climate change policy which will be monitored and measured to ensure that the Fund is delivering against policy targets set within its climate change policy
- In order to assess progress for the Fund towards a lower carbon economy it is essential for the Fund to measure its climate risk exposure at regular intervals

At this time the Fund defines climate solutions as investments that contribute substantially to, and/or enable emissions reductions to support decarbonisation in line with credible 1.5°C pathways towards net zero.

APPENDIX D: WMPF SEPARATE FUND WMTL STRATEGIC INVESTMENT ALLOCATION BENCHMARK AND RANGES

Medium-term asset allocation			
	Target %	Total %	Indicative range %
Growth		8.0	5-10
Equity	8.0		
Illiquid income		29.0	25-35
Private debt	29.0		
Liquid income		35.0	30-40
Multi-asset credit	19.0		
Corporate bonds	16.0		
Stabilising		28.0	20-35
LDI	28.0		
Total		100.0	

The above excludes the value of the buy-in policy held to support a portion of the pensioner liabilities.

Asset allocation may be outside ranges shown above whilst transitioning to the medium-term asset allocation.

WMTL target hedge ratios	Target	Indicative range
Interest rates	65%	55%-75%
Inflation	50%	40%-60%

The target hedge ratios above are inclusive of the buy-in policy and are based on gilts + 1.2% p.a. basis.

APPENDIX E: WMPF SEPARATE FUND PBL STRATEGIC INVESTMENT ALLOCATION BENCHMARK AND RANGES

Medium-term asset allocation			
	Target %	Total %	Indicative range %
Growth		0.0	0-5
Equity	0.0		
Liquid income		40.0	35-45
Corporate bonds	40.0		
Stabilising		60.0	50-70
Gilts and LDI	60.0		
Total		100.0	

Asset allocation may be outside ranges shown above whilst transitioning to the medium-term asset allocation.

PBL target hedge ratios	Target	Indicative range
Interest rates	100%	90-105%
Inflation	100%	90-105%

The target hedge ratios above are based on a gilts flat basis.

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