



West Midlands Pension Fund

ANNUAL REPORT AND ACCOUNTS 2024



CONTENTS

3 Introduction

- 3 Statement of the Chair of the Pensions Committee
- 5 Statement of the Chair of the Local Pensions Board
- 7 Statement of the Executive Director
- 11 Management and Financial Performance
- 15 Governance Arrangements
 - Scheme Management and Governance
 - Conflicts of Interest
 - Officers of the Fund
 - Knowledge and Skills
 - Governing Body Training 2023/24
 - Internal Audit
- 23 Risk Management and Assurance
- 27 Operations and Pensions Services
- 33 Our Communications
- 36 Our People
- 40 Management & Financial Performance**
- 40 Scheme Management, Advisors and Investment Managers as at 31 March 2024
- 41 Administrative Management Performance
 - Overall Fund Statistical Information

47 Investment Policy and Performance

- 47 Investment Strategy
- 48 Investment Performance
- 53 Asset Allocation
- 55 Investment Pooling Governance
- 59 Top Twenty Equity Holdings and Top Twenty Indirect Holdings
- 61 Assets Held as at 31 March 2024
- 65 Responsible Investment

74 Actuarial Statement for 2023/24

- 75 Independent Auditor's Report to the Members of City of Wolverhampton Council on the Pension Fund Financial Statements of West Midlands Pension Fund

76 Statement of Accounts as at 31 March 2024

- 76 Fund Account
- 77 Net Assets Statement
- 78 Notes to the Pension Fund Statements

111 Policy Statements and Appendix

INTRODUCTION

STATEMENT OF THE CHAIR OF THE PENSIONS COMMITTEE

As Chair of the Pensions Committee for the West Midlands Pensions Fund, I'm pleased to present this year's Annual Report and Accounts. The report highlights the Fund's performance over the year to 31 March 2024.



A Year of Change, Progress and Performance

This year has been one of change, and significant progress. We've moved closer to meeting our long-term commitments in our [Corporate Plan](#). In doing so, we've faced necessary challenges to ensure we continue improving our service to members and support them into and beyond retirement.



INTRODUCTION

STATEMENT OF THE CHAIR OF THE PENSIONS COMMITTEE

The value of the Fund's investments has grown to over £21 billion, reflecting an 8.1% return over the past year and an average of 5.0% per year over the last three years. The Fund has made progress in adjusting how we allocate these investments to meet our long-term financial targets. The Fund has taken advantage of changing market conditions and continued working with other local government pension schemes to manage investments more effectively.

Investing Effectively and Responsibly

The Fund has shown that our approach to investing is both efficient and effective, as confirmed by independent comparisons with similar pension funds worldwide. Over the last five years, we've reduced investment management costs by 18.5%. Our costs are lower than those of similar funds, and we've improved how we report and track these expenses. We now have standardised, detailed cost reporting for over 95% of the Fund's assets.

In our seventh report on climate-related risks we highlighted a 30% reduction in the carbon emissions of our global shareholdings between 2019 and 2023. This portfolio is 41% more carbon-efficient than the standard market benchmark as of 31 March 2023. We've focused on influencing companies we invest in to reduce their carbon emissions and improve social equality and human rights. These priorities reflect our updated Responsible Investment Framework.



Enhancing Services and Looking Ahead

The Fund has upgraded our Pensions Administration System, making information transfers between members and employers more secure and efficient, and improving the services we offer. We recognise these changes have affected our members and employers, who are also facing their own challenges. We've worked hard to balance these demands and adjust to a changing environment. We've increased resources, continue to adapt to meet growing demands and improve communication.

The Fund has also adapted how we support members, especially those changing jobs or moving into retirement. Along with the Committee members, I continue to closely monitor the actions taken by the Fund's officers to keep improving our services and utilise new technology to increase efficiency and keep pace with growing expectations. Our goal is to exceed expectations, providing members with even better services and outcomes. Our improving standards of operation and governance have been recognised through re-accreditation and new awards.

My thanks to the members of the Pensions Committee and the Local Pension Board for their commitment, contributions, and challenge. Our discussions and debates have focused on the key risks and issues facing the Fund, and the actions needed to address them. Thanks also to our employers and members for their ongoing patience and support as we transition our services to create long-term value.

The Fund is proud of what has been achieved, but we're not complacent. We will continue to pursue our vision of being a leading pension fund, delivering excellence for our members and employers, and playing a role in driving the wider environmental and societal changes needed to build sustainable futures.

Councillor Milkinder Jaspal
Chair of the Pensions Committee

Date: July 2024

INTRODUCTION

STATEMENT OF THE CHAIR OF THE LOCAL PENSIONS BOARD

Supporting your future: the view from the Local Pensions Board

The Local Pensions Board connects employers, members and the team running the Fund to ensure our Fund's diverse customer base has a voice and is heard.

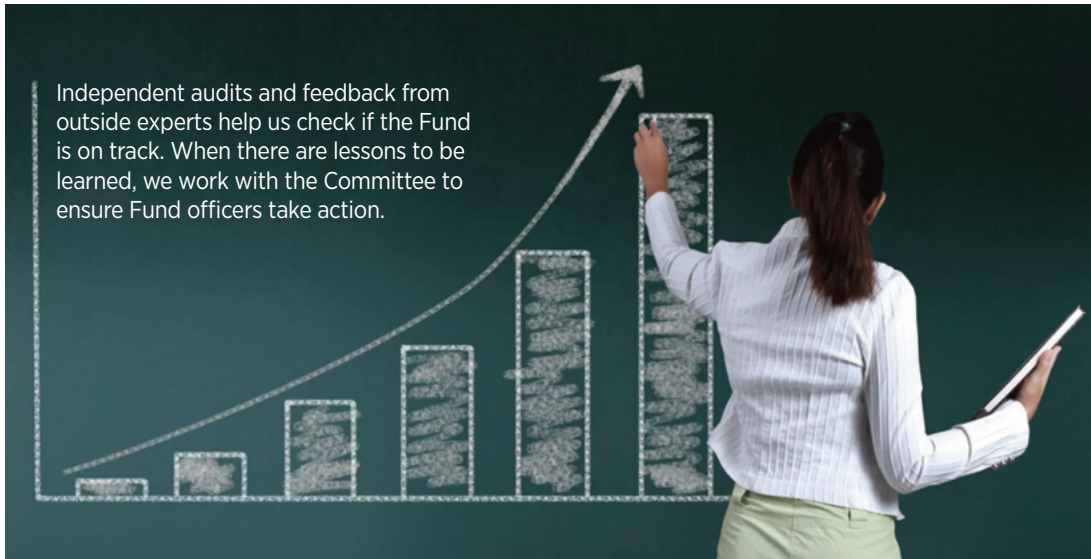


We meet every quarter, but our work goes beyond that. We keep the conversation going through regular dialogue and in-person events with the Pensions Committee, Chair, and officers. In our Annual Report, we highlighted the range of our work, regularly discussing developments across the scheme and performance of the Fund. We use the latest advice from the Scheme Advisory Board and The Pensions Regulator to guide our focus and actions. We also keep a close eye on the development and effectiveness of the Fund's strategy and policies by reviewing reports on governance and risk.



INTRODUCTION

STATEMENT OF THE CHAIR OF THE LOCAL PENSIONS BOARD



The Board has continued to emphasise the value of the member offering and has been pleased to note that the Fund now ranks first among similar schemes for face-to-face services and support for vulnerable members.

Supporting members is our top priority. We want to ensure the Fund helps members to understand and build their pension, and ensures they are able to access their benefits when they choose. We're pleased that Fund officers are making it easier for members to get pension information. We're also reassured by the work they're doing to support employers during these challenging times - all to give members a better experience.

Throughout the year, we've given feedback about the services the Fund offers, which has led to improvements, especially in communications. We've also played a key role in raising awareness of customer service challenges, helping the Fund respond effectively.

Looking ahead, we're committed to monitoring and supporting the Fund as it adapts to new pension rules and increasing demands. Our member and employer representatives continue to offer valuable insight and constructive challenge. We look forward to seeing Fund employees continue to build their knowledge and skills, and benefit from the increased diversity brought by recent appointments. Thank you also to my fellow Local Pensions Board members for their hard work and support during my time as Chair.

Julian Allam
Member Representative (Unite)
Chair of the Local Pensions Board

Date: July 2024



INTRODUCTION

STATEMENT OF THE EXECUTIVE DIRECTOR

A Year of Significant Events

This year has seen several significant developments for the Fund. We've implemented changes that delivered a step-change in our pensions administration platform and strategic asset allocation. These steps have strengthened our long-term operational and financial resilience.

However, these changes have not been without their challenges. Expectations on administering authorities of LGPS funds – and the wider pension industry – continue to rise. We've turned this into an opportunity to bolster our resilience. By focusing on what matters most to our customers and stakeholders, we've ensured clarity and alignment in our values. Drawing on our experiences, we've refined our operating model to deliver better outcomes for our members over the long term.



Financial and Operational Resilience in a Complex Environment

Global economic and financial markets have had a significant influence on the Fund's asset values and funding level. Over 2023/24, our assets demonstrated resilience to geopolitical risks and shifting fiscal and monetary policies. The aftermath of the COVID-19 pandemic and rising costs have had a greater impact on real assets, including property and infrastructure. The potential longer-term effects, driven by increasing conflict, societal unrest and changes in political leadership, are yet to be fully seen.



INTRODUCTION

STATEMENT OF THE EXECUTIVE DIRECTOR

In response, we made changes to the Strategic Asset Allocation, moving through a phased transition of £3.4bn from growth assets to income-generating and stabilising assets. This strategy reflects our long-term objective of funding the pensions promised to our members. We implemented this approach with an eye on market opportunities. The transition also reinforced our commitment to LGPS investment pooling, focusing on mandates managed by LGPS Central Limited, leveraging in-house expertise to keep costs low.

Engagement and Digital Transformation

Recognising that many of our employers face financial challenges due to rising costs and increased demands, we engaged extensively across our employer base. We provided insights and commentary on the evolving funding position and factors that will inform our triennial review of funding and investment strategy, as well as contribution rates from 2026.

We have also seen the impact of employer-led changes through increased member contact and demand for pension saving estimates and quotations. Our new digital platform and online portals, launched as part of our Pensions Administration System transition, now provide secure and easy access for members and employers to self-serve benefit projections under a range of scenarios.



The Fund’s ability to serve members efficiently is underpinned by good data quality and record-keeping. Our second-generation employer interfaces enable secure data transfer, with more queries resolved at source. Initial review confirms a two-thirds efficiency saving for the Fund, alongside increased satisfaction with the performance dashboards and reporting available to our employers. Furthermore, supplementary payrolls now enable us to pay members as soon as they select their retirement options and final benefits are confirmed.

Stronger Engagement and Added Value

We have deepened our engagement with members, employees, and stakeholders through various communications and dedicated forums. We continue to engage with peers and policymakers through industry bodies and consultations. We scan for emerging issues and take opportunities to influence the development of guidance and regulations relevant to LGPS, pensions, and the institutional investment sector.

Upgrading our systems and operating infrastructure remains key to managing rising membership and increasing member transactions efficiently. This upgrade also lays the foundation to offer increased support for those looking to trace pension savings when pensions dashboards go live across the industry in 2025.

While we continue to innovate for improved customer experience and greater service efficiency, we have also responded to lessons learned during our system transition this year. Transitioning member benefit processing has been challenging, with prolonged development works, persistent resource shortfalls, and increased demand affecting member outcomes. Throughout the year, we adapted and evolved our customer and stakeholder engagement to improve knowledge sharing and rebuild confidence. We have invested in resources, people, and training to increase capacity and capability.

INTRODUCTION

STATEMENT OF THE EXECUTIVE DIRECTOR

Technological change and disruption brings both opportunities and risks to all organisations. Alongside our response to climate change and cybersecurity risks, this is a key focus in our company engagements on risk management through responsible investment. It also underscores the importance of our policies and operations continuing to develop and adapt to protect and add value to the Fund and its members.

Building Strength and Looking Ahead

Our engagement with customers and stakeholders has confirmed our priorities. We continue to build our in-person customer support, maintain a range of service channels, and enhance outreach to raise awareness of pension saving and retirement planning. We have taken action to improve the customer experience for those moving into retirement or becoming eligible for beneficiary pensions, and this remains a priority for 2024/25.

Wider industry and global events highlight the critical importance of enhancing and testing internal controls to ensure effectiveness and gain assurance across our supply chain. Over the year, we have further developed our supplier cyber assurance programme and enhanced training for our people and governing bodies to strengthen prevention and response mechanisms through increased risk awareness, monitoring, and reporting.



Our 2024 stewardship report was reviewed by the Financial Reporting Council, and we retained our status as a signatory to the 2020 UK Stewardship Code. We continue to challenge our stewardship aims and objectives, enhancing how we measure and demonstrate outcomes in line with our responsible investment beliefs and the value of engagement in driving real-world change.

Commitment to Development, Diversity, and Accountability

During the year, we self-nominated for review and were successfully reaccredited with the Pensions Administration Standards Association, remaining only the second LGPS fund to achieve this standard. The standard assesses our reporting, operational controls, data management, and people, noting recommendations and improvements since 2020.



INTRODUCTION

STATEMENT OF THE EXECUTIVE DIRECTOR



We have focused on growing and supporting our people and their development, recognising this as key to our long-term success. Twelve months after our Investors in People Gold re-accreditation, our assessor noted progress in recruitment, retention, and employee engagement. This has been evident through participation in various development and wellbeing surveys and workshops, where employees have helped shape our new values and behaviours framework, as well as our commitment to equity, diversity, and inclusion (EDI) at the Fund.

Our approach to embracing diversity and inclusive working practices has been demonstrated through our contribution to the Asset Owner Diversity Charter and our own procurement process. We actively seek to influence and work with aligned partners, driving positive change through our supply chain.

INVESTORS IN PEOPLE™
We invest in people Gold



We will continue to develop our reporting and maintain transparency, holding ourselves accountable for the services we deliver to our members and employers while striving for continuous improvement.

I would like to thank our governing bodies, employees, and partners for their hard work, support, and dedication to the Fund. I am proud of what we have achieved together over 2023/24 and the recognition we have gained from key stakeholders, accrediting, and awarding bodies. I am confident that we are transforming to face the future, ready to address challenges and seize opportunities as they emerge. We will continue to pursue our vision of providing secure, sustainable, and affordable pensions for our members and employers, while creating value for our region and society.

Rachel Brothwood
Executive Director

Date: July 2024

INTRODUCTION

MANAGEMENT AND FINANCIAL PERFORMANCE

Financial Report

Introduction

The Finance function within the West Midlands Pension Fund exists to provide services and insight to support and enable the delivery to customers and the wider decision making across the Fund. Through its work the team provides insight on operating budgets, contributions and benefits paid, cashflows and investment activities.

In all its work the team are alert to the need for excellent value for money ensuring the best outcomes from every pound spent. As such value for money is not only about managing costs but also maximising services both delivered and received. The value for money work of the Fund is supported by independent annual benchmarking activities which cover all aspects of the Fund's operations and are reported to Pensions Committee each year.

The Finance team are focused on continuous improvement and over the next twelve months will be building on the work over the last few years to further enhance controls, enhance the use of technology, and ensure the maintenance of robust processes to detect and minimise fraud in a constantly changing world.



INTRODUCTION

MANAGEMENT AND FINANCIAL PERFORMANCE

Financial Performance

The Fund's performance against its operating budget for 2023/24 is set out in the table below:

	2023/24 budget £'000	2023/24 actual £'000	2023/24 variance £'000
Employees	12,773	11,018	(1,755)
Professional fees	1,921	1,803	(118)
Service development	1,653	895	(758)
Communications and computing	924	901	(23)
Premises	757	775	18
Support services	860	840	(20)
Other supplies and services	746	528	(218)
Transport	47	26	(21)
Miscellaneous income	(681)	(674)	7
Sub total	19,000	16,112	(2,888)
External investment management costs	97,558	104,013	6,455
LGPS Central charges	6,181	5,535	(646)
Total external investment costs	103,739	109,548	5,809
Total	122,739	125,660	2,921

The net position was an additional spend of £2.9 million made up of an additional spend in relation to external investment costs of £5.8 million and an underspend of £2.9 million on operational costs.

The additional spend in relation to external investment management costs are directly linked to the value of the assets held and are therefore influenced by market movements and investment performance and as a result are expected to fluctuate during the year, and year on year. These market movements are the primary driver for the additional spend and reflect the increase in asset value of £1.7 billion over the course of the financial year. The Fund continues to take a pro-active and transparent approach to reporting in this area and ensuring that its costs are benchmarked on an annual basis.

The underspend on operational costs is primarily driven by the underspend of £1.8 million on employees and £0.8 million on service development. The underspend on employees is attributable to vacancies across service areas and is reflective of the specialist market that the Fund operates in and the low level of unemployment across the country. The Fund continues to actively engage in recruitment activities and to address these vacancies through its strategic plans. Despite these challenges spend on employees increased by £1.8 million as a result of the recruitment activities over the last 18 months.

Service Development projects have been reprioritised during the year in order to maintain focus on the Pension Administration System implementation, and in response to changing legislation and timelines.

Within the total outturn for 2023/24 oversight and governance costs totalled £4 million (£4.3 million 2022/23).

INTRODUCTION

MANAGEMENT AND FINANCIAL PERFORMANCE

The table below sets out the movement in net assets of the Fund during 2023/24 compared to budget:

	2023/24 budget £m	2023/24 actual £m	2023/24 variance £m
Contributions and benefits			
Contributions receivable	686	765	79
Other income	17	13	(4)
Benefits payable	(790)	(755)	35
Other payments	-	(1)	(1)
Transfers out	-	16	16
Net cost of pensions	(87)	38	125
Return on investments	828	1,681	850
Management expenses	(123)	(126)	(3)
Net increase/(decrease) in the Fund during the year	618	1,593	972
Net assets of the Fund at the beginning of the year	19,626	19,626	-
Net assets of the Fund at the end of the year	20,244	21,919	972

The year-end net assets position for the Fund was £972 million higher than forecast within the budget in 2022/23. The main reason for this was the £850 million improvement in respect to net return on investments. This was due to the improved performance in investment markets over the 12-month period.

The additional contributions receivable compared to forecast reflect a slightly higher number of employers opting to pay contributions in advance as part of the latest triennial valuation than expected at the time of the budget.

During the year contributions made by active members, in accordance with the Local Government Pension Scheme (LGPS) Regulations 2013 ranged from 5.5% to 12.5% of pensionable pay. In addition employers' contributions are paid as set through the triennial actuarial funding valuations. Employer rates during 2023/24 ranged from 0% to 44.7% of pensionable pay.

INTRODUCTION

MANAGEMENT AND FINANCIAL PERFORMANCE

Timeliness of Contributions

The receipt of contributions is monitored and reported to the Senior Leadership Team on a monthly basis in the form of a key performance indicator (KPI). The table below details the KPI during 2023/24. This shows the percentage of contributions received by the 19th of the following month in which contributions have been deducted from the employer's payroll (calculated on a cumulative basis).

Month	KPI % West Midlands Pension Fund
April 2023	99.66
May 2023	99.54
June 2023	99.60
July 2023	96.74
August 2023	97.30
September 2023	97.69
October 2023	97.54
November 2023	97.87
December 2023	98.08
January 2024	98.25
February 2024	98.33
March 2024	96.55

During the year the Fund chose not to exercise its option to levy interest on overdue contributions.

Pension Overpayments

The Fund seeks to minimise and recover, where appropriate, any overpayments made to members. The majority of these cases arise from late notification of a member's death. The following table sets out overpayments for the last three years.

Year	Pension overpayments £'000	% of gross pension
2021/22	364	0.065
2022/23	281	0.048
2023/24	111	0.015

Minimising Fraud

The Fund participates in the National Fraud Initiative (NFI), which is a biennial process. The latest initiative was undertaken in 2022/23 and the necessary recoveries arising from identified overpayments are being pursued. In addition to participating in the NFI, the Fund undertakes mortality screening to help identify unnotified deaths in a timely manner.

Since 2019/20, the Fund has engaged the services of a third-party provider (through the National LGPS Frameworks for Member Data Services) to provide an enhanced investigative mortality screening service. This supports the Fund in ensuring more reliable and up-to-date member records, assisting in the reduction of future overpayments.

Chris Manning
Head of Finance

Date: July 2024

INTRODUCTION

GOVERNANCE ARRANGEMENTS

Scheme Management and Governance

The City of Wolverhampton Council (CWC) is the administering authority for the Fund under the Local Government Pension Scheme Regulations 2013 and is the Scheme Manager as defined by Section 4 of the Public Service Pension Act 2013.

The Fund works in partnership with 838 participating employers to support pension saving and provide benefits to over 340,000 members and employees who provide public services, which support communities across the West Midlands. As at 31 March 2024, the Fund held assets in the value of £21.2 billion.

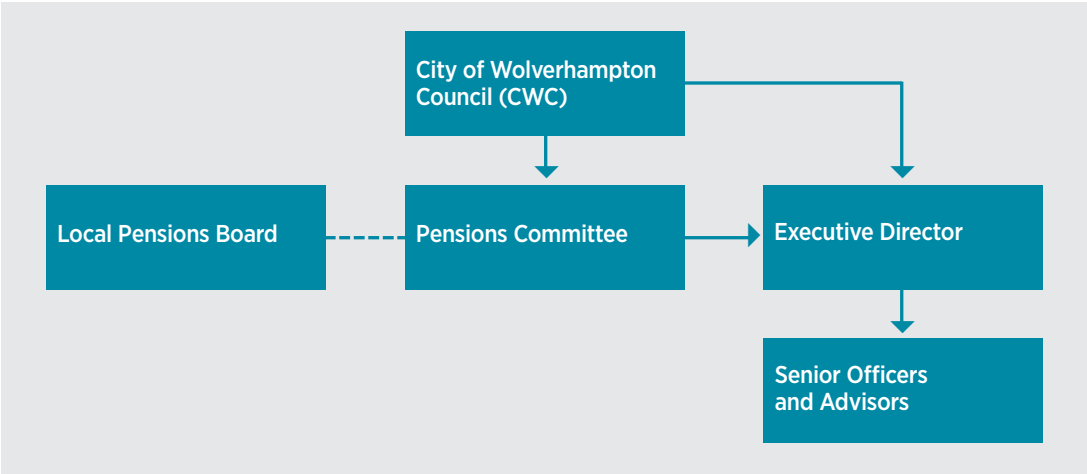
Under its constitution and in accordance with Section 101 of the Local Government Act 1972 CWC have delegated responsibility for the management of the Fund to the Pensions Committee and the Executive Director. As required by the Public Service Pensions Act 2013, the Pensions Board assist in the good governance of the scheme by ensuring compliance with legislation and statutory guidance. The Fund’s governance arrangements are outlined in the diagram below.

Pensions Committee

The Pensions Committee are the Fund’s decision-making body who are responsible for setting policy and strategy which is delegated to Senior Fund Officers to implement. The Pensions Committee is responsible for ensuring that the Fund is managed in the best interest of all its members, employers, and beneficiaries. Members of the Pension Committee must therefore take a nonpolitical approach to the decisions they take.

The Pensions Committee membership is made up of ten City of Wolverhampton Councillors, together with one representative from each of the six metropolitan district councils across the West Midlands, all hold voting powers on the committee.

In recognition of the role the Fund take in serving members the Committee invites representatives from the trade unions to sit as observers.



INTRODUCTION

GOVERNANCE ARRANGEMENTS

The key duties of the Pensions Committee as set out in the terms of reference are as follows:

- To exercise all those functions of the CWC which are required to be performed by it in its role as administering authority for the Local Government Pension Scheme under the Public Service Pensions Act 2013 (and any associated legislation) adhering to the principles required by Statutory Guidance.
- To adhere to the principles set out in the Statutory Guidance and Codes of Practice issued by the Scheme Advisory Board and The Pensions Regulator and undertake its duties in compliance with the obligations imposed on it as Scheme Manager. To approve the Fund's annual budget and receive regular reporting on its management.
- To represent the views of members in the management and administration of the Fund.
- To lead an inclusive governing body culture which seeks to ensure diversity and inclusion across the Fund's policies and working practice.
- To approve the investment strategy and supporting responsible investment policy and framework of the Fund noting the Fund's responsibility to ensure sustainable investment returns which meet the pension liabilities now and in the future.
- To monitor investment activity and the performance of the Fund's investments.
- To take independent and specialist advice on matters to be determined, including advice from senior officers of the Fund, adhering to the advice given when taking decisions.
- To ensure an effective internal controls framework across the Funds operational and financial risk management.
- Reviewing and adopting the statutory policies of the Fund, in accordance with the Fund's policy framework.

- On an annual basis to receive and approve the Annual Report and Accounts.

Local Pensions Board

As required by the Public Service Pensions Act 2013, CWC as administering authority established the Local Pensions Board to assist in the good governance of the scheme by ensuring the Fund's compliance with legislation and statutory guidance.

The terms of reference for the Local Pensions Board are available on the Fund's website.

The Local Pensions Board consists of five member and five employer representatives all of whom have equal voting rights.

The role of the Local Pensions Board is to assist in the good governance of the Local Government Pension Scheme through the monitoring of compliance with statutory regulation and guidance and to act as a representative both for and on behalf of the employer and member base ensuring effective governance and administration in the management and payment of pension benefits. Pension Board members are non-political, they represent the Fund's members and employers (not any political group, trade union or individual employer) and must consider the Fund's overriding objective, which is to pay members benefits when they fall due.

On an annual basis the Local Pensions Board produce for the Pensions Committee an annual report summarising the work they have undertaken throughout the year. A copy of this report is available [here](#).

Further information on the Fund's governing bodies can be found on the Fund's website and within the [Governance Compliance Statement](#) and [Representation Policy](#) which are also available on the Fund's website.

INTRODUCTION

GOVERNANCE ARRANGEMENTS

Conflicts of Interest

Acknowledging the role the Fund plays in representing, collaborating and determining aspects which have the potential to impact its customers, the Fund operates as a stand-alone function from its administering authority, CWC, acknowledging the potential conflict which may arise from its dual role as employer within the Fund.

The Fund allocates and manages its own budget (in line with LGPS regulatory standards), operates from a separate office location (under legally enforceable lease arrangements, separate to the Council building) and in line with recommendations from the Scheme Advisory Board Good Governance Project, has a dedicated senior LGPS Officer responsible for the management of Fund resources (including its people).

Notwithstanding the separate operating arrangements, the Fund acknowledges the potential for conflicts to arise in both its Governance and Operational functions.

Failure by the Fund to recognise actual and potential conflicts, have the ability to impede its ability to effectively deliver for its members and employers together with the potential for reputational damage and regulatory enforcement.

The Fund acknowledges that it is not always possible to eradicate conflicts. Instead taking a balanced view on their mitigation and management. Further information on how the Fund manages conflicts of interest can be found in its [Conflict Management Policy](#) which is available on the Fund’s website.

Officers of the Fund

In accordance with Section 101 of the Local Government Act responsibility for the day-to-day administration, and investment management for the Fund within the policies and strategies agreed by the Pensions Committee is delegated to the Executive Director.

The Executive Director has lead responsibility for the Fund in the capacity of LGPS Senior Officer.

By delegation from Pensions Committee, the Executive Director holds the role of Shareholder representative at LGPS Central Limited company meetings. The full delegations to the Executive Director are available in CWC’s constitution.

The Executive Director may authorise senior officers from within the Fund to exercise on their behalf the functions delegated to them. Any decisions taken under this authority remain the responsibility of the Executive Director who is accountable and responsible for such decisions.

INTRODUCTION

GOVERNANCE ARRANGEMENTS



Knowledge and Skills

The Fund’s governing bodies training policy is reviewed and adopted annually taking into account best practice and any regulatory changes on training requirements. In accordance with the policy, training activity undertaken is monitored, recorded and reported upon to governing body members and within the Fund’s Annual Report. By implementing and participating in training, governing body members are supported to take well-informed decisions and are able to comply with regulatory requirements to support the Fund’s delivery of its [Corporate Plan](#).

The Fund applies the CIPFA Knowledge and Skills Framework 2021 to its training and development program, outlining the requirements and support offered to ensure obligations are met and that knowledge and understanding of our governing body members grows with the service of the role. The Fund’s training program is designed to support knowledge and awareness required by regulating bodies, together with developing knowledge and awareness of the Fund as an organisation in how it serves and supports its members and employers.

The training program seeks to map across areas of focus to ensure they meet regulatory requirements and monitors where that learning has been put to use in the adoption of statutory polices and the decisions taken at formal meetings.

Arrangements for regular training are in place with training delivered through various means including inhouse structured training events, which encourage and enable collaboration across the two governing bodies. Training activity undertaken is recorded and training returns are collated from members.

In line with the Fund’s training policy, all new governing body members are invited to attend an induction course to provide an oversight of the Fund, its policies, the role of our governing bodies together with an overview of the reports and decisions they may be presented with over the course of the year. The Fund also maintains an online library providing governing body members with a bank of training materials to facilitate self-study throughout the year.

INTRODUCTION

GOVERNANCE ARRANGEMENTS

Governing Body Training 2023/24

The Fund has adopted a governing body training policy which outlines the arrangements for regular training delivered through various means including in-house structured training events. These encourage and enable collaboration across the two governing bodies. Training activity undertaken is recorded and training returns are collated from members each quarter.

A total of 730.5 training hours were recorded across the two bodies, 471.5 hours by Pensions Committee and 259 by the Local Pensions Board. The Fund's training programme includes the invitation of external parties and independent experts to provide bespoke and tailored support in developing knowledge. It is informed by both the Fund's developing work programme and member assessment and feedback on interests and requirements.

Details of the training sessions and presentations provided to the Pensions Committee and the Local Pensions Board during 2023/24 are as follows:

- **Climate Change – Our Climate Journey and Net Zero**
- **Cyber Security Strategy**

- **Risk Management and Fund Priorities**
- **Investment Strategy – Economic and Asset Trends**
- **Regulatory Updates and the LGPS Environment**
- **Customer Servicing and Pensions Administration**
- **Annual Accounts**

Topics delivered by external partners have included:

- **Regulatory Hot Topics – Incoming Change –**
by AON
- **Responsible Investment Summit –**
by LGPS Central Ltd
- **Direct Property Investment Performance Trends and Enhancing Environmental Credentials –**
by CBRE
- **Sustainable Investment Through Global Equity –**
by Impax Asset Management
- **Independent Assurance and Value for Money –**
by CEM Benchmarking



INTRODUCTION

GOVERNANCE ARRANGEMENTS

Pensions Committee

Training hours for Pensions Committee members for the year ending 31 March 2024.

	Meetings attended	Voting rights	Total available meetings	Full year attendance KPI	Hours spent training	Training target	Full year training target met?
Committee Member							
Angus Lees	0	Yes	4	0%	0	22	
Asha Mattu	3	Yes	4	75%	26.5	22	Yes
Bally Singh	2	Yes	4	50%	6.5	22	
Carol Hyatt	4	Yes	4	100%	36	22	Yes
Mary Locke (post 19 Mar 2024)	0	Yes	1	0%	6	5	Yes
Harbinder Singh	4	Yes	4	100%	27	22	Yes
Ian Smith	2	No	4	50%	19	22	
Jane Francis	3	Yes	4	75%	23.5	22	Yes
Janice Wadруп	0	No	4	0%	9.5	22	
Jasbinder Dehar	0	Yes	4	0%	5	22	
Leslie Kaye	4	Yes	4	100%	29.5	22	Yes
Luke Davies	2	Yes	4	50%	6.5	22	
Malcolm Cantello	2	No	2	100%	150	22	Yes
Martin Clift	1	No	4	25%	6.5	22	
Milkinder Jaspal	4	Yes	4	100%	43	22	Yes
Paul Appleby	2	Yes	4	50%	6	22	
Paul Singh	4	Yes	4	100%	23.5	22	Yes
Ray Goodwin	0	Yes	4	0%	0	22	
Tersaim Singh	3	Yes	4	75%	27	22	Yes
Zee Russell	3	Yes	4	75%	20.5	22	

INTRODUCTION

GOVERNANCE ARRANGEMENTS

Local Pensions Board

Training hours for Local Pensions Board members for the year ending 31 March 2024.

	Meetings attended	Voting rights	Total available meetings	Full year attendance KPI	Hours spent training	Training target	Full year training target met?
Board Member							
Employer Representatives							
Paul Johnson (until 4 July 2023)	1	Yes	1	100%	3.5	3.5	Yes
Andy Felton (post 23 Jan 2024)	2	Yes	2	100%	14.5	5	Yes
Ian Martin	3	Yes	4	75%	17	22	
Jacqueline Carman	3	Yes	4	75%	9	22	
Mark Smith (Vice Chair)	4	Yes	4	100%	82	22	Yes
Joe McCormick	4	Yes	4	100%	31.5	22	Yes
Member Representatives							
Julian Allam (Chair)	3	Yes	4	75%	22	22	Yes
Adrian Turner	4	Yes	4	100%	28.5	22	Yes
Sarah Feeney (post 23 Jan 2024)	2	Yes	2	100%	13	5	Yes
Stan Ruddock	3	Yes	4	75%	25.5	22	Yes
Terry Dingley	3	Yes	4	75%	12.5	22	

INTRODUCTION

INTERNAL AUDIT REPORT

Internal Audit

The Internal Audit service is undertaken by the CWC, the Fund's administering authority.

As the providers of internal audit to the Fund, we are required to provide the Executive Director, Section 151 Officer, Pensions Committee and Pensions Board with an opinion on the adequacy and effectiveness of the Fund's governance, risk management and control processes.

Internal audit forms part of the assurance framework which helps the Fund identify and manage risks to enable the achievement of business objectives.

Our internal audit work for the period from 1 April 2023 to 31 March 2024 was carried out in accordance with an approved plan and conducted in accordance with the Public Sector Internal Audit Standards and the Code of Ethics that form part of the standards. It is a requirement of the standards that Internal Audit is externally assessed every five years to ensure they are conforming with these standards. This external assessment was completed in April 2024 and concluded that the service conformed with the standards.

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

We continue to monitor the implementation of previous key recommendations. An annual review of agreed key actions from reviews was undertaken and identified no areas of concern.

As part of ongoing support to the Fund, we completed 30 credit checks using CreditSafe to review individual organisation's financial stability when seeking admission to the Fund. Additionally, we are the Fund's key contact for the National Fraud initiative, this provides assistance with raising awareness of, and tackling of potential fraud.

Further, we are members of the LGPS Central pool internal audit working group. In conjunction with our partner fund's internal auditors, we contribute to the internal audit programme of work. This year, as part of the agreed internal audit plan, we completed a review of governance arrangements within the LGPS Central pool and recorded a satisfactory audit opinion rating.

Ian Cotterill

Head of Audit Services,
City of Wolverhampton Council

Date: July 2024

Audit review	Recommendations Amber	Recommendations Green	Total	Number accepted	Opinion
Conflicts management	-	3	3	3	Substantial
Debt monitoring	3	1	4	4	Satisfactory
Employer onboarding	3	1	4	4	Satisfactory
Fund accounting	1	2	3	3	Satisfactory
Complaints management	-	3	3	3	Substantial
Investment procedures	1	1	2	2	Satisfactory
Member safeguarding	-	1	1	1	Substantial

INTRODUCTION

RISK MANAGEMENT AND ASSURANCE

The Fund seeks to deliver better outcomes for members, employers, stakeholders and our people by producing solid, sustainable services and priorities which are resilient to challenges, responsive to opportunities and flexible to the changing environment in which we operate.

While accepting that there is risk to the service delivery of the Fund, the Fund manages the short term impacts those risks present through a structured internal controls and risk management programme enabling a focus on achieving the long-term strategic aims of the Fund set out in its **Corporate Plan**.



Risk management for the Fund does not seek to prevent the Fund from developing new ideas, more, it enables informed decision making and navigation of emerging issues and opportunities to support delivery of target outcomes.

Through taking a proactive forward-looking view, we are able to anticipate, plan, act and treat risks which pose a potential impact on our service delivery and customers. The Fund routinely monitors and engages in industry and scheme change, alongside organisational development.



INTRODUCTION

RISK MANAGEMENT AND ASSURANCE

Active assessment of the outlook and drivers has identified areas of focus to inform the Fund's actions and priorities.

Being responsive to industry change enables us to be at the forefront of identifying emerging risks and their potential impact on service delivery priorities, resulting in better outcomes being achieved for our customers and stakeholders.

Through our risk management framework, we aim to:

- promote awareness of operational, governance, financial and investment risk and embed a risk management approach to projects and service delivery;
- encourage activity led end to end assessment of risk, with collaboration of subject matter experts to ensure all aspects of service delivery are considered;
- ensure that risk management is an integral part of the Fund's operational activity;
- seek to identify, assess, measure, control and report on any risks that may undermine the delivery of the Fund's objectives;
- provide assurance of the Fund's management of risks to our governing and regulating bodies;
- proactively manage third party risk and seek assurance from key providers and partners including the LGPS Central pool operator and administration software provider;
- enable proactive identification and assessment of risks to enable their effective management and mitigation;
- reduce potential of loss and impact on value of the Fund's assets and services; and
- limit impact on the Fund's customers, leading to increased confidence from key stakeholders on the Fund's ability to provide services and meet pension liabilities.

Risk Themes 2024

Resource resilience risk

The Fund's resilience as a service provider is directly impacted by the knowledge and skill available across the organisation to deploy to meet service delivery requirements. The need for adequate knowledge and skill continues to be a theme across the LGPS and wider pensions industry with increased focus on the key skills and knowledge required to support the management of the wide range of investment management and pension administration activities undertaken, to ultimately support the payment of pension benefits. With the potential for regulatory change, the Fund needs to ensure it is able to equip its people with the knowledge and skill to maintain high service delivery, while keeping pace with the market and competition for skilled resource and changing service delivery expectations of the Fund's customers. Recognising that this also poses a risk for the Fund's employers, who also need to keep pace

with the regulatory changes in the scheme developing capacity in their people resource.

Funding risk

The long-term ability of the Fund to pay pension benefits when they fall due through the assessment of its assets and liabilities. Within this risk, the Fund considers the potential risk created by demographic (membership) profiling, low investment returns, contribution shortfalls and employer profiling/restructuring. The undertaking of the triennial Actuarial Valuation broadly supports the Fund in effectively mitigating funding risk and assists in setting the investment strategy to enable the Fund to meet future liabilities and funding needs.

More information on the Fund's approach to funding risk is contained within its [Funding Strategy Statement](#).

INTRODUCTION

RISK MANAGEMENT AND ASSURANCE

Employer risk

Linked to funding risk, there is a risk to the Fund that an employer will be unable to meet its financial obligations during its membership or when it ceases. It also reflects the reliance the Fund has on information and data provided by employers to administer the Fund and effectively service customers. An employer may cease due to the end of a service contract, or the last active contributing member leaves the Fund. If a guarantor is in place, then they will provide a source of financial support in the event of default. If there is no guarantor and the employer is unable to meet its obligations the cost will be spread across all the remaining employers in the Fund.

Further information on the management of employer performance is outlined in the [Pension Administration Strategy](#) and [Employer Risk Management Framework](#).

Investment risk

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 [Investment Strategy Statement](#) identifies key risks specific to the Fund and the management or controls made to mitigate those risks.

The Fund's [Responsible Investment and Climate Strategy Framework](#) outlines the Fund's approach to understanding the investment risks associated with climate change.

Treasury risk (including liquidity risk)

The ability of the Fund to adequately plan cashflow, ensuring that cash is available when needed to support operational service delivery and the execution of investment decisions. Appropriate and effective treasury management is about ensuring sufficient control of Fund cash balances.

Risk management in the context of Treasury management has been considered in line with

the CIPFA code. More information is contained within the Fund's Treasury Management Policy.

Governance risk

There continues to be growing focus on the knowledge and skills of both the governing body members charged with the management and administration of LGPS funds as well as the senior officers charged with the day-to-day management responsibility of funds. The Fund is in a strong position to manage the expectation through its governing body training programme outlined in our [Governance Statement](#) along with [Our People Strategy](#) to support the development of those who work at the Fund.

An increased focus on scheme governance, with the recent introduction of The Pension Regulator's General Code of Practice, an evolving range of requirements and expectations on LGPS investments and reporting and the impending introduction of recommendations from the Scheme Advisory Board's Good Governance Project have contributed considerably to raising the profile of Governance risk as a theme over recent years.

Regulatory risk

The Fund is governed by statute with member's pension benefits defined in legislation. The potential risk of change in regulation that determines the value of those benefits could impact the Fund's funding and investment strategy.

The growing complexity of scheme regulations provides an additional layer to the level of regulatory risk that the Fund is exposed to. The recent change in Government along with the announcement of an impending UK-wide pension review will influence the profile of regulatory risk over the coming 12 months. It is important that the Fund remains at the forefront of impending change, engaging at both a local and national level to support and inform evolution of the regulatory landscape.

INTRODUCTION

RISK MANAGEMENT AND ASSURANCE

The Fund must be able to effectively monitor performance to demonstrate regulatory compliance and provide assurance on its ability to pay accurate pension benefits. With work continuing to ensure the timely implementation of industry-wide initiatives including connection to pension dashboards and implementation of the McCloud remedy for the LGPS, the Fund has to respond effectively to the increased reliance and use of Fund data and information, noting the impact this has on member outcomes and Fund servicing.

Member risk

With the changing demographic of LGPS membership and employer-led development of employee pension provision, the potential that individuals live longer, leave or retire earlier and the increasing rate in which individuals change roles across scheme employers, can impact Fund cashflow profile including events such as individual or bulk transfer out of the Fund.

The ability of the Fund to engage its membership base to support individuals in building knowledge and confidence in the management of their pension provision is an integral part of mitigating member risk. The potential for shift in member behaviour as a result of the economic climate has prompted the Fund to tailor its engagement programme to educate members to enable them to make informed decisions regarding their pension saving and benefits. The impending introduction of Pension Dashboards also means that the Fund must remain alive to the changing demands and expectations of our members providing frictionless access to reliable and up-to-date information and guidance enabling their effective planning for retirement.

Operational sustainability

The ability of the Fund to effectively respond to change (both internal and external change) and build long-term resilience in its operations, linked also to effective governance and management risk. The Fund's approach to

cyber security, business continuity and disaster recovery are integral to ensuring continued operational resilience and sustainability. Each year the Fund reviews and seeks to enhance its Cyber Security Strategy and Business Continuity Planning Framework which drives an annual programme of activities to provide assurance on the mitigation of associated risks (including cyber risk), both internally within the Fund and from the third-party suppliers of key services and operational systems.

Third party

The risk that the Fund's suppliers are not able to keep pace with or deliver on required change, together with the risk created from high dependency on key suppliers in limited markets, relevant to both Fund administration services and delivery, including through investment pooling.

The ability of Fund suppliers to maintain acceptable service standards directly links with operational sustainability risk as outlined above.

Data information and reporting

There is a continued growth in the level of data management, capability and reporting expectation from across the LGPS regulatory bodies, in a variety of areas including member, employer, climate and funding.

With wider attention being given to the work of LGPS funds, the Fund has seen an increase in requests under Freedom of Information and Data Protection legislation, which has the potential for misreported data leading to misleading information.

Rachel Howe

Head of Governance, Risk and Assurance

Date: July 2024

INTRODUCTION

PENSIONS ADMINISTRATION OPERATIONS AND PENSION SERVICES

Background

The Fund's administration function covers a wide range of aspects from processing of member benefits, maintenance of our administration system to include regulatory updates, through to onboarding and continual support of employers and engagement with our customers. The dedicated teams are constantly evolving to service the needs of the second largest LGPS membership base and one of the largest LGPS employer bases in England and Wales.

Employees of all local and joint authorities and many other public bodies in the West Midlands region have automatic access to the LGPS via the Fund (unless eligible for an alternative public sector scheme) and a wide range of other bodies providing a public service or undertaking a contract are also eligible to join the Fund via a resolution or admission agreement.

The administration function is accountable to the Pensions Committee, the Pensions Board, participating employers and Scheme members in terms of overall effectiveness and value for money.

The LGPS is a contracted-out defined benefit scheme with benefits defined under statutory regulations (LGPS Regulations) which are not affected by the Fund's investment performance or market conditions.

2023/24 has been a busy year for the pension administration teams with the Fund driving a number of new and exciting initiatives, as well as responding to some significant changes over the year.



INTRODUCTION

PENSIONS ADMINISTRATION OPERATIONS AND PENSION SERVICES



Value-For-Money Statement

To ensure the effectiveness of the administration services, the Fund is monitored through internal and external audits. To support performance review, the Fund participates in benchmarking exercises with other local government pension funds, which provides a comparison of key performance indicators overtime against national averages.

Furthermore, the Fund undertakes extended benchmarking to cover a broader range of service functions and comparison with other public and private pension funds. This continues to highlight that the Fund's current running costs are below the peer average with a wider range of services provided to members and employers. Areas where the Fund performed well compared to our peers included our programme for vulnerable members, the functionality available on our website, communication with members (e.g. newsletters), our active retirement planning campaign and our face-to-face services. The Fund continues to invest in resources and technology systems to continue to develop an efficient delivery platform and provide value for money for our stakeholders.

Key Activities and Performance

Benefit operations

At the end of July 2023 the Fund went live with a new administration system to harness greater capabilities to serve our growing customer base, more securely and more efficiently. This change remains part of a longer-term strategy to increase resilience, capacity and improve customer servicing capability. Extensive development, planning, testing and stakeholder engagement was conducted by the Fund prior to Go Live.

The transition to the new administration system has brought significant benefit, but transition and development of a new product for the LGPS has not been without its challenges. An extended period of reduced processing rates combined with increase in member demand has led to delays in provision of member-specific information and payment of benefit to members.

The Fund has a suite of operational KPIs which look at the timeliness we provide information to members and processing their payments. During the year and, aligned to our transition to a new administration system, these KPIs have been reviewed with a focus upon achieving industry best practice and with reference to the LGPS Scheme Advisory Board's (SAB) standards, as set out in their guidance of April 2024.



INTRODUCTION

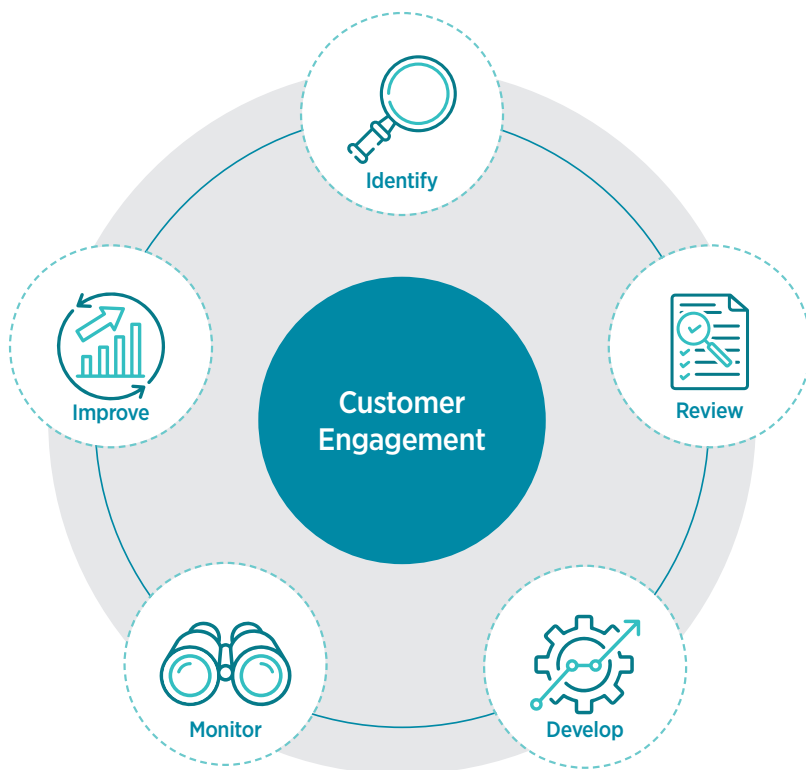
PENSIONS ADMINISTRATION OPERATIONS AND PENSION SERVICES

Member communications

In line with our Customer Engagement Strategy, the Fund seeks to place our customers at the heart of everything we do, ensuring the Fund drives continuous improvement and develops working practices, systems and processes which are informed and prioritised according to the needs of those customers. Ultimately, engaging with our customers helps the Fund to understand customer feedback, review and monitor service effectiveness, analyse performance, and develop and deliver a service that is focused on the requirements of our customers.

Our Customer Service team is the first port of call for the majority of stakeholders, including our member helpline, with around 70,000 calls during 2023/24, 30,000 written enquiries, and our website recording over 1 million hits during the year.

The Fund has an extensive range of customers and stakeholders. In the context of the transition to the new administration system, substantial proactive engagement work was planned and undertaken with employers and members prior to Go Live.



INTRODUCTION

PENSIONS ADMINISTRATION OPERATIONS AND PENSION SERVICES

An extended information and support programme has continued post Go Live, developed in response to feedback and to update on progress.

The Fund's dedicated Member Services Team have enhanced standard briefing and self-service information, with updates also readily available through the website and video-shorts. Member roadshow events continued across the region over the year with a number of additional sessions arranged and delivered for various groups.

Beyond engagement to support our transition to the new administration system, we remain committed to supporting our employers by providing information to members on a wide range of pension matters at the members' workplace, offering a variety of ways to engage with and support our members. These include individual consultations, member self-service sessions and a suite of webinars aligned to a member's customer journey from introduction to the LGPS to retirement. Our member engagement forums remain popular and provide the Fund with valuable insight and feedback from each category of membership, aligned to each stage of the member journey. During 2023/24 the Fund has engaged directly with over 4,500 members through various events as summarised below:

Coverage 2023/24 : Summary of key events



Employer engagement and communications

The Fund holds a biannual employer event, typically in summer and winter, to which all employers are invited and afforded the opportunity to discuss topical issues and engage with the Fund on a variety of matters. In addition, there have been a number of bespoke employer events, including sessions to support usage of the new pension administration system and broader employer roles and responsibilities. These events continue to be popular and provide the Fund with a valuable opportunity to demonstrate new developments as well as enhancing service delivery based on the feedback received from participants.

We continue to deliver and are developing our employer coaching sessions to support new employers, those with staff changes or a need for refresher training. These sessions have been delivered via webinars and videos, with the aim of supporting employers with their roles in utilising the new administration system, increasing understanding of their responsibilities and how the Fund and employers work together to deliver benefits to members. Our employer peer group has provided valuable feedback during the year and assisted in the development and roll-out of further initiatives and service improvements. The Fund also provides regular briefing notes and newsletters to update our employers with important information and topical issues. In total, the Fund facilitated over 200 engagement sessions with our employers extending to over 70 organisations (employers and payroll providers) during 2023/24. Collectively, these organisations represent around 520 individual employers and close to 90,000 active members.

INTRODUCTION

PENSIONS ADMINISTRATION

OPERATIONS AND PENSION SERVICES

Customer satisfaction

The Fund encourages feedback via a range of different channels, such as surveys issued following member events and telephone calls and general satisfaction surveys placed on our website.

The table below provides a high-level summary of compliments and complaints received from our members during 2023/24, noting that there has been a significant increase in the number of complaints received, primarily as a result of processing delays.



Preparation for and Responding to Regulatory Change

McCloud

During 2023/24, in line with legislation laid in Parliament, the Fund has worked with our system provider to develop functionality to support implementation of the McCloud remedy and to enable inclusion within annual benefit statements from 2025. In addition, we have continued to work with our participating employers to collect, analyse and rectify the data required.

Pension dashboards

Following confirmation of the connection date of 31 October 2025 for public sector schemes, the Fund has continued proactive preparation for this large-scale digital revolution across the pensions industry.

Protecting our members – pension scams

In commitment to the TPR’s pledge to do more to protect scheme members and follow the principles of the Pension Scams Industry Group (PSIG) Code of Good Practice, the Fund has continued to ensure

the safety of our members remains a key priority. The Fund’s approach to protecting our members is twofold; educating and increasing member awareness about the potential risks, and also ensure effective due diligence when processing requests.

Key Achievements

Pension Administration Standards Association (PASA) re-accreditation

The Fund was delighted to be named as one of seven organisations to receive PASA re-accreditation during 2024 having been the first LGPS fund in England and Wales to achieve the accreditation in 2020. PASA provides an independent infrastructure to set, develop, guide and assess administration standards.



This re-accreditation followed a thorough independent evaluation and assessment process, including on-site visits, the review of documentation to evidence controls, procedures and staff development, amongst other aspects.

PMI Purposeful Pensions

The Fund was very pleased to be able to work in partnership with the Pensions Management Institute (PMI) to participate in a documentary series aiming to demonstrate how stewards of pensions capital, trustees, employers, and scheme sponsors can most effectively fulfil their fiduciary obligation to members of pension schemes.



This partnership culminated in a short film, press release and articles being released and hosted on the PMI’s platform over the course of 2023/24.

INTRODUCTION

PENSIONS ADMINISTRATION OPERATIONS AND PENSION SERVICES

Customer Service Excellence (CSE) Accreditation

In July 2023 the Fund received confirmation of our re-accreditation to CSE, achieving their highest rating “compliance plus” in a number of areas. This reaccreditation is testament to our continued focus upon delivering best practice and innovation for our customers.



Working in Partnership

Customer base

The Fund is focussed upon delivering value to our customers and key stakeholders, ensuring information and support is available at the right time for members and to support our employers in performing their roles and responsibilities. The foundation of this approach is through partnership working to deliver improved working practice and/or enhanced services. Feedback from our customers is vital in delivering this continual improvement and during 2023/24 key outcomes included:

- The implementation of new and improved functionality through our new administration system, as well as the development of an ongoing programme of future enhancements.
- Tailoring of communications and member events in consideration of the ‘member journey’.
- The production of further guidance and materials to support our employers with their responsibilities to the Fund, as well as helping members to navigate their way to retirement.

Wider collaboration

During 2023/24 the Fund has worked closely with a number of national groups to drive improvements to administrative procedures, share best practice and develop initiatives for the wider LGPS.

Examples include the following:

- Working with the LGPS Scheme Advisory Board (SAB) on a variety of matters across funding, customer engagement and administration.
- Developing communications for the wider LGPS in conjunction with the Local Government Association (LGA).
- Actively working with other LGPS funds, to improve consistency and share best practice, including the metropolitan group of LGPS funds.
- The Fund continue to be a longstanding founder member of the LGPS National Frameworks, which enable more efficient and effective procurement within the LGPS. In the context of administration, this included a new framework designed to help LGPS funds swiftly and easily access Additional Voluntary Contribution (AVC) services for their scheme members, and Consultancy Services to assist with their AVC provision. This framework went live in July 2024.

Simon Taylor

Assistant Director – Pensions

Amy Regler

Head of Operations

Date: July 2024

INTRODUCTION

OUR COMMUNICATIONS

“

Our priority for 2024 is to continue to promote our new Pension Portal and encourage members to register to take control of their benefits to help them plan for an affordable and comfortable retirement.

Andy Hemming
Communications and Events Manager



Enhancing Member Engagement and Education to Improve Members' Retirement Outcomes

Many people struggle to engage with financial planning and pension saving but aspire to retire with a good standard of living, having potentially worked and saved across multiple roles and organisations during their career. Now, more than ever, we aim to ensure the Fund provides members with enhanced communication mediums including toolkits and signage to encourage and support increased interaction with their retirement provision. It is vital that members start planning for retirement early so they can put themselves in the best possible position to live an affordable and comfortable retirement.



To achieve those outcomes, the Fund had five primary focus points in our communication strategy for 2023/2024. These are:

- 1 To communicate timely and effectively with our customers
- 2 To enhance our digital platforms to increase engagement with members, employers and wider stakeholders
- 3 To raise the awareness of our members to the importance of planning for retirement
- 4 To encourage members to register onto the Pension Portal and take control of their benefits
- 5 To help them plan for an affordable and comfortable retirement

INTRODUCTION

OUR COMMUNICATIONS

Policy Statement

Regulation 61 of the Local Government Pension Scheme Regulations 2013 states that each pension fund administering authority is required to prepare, publish and review regularly its [Communications Policy Statement](#).

This document outlines our communications policy in line with that requirement, and covers the following categories in our regular communication activity:

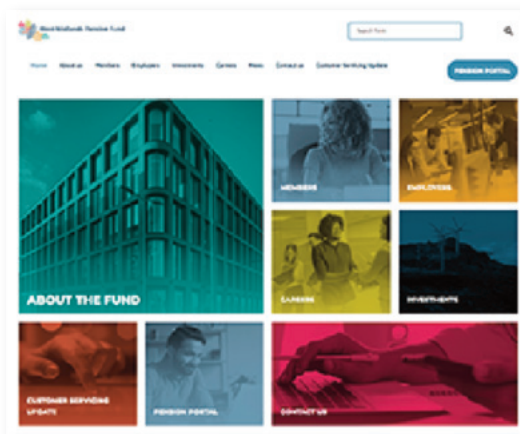
- Communicating with scheme members
- Communicating with prospective members
- Member self-service
- Communicating with members' representatives
- Communicating with participating employers
- Communicating with prospective employers

Our communications policy is available to view on our website as well as our [Customer Engagement Strategy](#).

Communication Deliverables

We communicate with our customers in a variety of ways and through a number of channels and including electronic, face-to-face events and print formats.

During 2023/24, we have promoted the new Pension Portal to enable members to self-serve and manage their benefits and plan for retirement. Because the new Pension Portal is easier to use, we have already seen an increase in members engaging with the new quick to use estimate facility.



We continue to adapt our technology and widen the scope of our methods for marketing and communication, achieving an extended footprint to engage with more of our customers across the region.

This has been achieved through:

- continuing to enhance our suite of member support videos;
- promoting the new Pension Portal and encouraging members to take control of their benefits online;
- delivering virtual and face-to-face individual pension consultations;
- targeting members with timely and appropriate engagement campaigns;
- keeping members up to date with the latest changes in the LGPS environment which could impact their benefits;
- providing virtual and face-to-face pension roadshow events; and
- the creation and use of electronic forms together with targeted use of refreshed print literature.

INTRODUCTION

OUR COMMUNICATIONS

We have, refreshed our "Be Pension Smart" communications campaign in line with our new and improved Pension Portal. The campaign is designed to promote members benefits and pension education. By raising member awareness and the importance of understanding, it enables members to effectively manage their pension provision and plan for the future.

We continue to review and evolve our approach through an annual engagement and customer support plan. The Customer Engagement Plan is tracked monthly and published on our website. The plan provides an overview of the methods and timing of our communication and engagement with our various stakeholders.



We continue with our regular communication which includes, amongst other activities:

- regularly updating our website content and design;
- producing quarterly newsletters for employers;
- delivering bulk email campaigns to members;
- producing annual newsletters, bespoke to our membership categories;
- delivering pension roadshow events across the region ensuring they are accessible to all;
- providing both members and employers with a range of face-to-face and digital support, webinars, presentations, workshops and events; and
- seeking feedback from members to improve future services through member engagement forums.



We pride ourselves on developing and delivering communications of a high standard, to ensure our members are well placed to deal with changes and developments in their own lives and careers.

INTRODUCTION

OUR PEOPLE

“

Our people are our greatest asset, not only in the service they provide to our customers, but also as ambassadors for the Fund in driving change and creating innovation in our service delivery.

Lisa Davis
People and Organisational Development Manager



In this demanding and ever-changing environment, the success of the Fund is achieved through the determination, enthusiasm and professionalism of our people. We believe that continuous effective learning and development benefits the individual and the organisation and contributes to the overall delivery of our objectives. Our commitment to our people was recognised in our achieving Gold accreditation from Investors In People, June 2023. Following the 12 month review in March 2024, the assessor noted:

- organisational growth;
- employees positive participation in a wide range of learning and development activities;
- feedback gathered from employees regarding a refresh of Fund values; and
- positive collaborative working and supporting each other.

As at 31 March 2024, we had 195 full-time equivalent posts (216 employees) supporting the delivery of services to our customers. Over 2023/24 we recruited 24 new employees and saw a net increase of employees over the year. A number of employees have also been successful in securing new roles within the Fund, further developing their career.

There is opportunity for employees to discuss training and development through a wide range of initiatives supported by regular one-to-one meetings and our annual appraisal process.

This year we have supported colleagues in achieving PMI qualifications, ACCA, Associate of the Institute and Faculty of Actuaries, Investment Management Certificate, Prince 2 as well as supporting soft skill developments on presentation, writing and team building along with apprenticeship qualifications across all levels.

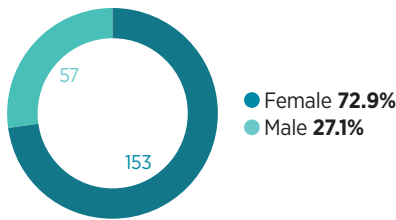
INTRODUCTION

OUR PEOPLE

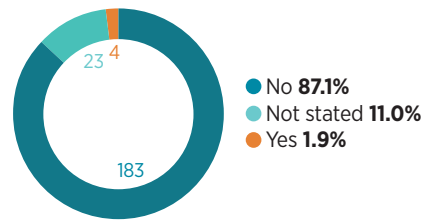
Diversity and Inclusion

- The Fund employee base is representative of the ethnic mix across the West Midlands region.
- The Fund has a higher proportion of younger employees partly as a result of its recruitment programme and successful graduate and trainees annual intake since 2017.
- The Senior Leadership Team is diverse across a range of metrics with a 43 – 57% (female – male) gender balance.

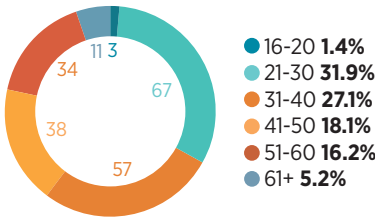
Gender



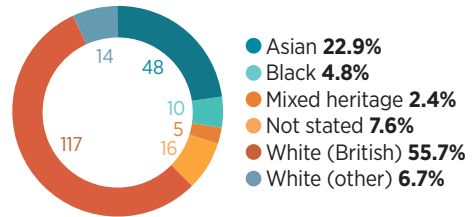
Disability



Age



Ethnicity



Based on employees as at 31 March 2024.



INTRODUCTION

OUR PEOPLE

Policy Statement

We are members of several different bodies, such as the Employee Network for Equality and Inclusion (ENEI), where we regularly engage with peers and industry leaders to discuss developing best practice with regards to equity, diversity and inclusion. This aids reflection on our own practices and informs continued learning and development for all colleagues at the Fund.

We are committed to further enhancing our approach to equity, diversity and inclusion (EDI) and over 2024 we have launched an organisation-

wide project, in collaboration with all employees and subject matter experts, to ensure that our approach continues to be relevant to and informed by feedback from our people and customers. Outcomes from the work are being used to shape the Fund's diversity and inclusion program as we continue to develop our culture and behaviours. We aim to ensure our people feel empowered, engaged and able to perform their role within the Fund in delivering high quality services to all our customers.

Our Recognised Standards, Accreditations and Memberships

INVESTORS IN PEOPLE®
We invest in people Gold



INTRODUCTION

OUR PEOPLE

Employee Training

We have adopted our People Strategy which outlines the development and training of knowledge and skills for roles across the organisation with differing levels of knowledge and competency based on seniority of role and level of responsibility.

Training throughout the year has included:

- Risk Management
- Pension Dashboards
- Scheme Funding
- Regulatory Governance
- Investment Strategy and Risk
- Pensions Regulations & Changes
- Pension Administration Strategy
- Responsible Investment
- Annual Report and Accounts
- Cyber Security
- Customer Engagement
- CIPFA Knowledge and Skills
- Customer Engagement and Communications
- Mind Set for Success
- Presentation Skills
- Team Building
- Mental Health & Wellbeing

We invest significant resources into the development of our people, firmly believing that the benefits over the long term are essential to the effective governance and management of the Fund.

Our All-Employee Survey 2023

Our survey showed an ongoing improvement in employees feeling proud to work for the Fund at 84% (up from 71% in 2019), with over 80% noting they had opportunity to develop their knowledge and skills and recommend changes to working practices. 83% confirmed they felt respected by their colleagues and 89% were aware and supportive of initiatives established to support employee wellbeing.

We continue to increase the range of opportunities for all employees to engage and contribute to our organisational development to enable the Fund and our people to develop and grow.



MANAGEMENT AND FINANCIAL PERFORMANCE

SCHEME MANAGEMENT, ADVISORS AND SERVICE PROVIDERS AS AT 31 MARCH 2024

City of Wolverhampton Council Civic Centre St. Peter's Square Wolverhampton WV1 1SH www.wolverhampton.gov.uk/contact-us		General enquiries: 01902 551155	West Midlands Pension Fund i9, Wolverhampton Interchange Railway Drive Wolverhampton WV1 1LH www.wmpfonline.com/emailus	General enquiries: 0300 111 1665
--	--	---	---	--

Pensions Committee 2023/24

Administering Authority Nominated Members			
Councillor M Jaspal (Chair)	Councillor A Mattu	Councillor C Hyatt	Councillor P Singh
Councillor T Singh (Vice-Chair)	Councillor J Dehar	Councillor J Francis	Councillor P Appleby
	Councillor T Singh	Councillor H Singh	Councillor Z Russell
Metropolitan District Local Authority Nominated Members			Observer Members
Councillor R Goodwin Birmingham City Council	Vacant Walsall MBC	Councillor A Lees Dudley MBC	M Cantello - Unison
Councillor L Kaye Solihull MBC	Councillor B Singh Coventry City Council	Councillor L Davies Sandwell MBC	M Clift - Unite
			I Smith - Unite
			J Wadrup - GMB
Administering Authority Officers and Pension Fund Officers 2023/24			
T Johnson Chief Executive (CWC)	R Howe Head of Governance, Risk and Assurance (WMPF)	A Regler Head of Operations (WMPF)	D Pattison Chief Operating and Monitoring Officer (CWC)
R Brothwood Executive Director (WMPF)	P Nevin Assistant Director, Investment Strategy (WMPF)	C Manning Head of Finance and Deputy S151 Officer (WMPF)	M Taylor (C Nye until March 2024) Section 151 Officer (CWC)
S Taylor Assistant Director, Pensions (WMPF)	S Sivanesan Assistant Director, Investment Management and Stewardship (WMPF)		
Main External Advisors and Service Providers			
Independent Auditor Grant Thornton UK LLP	LGPS Asset Pool Operator LGPS Central Limited	AVC Providers Prudential Assurance Company Ltd	HMRC References
Actuary Hymans Robertson LLP	Custodian of Assets HSBC Global Investment Services	Utmost Life and Pensions	SCON number: S2700178F
Investment Consultants Redington Limited	Meryll Lynch	Legal Advisors Trowers and Hamlin	ECON number: E3900002R
Risk Adviser Mercer	Banker National Westminster Bank plc	Eversheds Sutherland (International) LLP	PSTR number: 00329910IRC
Covenant Adviser PwC		Squire Patton Boggs (UK) LLP	PSTR sub-number: 49/16109

MANAGEMENT AND FINANCIAL PERFORMANCE

ADMINISTRATIVE MANAGEMENT PERFORMANCE

Overall Statistical Fund Information

Year	Active	Deferred	Preserved refunds*	Pensioner	Beneficiary	Totals
31 March 2020	117,950	99,890	12,049	90,451	13,594	333,934
31 March 2021	113,644	103,046	11,512	92,946	13,953	335,101
31 March 2022	112,431	111,263	10,188	114,897	14,402	338,591
31 March 2023	113,854	115,662	9,647	115,725	14,910	345,241
31 March 2024	117,784	112,726	11,183	102,418	14,807	347,735

*Members with preserved funds are those who have paid contributions which have not reached the minimum levels required, and are awaiting their monies to be returned to them. As such, they are not considered to be members of the Fund and are not included within the total members figures.

Active members

The Fund has a total active membership of **117,784**. Since 31 March 2023, the number of contributing employees in membership has increased by **3,930** (113,854 in 2023).

Deferred members

These are former contributors who have left their pension rights with the Fund until they become payable at normal retirement date

Pensioner members

Pensions and other benefits amounting to **£734.8m** were paid in the year to retired members.



MANAGEMENT AND FINANCIAL PERFORMANCE

ADMINISTRATIVE MANAGEMENT PERFORMANCE

Overall Statistical Fund Information

Age analysis - number of members

Status (age in years)	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54
Active	0	0	0	714	4,393	8,183	10,468	12,843	14,861	14,263	17,037
Beneficiary – child	13	43	135	294	148	12	16	12	8	7	8
Beneficiary	0	1	2	0	0	1	19	30	56	110	285
Beneficiary pensioner	13	44	137	294	148	13	35	42	64	117	293
Deferred	0	0	0	3	352	2,642	7,266	11,608	15,097	15,350	20,236
Deferred ex-spouse	0	0	0	0	0	0	0	0	4	18	49
Pensioner	0	0	0	0	1	0	6	7	31	69	226
Pensioner ex-spouse	0	0	0	0	0	0	0	0	0	0	0
Pensioner deferred	0	0	0	0	0	0	0	0	1	0	2
Preserved refund	0	0	0	29	527	1,189	892	889	1,036	1,152	1,287

Status (age in years)	55-59	60-64	65-69	70-74	75-79	80-84	85-89	90-94	95-99	100+
Active	17,763	12,422	4,067	697	90	7	2	1	0	0
Beneficiary – child	10	8	9	3	1	0	0	0	0	0
Beneficiary	605	1,032	1,443	1,889	2,626	2,494	2,052	1,113	290	33
Beneficiary pensioner	615	1,040	1,452	1,892	2,627	2,494	2,051	1,113	290	33
Deferred	21,972	12,091	3,288	1,642	739	102	43	57	37	12
Deferred ex-spouse	62	45	11	0	0	0	0	0	0	0
Pensioner	3,758	15,453	24,266	22,635	17,951	10,046	5,242	1,978	425	62
Pensioner ex-spouse	6	19	40	32	20	5	0	1	0	0
Pensioner deferred	8	14	0	0	0	0	0	0	0	0
Preserved refund	1,566	1,284	691	362	148	38	35	16	18	24

Fund Member by Type



Employer details

A summary of the number of employers in the Fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some outstanding pension liabilities) is given in the table below:

	Active	Ceased	Total
Scheduled body	54	1	55
Admitted body	750	33	783
Total	804	34	838

MANAGEMENT AND FINANCIAL PERFORMANCE

ADMINISTRATIVE MANAGEMENT PERFORMANCE

Overall Statistical Fund Information

Total number of casework

Description	31 March 2023	Incoming	Complete	% Complete	31 March 2024	Completer prior year	% complete prior year
Deaths recorded of active, deferred, pensioner and dependent members (death notification)	671	2,577	2,993	92%	255		
New dependent member benefits (survivor benefit finalisation)	745	2,267	2,015	67%	997	4,118	84%
Retirement quotations - actives and deferred	1,569	6,458	5,106	64%	2,921	8,574	85%
Retirement finalisations actives and deferred	60	2,835	2,748	95%	147	6,468	99%
Deferred benefits	7,192	8,206	6,155	40%	9,243	13,274	65%
Transfers in (including interfund in, club transfers)	1,742	1,344	1,029	33%	2,057	723	72%
Transfers out (including interfund out, club transfers)	1,691	2,511	1,331	32%	2,781	1,688	87%
Refunds	693	2,599	3,292	100%	0	6,414	90%
Total divorce casework (quotations issued and actual divorce cases)	50	361	292	71%	119	735	94%
Member estimates requested either by scheme member or employer – Via Administration teams	46	1,042	926	85%	162	1,276	97%
Member estimates requested either by scheme member or employer – via online portal	0	24,083	24,083	100%	0		
New joiner notifications	0	12,576	12,576	100%	0	19,841	100%
Aggregation cases	17,482	2,748	1,997	10%	18,233	1,737	45%

Notes

- Death notification data not reported in 2022/23 and unavailable following system transition in July 2023.
- 31 March 2023 values for transfers in, transfers out, and aggregation cases differ from those reported in prior year Annual Report due to updating of definitions in-line with latest reporting requirements.
- Online estimate data not reported in 2022/23 and unavailable following system transition in July 2023.
- Data regarding optants out received after three months' membership unavailable at time of reporting.
- Eight months into the 2024/25 year, there has been significant reductions in the following casework volumes at 25 November 2024:
 - Retirement quotes - 44% reduction, 1,642 outstanding.
 - Survivor benefit finalisations – 23% reduction, 772 outstanding.
 - Transfers out – 25% reduction, 2,094 outstanding.
 - Divorce – 31% reduction, 83 outstanding.

MANAGEMENT AND FINANCIAL PERFORMANCE

ADMINISTRATIVE MANAGEMENT PERFORMANCE

Overall Statistical Fund Information

Time taken to process casework

Description	Target	% complete within target in year	% completed within target in prior year
Communication issued with acknowledgement of death of active, deferred, pensioner and dependent member	5	60	92
Communication issued confirming the amount of dependents pension	5	42	96
Communication issued to deferred member with pension and lump sum options (quotation)	15		92
Communication issued to active member with pension and lump sum options (quotation)	15	27	99
Communication issued with deferred benefits award letter (scheme leaver)	15	58	96
Communication issued to scheme member with completion of transfer in	10	54	97
Communication issued to scheme member with completion of transfer out	10	62	100
Payment of refund	5	90	98
Divorce quotation and communication issued following actual divorce proceedings i.e application of a pension sharing order	45	55	
Communication issued to new starter	20	100	100
Member estimates requested by scheme member and employer – via Administration teams	15	97	100
Member estimates requested by scheme member and employer – estimates run via the portal	15	100	100

Notes

- Completion rates reflect the combined casework completed across both systems during the year. Due to the transition there was not a uniform distribution of casework completed during the year. Where casework outstanding at the 31 March 2024 is outside of the target completion timescale this performance will be reported on completion in 2024/25.
- Communication issued to deferred and active members with pension and lump sum options are shown as a combined performance for 2023/24. This is a result of a transitional period where it was not possible to differentiate between active and deferred quotation casework. This was updated during the year and separate reporting will be included in 2024/25.
- Payment of and communications issued to active and deferred members with confirmation of pension and lump sum options (finalisations) not reported during 2023/24 due to changes to recording of this casework during the year.
- Performance data in relation to divorce casework was not reported in 2022/23. Following the system transition in July 2023 the reporting to provide a comparison with the prior year (2022/23) is unavailable.

MANAGEMENT AND FINANCIAL PERFORMANCE

ADMINISTRATIVE MANAGEMENT PERFORMANCE

Overall Statistical Fund Information

Engagement with online portals

Description	Data
% of active members registered	25%
% of deferred member registered	22%
% of pensioner and survivor members	25%
% total of all scheme members registered for self-service	24%
Number of registered users by age:	
15-19	93
20-24	830
25-29	2,032
30-34	2,980
35-39	4,138
40-44	5,468
45-49	5,912
50-54	8,688
55-59	12,712
60-64	12,438
65-69	8,572
70-74	4,465
75-79	2,872
80-84	1,188
85-89	531
90-94	226
95-99	62
100+	3
% of all registered users that have logged onto the service in the last 12 months	100%

Annual benefit statements

Description	Data
Percentage of annual benefit statements issued as at 31 August 2023	85% active 92% deferred

Notes

Reasons for non-production are generally related to outstanding data queries or rectification together with active processes that prevented a statement from being produced (i.e. where a member is in the process of retiring).

Communication

Description	Data
Total number of telephone calls received in year	86,129
Total number of email and online channel queries received	69,708
Number of scheme member events held in year (total of in-person and online)	600
Number of employer engagement events held in year (in-person and online)	294
Number of active members who received a one-to-one (in-person and online)	2,329
Number of times a communication (i.e newsletter) issued to:	
Active members	9*
Deferred members	9*
Pensioners	11*

*With the transition to the new pensions administration system, more regular updates were provided to members to keep them informed on progress and where to access support and information.

Resources

Description	Data
Total number of all administration staff (FTE)	163.41
Average service length of all administration staff	9.79 years
Staff vacancy rate as %	10.79%
Ratio of all administration staff to total number of scheme members (all staff including management)	1 FTE to 2,128 members
Ratio of administration staff (excluding management) to total number of scheme members	1 FTE to 2,315 members

MANAGEMENT AND FINANCIAL PERFORMANCE

ADMINISTRATIVE MANAGEMENT PERFORMANCE

Overall Statistical Fund Information

Data quality and employer performance

Description	Data
Common data score	98%
Scheme-specific data score	93%
Percentage of active, deferred and pensioner members recorded as 'gone away' with no home address held, or address is known to be out of date:	
Active	0.81%
Deferred	8.75%
Pensioner	0.89%
Percentage of active, deferred and pensioner members with an email address held on file:	
Active	56.3%
Deferred	49.0%
Pensioner	45.0%
Percentage of employers set up to make monthly data submissions	100%
Percentage of employers who submitted monthly data on time during the reporting year	72%



INVESTMENT POLICY AND PERFORMANCE

INVESTMENT STRATEGY

The primary objective of the Fund is to ensure that it is able to meet the pension promises (liabilities) made to scheme members as they fall due.

Introduction

To meet this objective, the Fund sets an investment strategy which aims to achieve the target level of return required over the longer-term to ensure that sufficient capital growth and cashflow is generated so that its liabilities can be met.

In conjunction with this, the Fund recognises its role as a large institutional investor, and the duty it has to govern the assets in which it invests, with responsible investment beliefs integrated in investment management and stewardship.

Following the triennial valuation, funding and investment reviews that took place over 2022/23, the Pensions Committee agreed in March 2023 a new investment strategy as set out in its Investment Strategy Statement (ISS).

The valuation and funding review gave an opportunity to reduce the target level of return required from the Fund's assets to meet liabilities and hence reduce the level of investment risk in the strategy. As a result a new long-term asset allocation was agreed in March 2023.

The changes to the Fund's portfolio to implement the revised asset allocation were significant. A three-stage, phased implementation plan to March 2025 was developed in conjunction with the Fund's investment advisors with trading activity over 2023/24 reflecting the implementation plan. Over the course of the year £3.4bn was transitioned from liquid growth assets (equity) to mainly stabilising assets (UK nominal and index-linked gilts).



INVESTMENT POLICY AND PERFORMANCE

INVESTMENT STRATEGY & PERFORMANCE

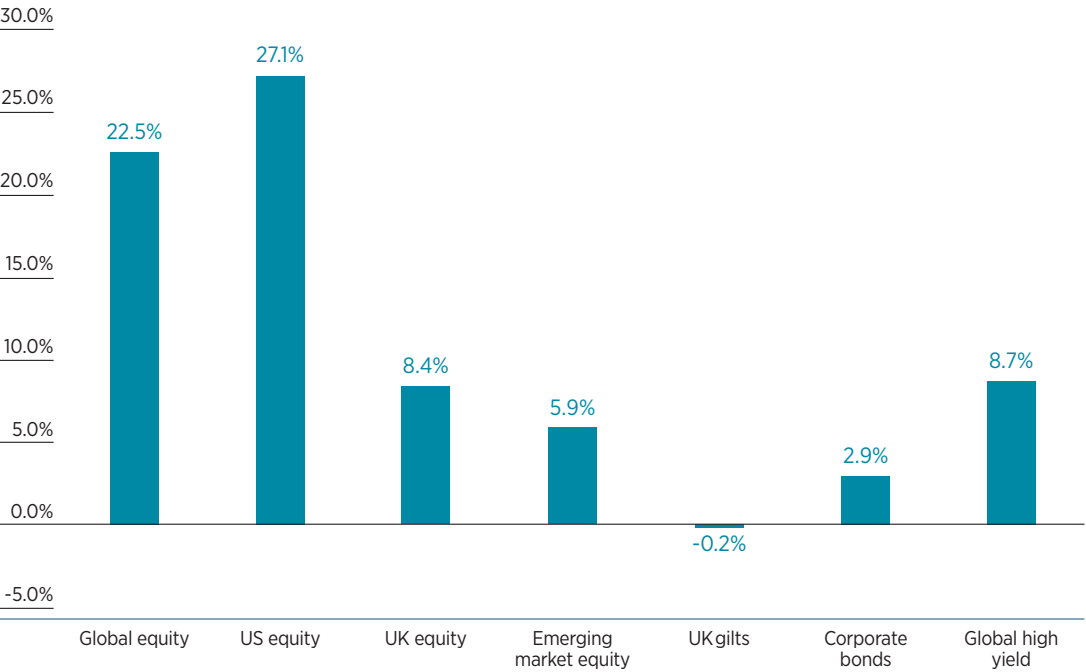
Market Summary

The market value of the Fund's assets, after allowing for contributions, benefit payments and expenses, increased from £19.6 billion at the start of the period to £21.2 billion at the end of the financial year. Markets generally performed positively on the back of stronger than expected economic conditions with inflation falling across most global economies. Equities performed particularly strongly across the board with US technology stocks leading the way driven by optimism around artificial intelligence. There was positive performance across credit markets including corporate bonds, emerging market debt and private credit despite the continued increase in short-term interest rates for the first half of the financial year. UK government bonds performed negatively over the period as long-term nominal and real yields rose. Performance of private market assets was mixed, with some companies facing operational challenges and higher

interest rates impacting the more leveraged assets. Some parts of the commercial property market also faced difficulties.

Despite the strong economic data and financial performance across growth markets experienced over the last year, a number of risks remain prevalent. The macroeconomic environment, despite being better than expected in the financial year, remains uncertain as central banks and governments deal with monetary and fiscal challenges. Furthermore, the potential impact and scale of geopolitical risks remains elevated as we encounter the biggest election year in history and conflicts continue in many parts of world. The above highlights the importance of continuing to build robust investment strategies that deliver stable and sustainable returns.

Market Returns Year Ending 31 March 2024

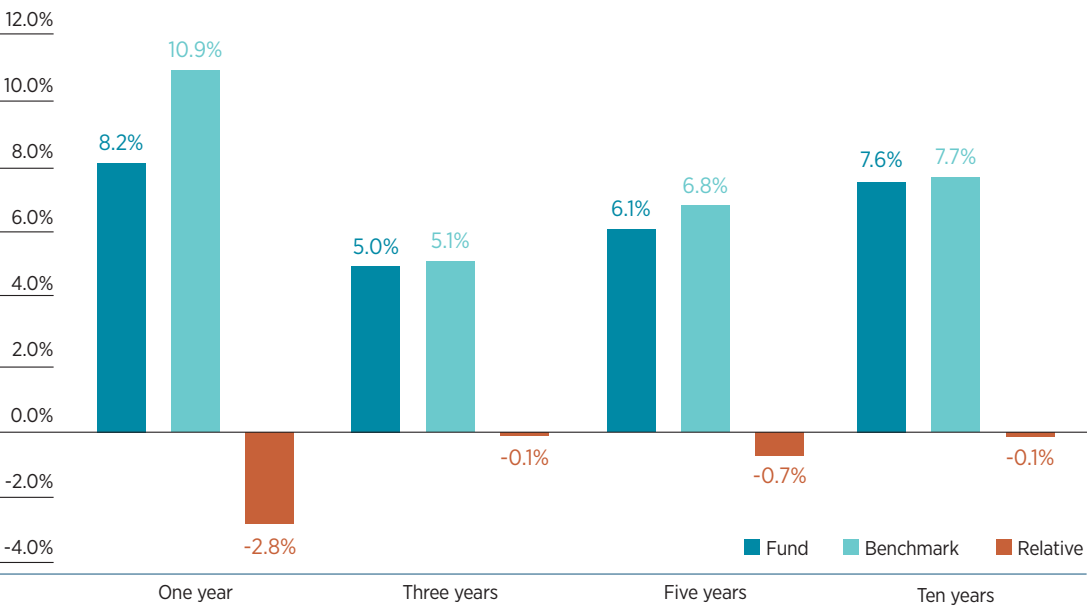


INVESTMENT POLICY AND PERFORMANCE

INVESTMENT PERFORMANCE

The Fund’s returns over one, three, five and ten years compared to its bespoke benchmark, are illustrated in the chart shown below:

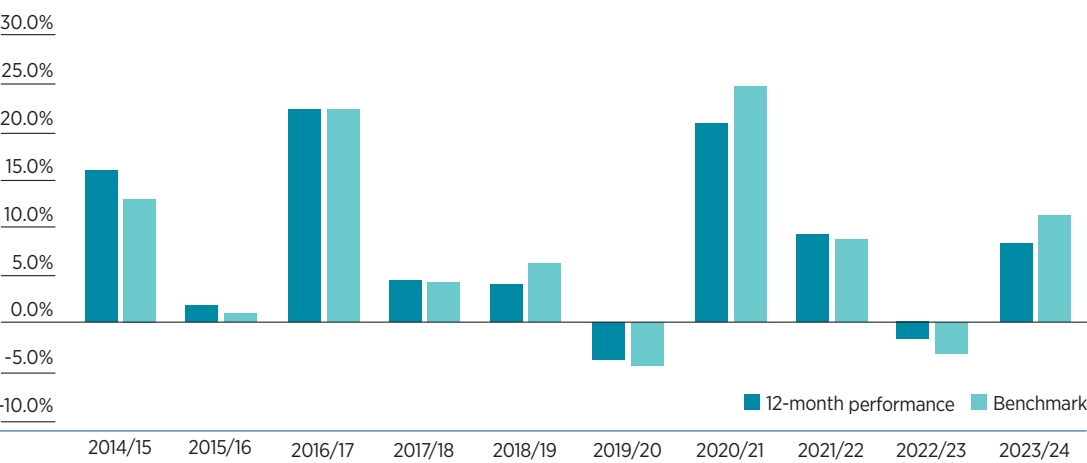
Comparative Returns Over One, Three, Five and Ten Years to 31 March 2024 - Main Fund



Longer Term Summary

Financial year returns over the last ten years are shown in the chart below.

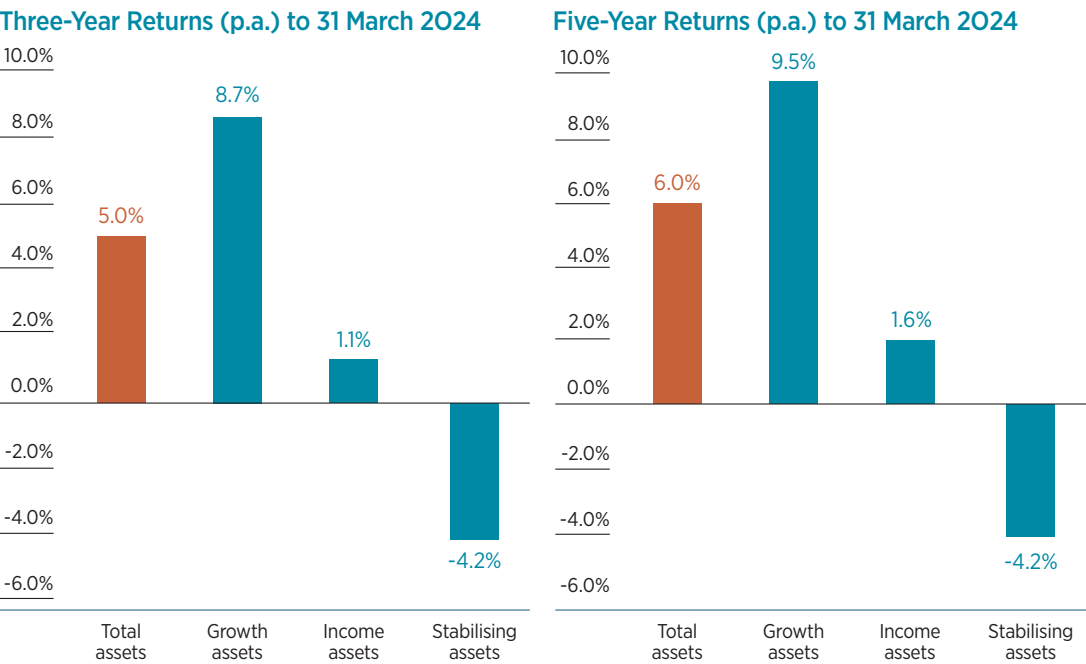
Annual Performance Versus Benchmark



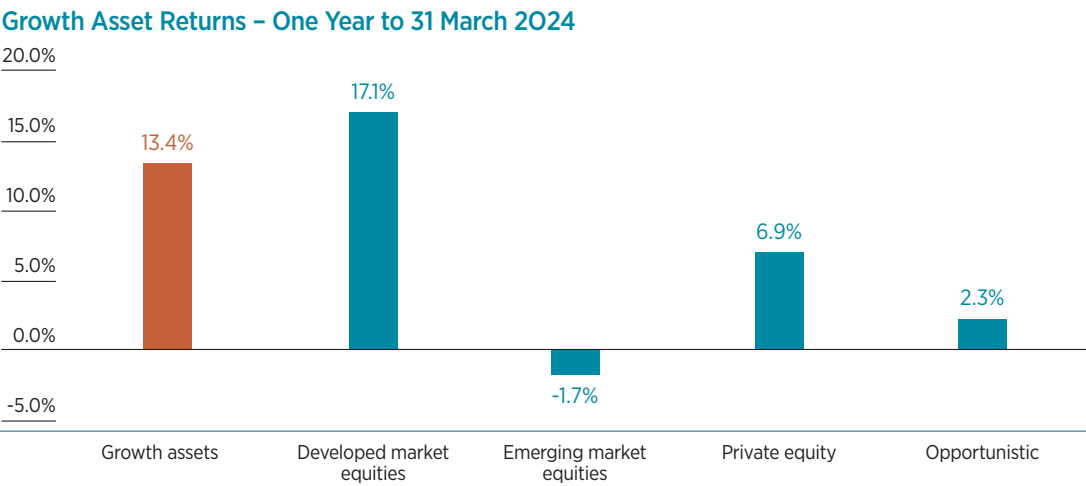
INVESTMENT POLICY AND PERFORMANCE

INVESTMENT PERFORMANCE

The following graphs illustrate the returns of the Fund's main asset classes for both the three and five year periods ended 31 March 2024.



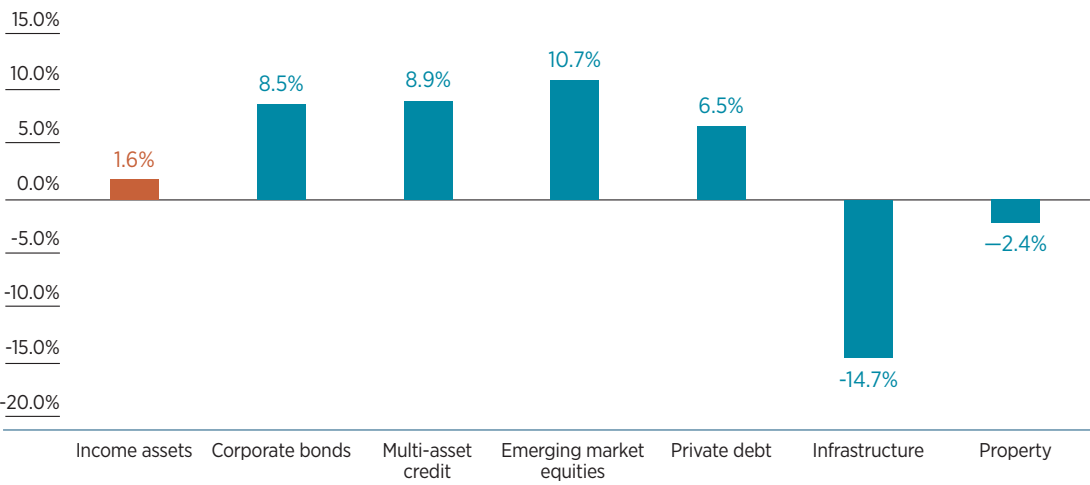
The graphs below illustrates the returns of the main elements within the growth, income and stabilising asset portfolios during the last financial year.



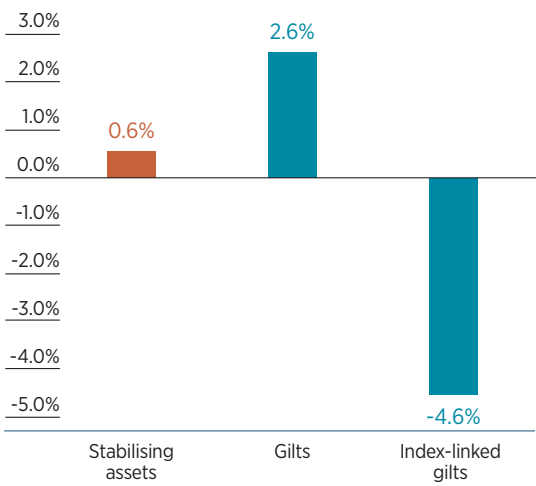
INVESTMENT POLICY AND PERFORMANCE

INVESTMENT PERFORMANCE

Income Asset Returns – One Year to 31 March 2024



Stabilising Asset Returns – One Year to 31 March 2024



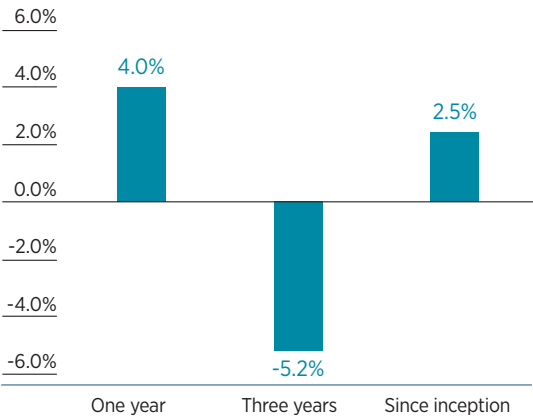
INVESTMENT POLICY AND PERFORMANCE

INVESTMENT PERFORMANCE

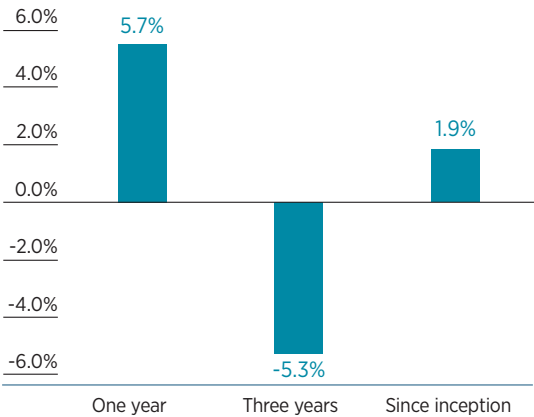
Performance Within the Separate Admission Body Sub-Funds

The charts below, summarise the annualised performance of the invested assets within the separate admission body sub-funds over one, three and five years. It should be noted that these two sub-funds are no longer open to accrual of benefits and have a more mature membership profile. The investment strategy is hence designed to more closely match the liabilities and performance will consequentially follow changes in liabilities due to market conditions.

WMTL Performance to 31 March 2024



Preston Bus Performance to 31 March 2024



INVESTMENT POLICY AND PERFORMANCE

ASSET ALLOCATION

Performance Within the Separate Admission Body Sub-Funds

The following tables provide a summary of the asset allocation for the Main Fund and two separate admission body sub-funds at the year ended 31 March 2024 compared with the strategic targets agreed by the Pensions Committee in operation during the financial year 2023/24.

Main Fund

Asset class	Value (£m)	Allocation (%)	Interim target (%)	Final target (%)	Interim vs final target (%)
Developed market equity	7,866.2	37.9%	38.0%	26.5%	11.5%
Emerging market equity	961.0	4.6%	5.0%	5.0%	0.0%
Total liquid growth	8,827.2	42.5%	43.0%	31.5%	11.5%
Private equity	1,529.6	7.4%	6.0%	5.0%	1.0%
Opportunistic	114.9	0.6%	1.0%	1.0%	0.0%
Total illiquid growth	1,644.5	7.9%	7.0%	6.0%	1.0%
Total growth	10,471.7	50.4%	50.0%	37.5%	12.5%
Corporate bonds	763.0	3.7%	5.0%	8.5%	-3.5%
Multi-asset credit	660.5	3.2%	3.5%	3.5%	0.0%
Emerging market debt	791.6	3.8%	3.5%	2.5%	1.0%
Liquid stable income	1,295.3	6.2%	5.0%	5.0%	0.0%
Total liquid income	3,510.5	16.9%	17.0%	19.5%	-2.5%
Private debt	805.9	3.9%	4.5%	7.0%	-2.5%
Infrastructure	933.3	4.5%	6.0%	9.0%	-3.0%
Property	1,329.8	6.4%	8.0%	9.0%	-1.0%
Total illiquid income	3,069.0	14.8%	18.5%	25.0%	-6.5%
Total income	6,579.5	31.7%	35.5%	44.5%	-9.0%
Government bonds	1,015.7	4.9%	4.5%	4.5%	0.0%
Index-linked bonds	2,712.2	13.1%	10.0%	13.5%	-3.5%
Total stabilising	3,727.9	17.9%	14.5%	18.0%	-3.5%
Total	20,779.3	100.0%	100.0%	100.0%	0.0%

The final target column represents the revised long-term Strategic Asset Allocation (SAA) targets which were agreed by the Pensions Committee on 23rd March 2023 following the investment strategy review in 2022/23 and as documented in the Fund's [Investment Strategy Statement](#). The overweight allocation to Listed Equities at 31 March 2024 is expected to fund allocations (both those committed and waiting to be drawdown and future commitments which are to be made) to private debt, infrastructure and property.

INVESTMENT POLICY AND PERFORMANCE

ASSET ALLOCATION

The two separate admission body funds within the Fund have their own investment strategy and targets reflecting the closed membership status of these funds, supporting employer covenant and maturity of the liabilities:

Separate Admission Body Fund (WMTL)*

Asset class	Value (£m)	Current allocation	Target	Current vs target
Equities	43.9	18%	8%	10%
Total growth	43.9	18%	8%	10%
Private debt	35.8	15%	29%	-14%
Multi-asset credit	56.3	23%	19%	4%
Corporate bonds	40.0	16%	16%	0%
Cash	11.4	5%	0%	5%
Total income	143.6	59%	64%	-5%
LDI	57.1	23%	28%	-5%
Total stabilising	57.1	23%	28%	-5%
Total	244.6	100%	100%	0%

Following approval of the new target asset allocation in March 2023, the transition to the new strategy has been completed. The overweight allocations to equity and multi-asset credit are expected to fund commitments that have been made to private debt and are waiting to be drawdown. The allocations will move towards the target over time as these commitments are drawdown.

Separate Admission Body Fund (PBL)*

Asset class	Value (£m)	Current allocation	Target	Current vs target
Equities	2.1	14%	0%	14%
Total growth	2.1	14%	0%	14%
Multi-asset credit	4.5	31%	0%	31%
Corporate bonds	2.7	19%	40%	-21%
Cash	0.9	6%	0%	6%
Total income	8.2	57%	40%	17%
LDI	4.2	29%	60%	-31%
Total stabilising	4.2	29%	60%	-31%
Total	14.5	100%	100%	0%

Following approval of the new target asset allocation in March 2023 the transition to the new strategy will be completed in Q3 2024.

**Note the table above excludes the value of the bulk annuity insurance buy-in contract which is held within and linked to the liabilities of the WMTL/PBL admission body fund.*

INVESTMENT POLICY AND PERFORMANCE

INVESTMENT POOLING GOVERNANCE

In compliance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the West Midlands Pension Fund has outlined its approach to investment pooling in its [Investment Strategy Statement](#). Working collectively with Partner Funds, the West Midlands Pension Fund created and owns LGPS Central Limited, an FCA-regulated company responsible for product development and collective investment vehicles to meet the investment requirements of the eight administering authorities as its clients.



LGPS Central Investment Pool was established in 2017 in response to the Government requirements for LGPS funds to pool investments with the aim of achieving four key objectives:

- 1
Achieving benefits of scale
- 2
Strong governance and decision making
- 3
Reduced costs and excellent value for money
- 4
Improved capacity and capability to invest in infrastructure

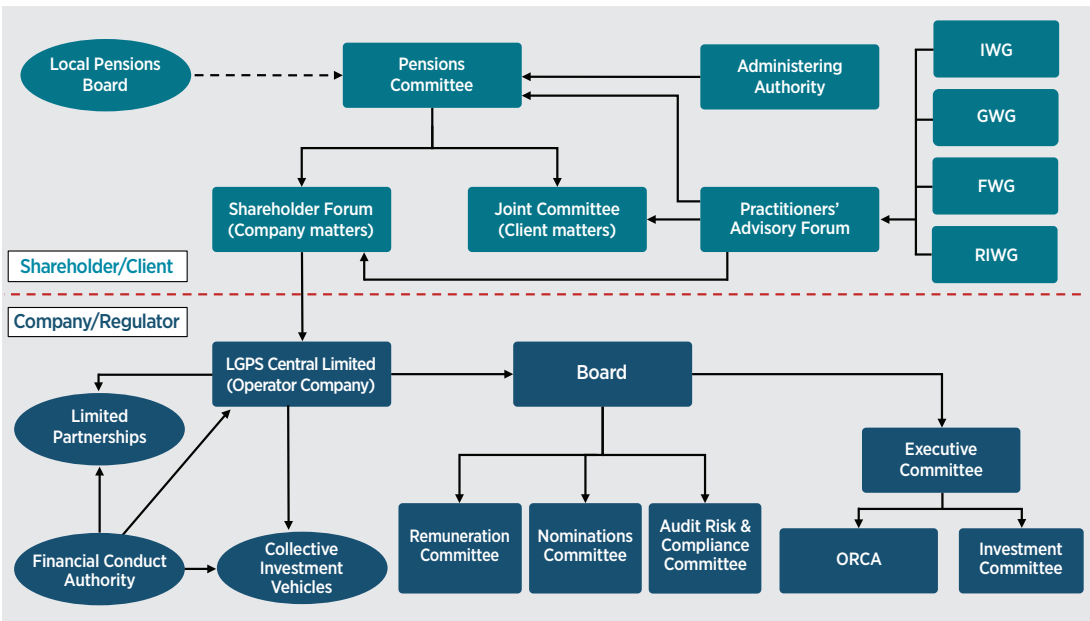
Partner Funds

INVESTMENT POLICY AND PERFORMANCE

INVESTMENT POOLING GOVERNANCE

Governance Framework

The Governance structure for the investment pool is set out in the diagram below.



Note: supporting working groups IWG, GWG, FWG and RIWG, focus on investment products, governance arrangements, the Pool's financials and responsible investment respectively.

In meeting the Government requirement to pool assets, and as persons charged with responsibility for their LGPS funds, in the context of LGPS Investment Pooling, each Partner Fund has three areas of responsibility.

1. Statutory responsibility to ensure the legal obligations on LGPS Funds are met, this includes the obligation to provide for the pooling of investments in their Investment Strategy Statement. This is owned by the individual Funds' Pension Committees.
2. Owners/Shareholder (one Fund, one vote) of the investment pooling company, LGPS Central Limited who oversee the development and delivery of the Company's objectives through formal AGM and Company meetings. Individual authorities' own scheme of delegation determines their appointed Shareholder representative.
3. Client/Customer of the investment pooling company contracted under individual Client Services Agreements to deliver and manage pooled investment products and services to Partner Funds. The Funds sit as a collective customer as the LGPS Central Joint Committee which provides collective oversight of the performance and direction of the LGPS Central investment pool.

In order to perform functions of oversight over LGPS Central Limited (as a linked body of the administering authority) and to meet FCA requirements for a regulated asset manager, the Partner Funds stand at arm's-length to the company and its ongoing management of the investment transferred to the pool. The Company Directors, (two executive and five non-executive) Board and Board sub-committees are responsible for managing the strategic direction of the Company, its governance arrangements, ensuring clear accountability and oversight of the day-to-day running of the Company including compliance with regulatory requirements of the FCA.

INVESTMENT POLICY AND PERFORMANCE

INVESTMENT POOLING GOVERNANCE

Pooling Breakdown Asset Table - Year Ended 31 March 2024

Asset values as at 31 March 2024	Pooled £m	Under pool management £m	Not pooled £m	Total £m	% of asset class under pool stewardship %
Equities	6,600	1,152	1,087	8,839	87%
Bonds	825	4,158	1,435	6,418	78%
Property	-	269	1,060	1,329	20%
Private equity	317	1,127	86	1,530	94%
Opportunistic	-	115	-	115	100%
Private debt	621	208	12	841	99%
Infrastructure	190	89	654	933	30%
Cash and other investments	-	-	1,033	1,033	0%
Total	8,553	7,118	5,367	21,038	74%
% of total AUM	41%	34%	26%		

The Fund remains committed to pooling of investment assets with other Local Government Pension Schemes in order to implement its investment strategy more efficiently and effectively and to improve investment governance. It continues to work collaboratively with LGPS Central (LGPSC) as its pooling partner, and the partners funds who make up the Central pool.

As at 31 March 2024 74% of the Fund's assets were invested with, or overseen by, LGPSC. 41% of the Fund's assets were directly invested in LGPSC pooled products, a further 13% invested in discretionary mandates managed by LGPSC and a further 21% overseen by LGPSC under an advisory agreement which is reviewed on an annual basis. The latter covers some of the Fund's legacy investments particularly in private markets.

The Fund expects to continue its progress on pooling and estimates that by 31 March 2025 88% of its assets will be classified as "Pooled" or "Under Pool Management". The proportion in Pooled funds will increase to over 50% with the expected launch of new products and enhancements to existing products and discretionary mandates will increase to 17%, with the balance being under the advisory agreement in place with LGPSC. Under this agreement LGPSC are responsible for providing monitoring and oversight services.

The 12% of assets that are expected to be held outside the pool at March 2025 consist of cash, legacy private market assets that are winding down, directly held private assets such as property and smaller scale local investments which have been collaboratively developed in conjunction with local partners.

INVESTMENT POLICY AND PERFORMANCE

INVESTMENT POOLING GOVERNANCE

UK Allocation Asset Table - Year Ended 31 March 2024

Asset values as at 31 March 2024	Pooled £m	Under pool management £m	Not pooled £m	Total £m
UK listed equities	528	86	19	633
UK Government bonds	-	2,788	907	3,695
UK infrastructure	81	11	472	564
UK private equity	42	188	59	289
UK non-Government fixed income	91	442	143	676
UK private debt	108	53	12	173
UK property	-	186	1,060	1,246
UK cash and equivalents	-	-	343	343
UK total	850	3,754	3,015	7,619

The above table shows the value of the Fund's UK investments across various asset classes. The figures above exclude unfunded commitments, as the percentage of remaining commitments that will ultimately be allocated to the UK is difficult to predict. The Fund has £1.4bn worth of unfunded commitments to infrastructure, private equity, private debt & property.

Costs of Pooling

The aim of pooling is to increase the efficiency of partner funds in respect of increasing economies of scale, delivering better value for money in investment costs, and achieving stronger governance and decision-making. The table below outlines costs and savings for both the financial year and cumulative since the creation of LGPS Central.

Pooling assets has had the desired effects of creating cost saving for the Fund. For the financial year 2023/2024 pooling has had a net saving of £2.7m. The cumulative saving since inception is -£0.2m, the saving is expected to trend positive over the coming years as cost savings outweigh the initial set-up costs.

	Financial year (£m)	Cumulative to end of financial year (£m)
Total pooling costs	£5.4	£31.1
Gross savings, before pooling costs	£8.1	£30.9
Net saving	£2.7	-£0.2

INVESTMENT POLICY AND PERFORMANCE

TOP TWENTY DIRECT QUOTED EQUITY HOLDINGS

		£m
1	Microsoft Corporation	£298.9
2	NVIDIA Corporation	£168.0
3	Amazon.com, Inc.	£159.6
4	Alphabet Inc.	£131.3
5	Taiwan Semiconductor Manufacturing Company Limited (Sponsored ADR)	£120.3
6	Apple Inc.	£106.6
7	Novo Nordisk A/S	£96.0
8	Taiwan Semiconductor Manufacturing Company Limited	£90.5
9	Visa Inc.	£86.2
10	Northern Trust Global Sterling Fund	£85.6
11	Meta Platforms, Inc.	£76.1
12	Samsung Electronics Co., Ltd.	£75.2
13	Shell plc	£72.1
14	Unilever plc	£71.3
15	UnitedHealth Group Incorporated	£69.9
16	Eli Lilly and Company	£69.6
17	Schneider Electric SE	£68.7
18	AIA Group Limited	£66.3
19	The Procter & Gamble Company	£63.0
20	HDFC Bank Limited (Sponsored ADR)	£62.1

INVESTMENT POLICY AND PERFORMANCE

TOP TWENTY DIRECT QUOTED FUND HOLDINGS

£m

1	LGPS Central All World Equity Climate Multi Factor Fund	£2,557.8
2	LGPS Central Global Ex UK Passive Equity Fund	£2,193.2
3	LGPS Central Global Equity Active Multi Manager Fund	£1,481.2
4	Legal & General All Stocks Index-Linked Gilts Fund	£624.8
5	Capital International Emerging Market Debt Fund	£455.1
6	LGPS Central UK Passive Equity Fund	£368.2
7	CQS Multi Asset Credit Fund	£363.7
8	Schroders All Maturities Corporate Bond Fund	£340.3
9	LGPS Central Global Active Emerging Market Bond Fund	£336.6
10	Aegon Global Short Dated Climate Transition Bond Fund	£310.9
11	LGPS Central Global Multi Manager Multi-Asset Credit Fund	£296.8
12	LGPS Central Credit Partnership II LP	£280.7
13	LGPS Central Global Active Investment Grade Corporate Bond Multi Manager	£192.0
14	LGPS Central Core / Core Plus Infrastructure Fund	£173.5
15	LGPS Central Credit Partnership IV LP	£168.4
16	Olympus Growth Fund Parallel VII LP	£149.9
17	JP Morgan Infrastructure Investment Fund	£144.0
18	Legal & General All Stocks Gilts Index Fund	£142.5
19	Schroders Focus II Private Credit Fund	£128.5
20	LGPS Central Credit Partnership I LP	£110.9

INVESTMENT POLICY AND PERFORMANCE

ASSETS HELD AS AT 31 MARCH 2024

1) Quoted Equities

The Fund has direct holdings of quoted equities predominantly in global overseas and emerging markets. The number and amount of individual stocks held will vary according to investment decisions taken on a day-to-day basis.

2) Equities Funds

- LGPS Central All World Equity Climate Multi Factor Fund
- LGPS Central Global Ex UK Passive Equity Fund
- LGPS Central Global Equity Active Multi Manager Fund
- LGPS Central UK Equity Passive Fund
- Legal & General All World Equity Index
- Legal & General UK Equity Index*
- Legal & General North America Equity Index*
- Legal & General Europe (Ex UK) Equity Index*
- Legal & General Japan Equity Index*
- Legal & General Asia Pac Ex Japan Dev Equity Index*
- Legal & General World Emerging Markets Equity Index*

***Note:** these positions relate to small legacy holdings in relation to the admission body sub-funds which are to be divested from as part of the implementation of the agreed investment strategy.

3) Specialist Vehicles

Real Assets and Infrastructure

- Asper Renewable Power Partners
- Alterna Core Capital Asset Fund
- AMP Capital Asian Giants Infrastructure Fund
- Black River Agriculture Fund 2
- Blackrock(First Reserve) Energy Infrastructure Fund
- Columbia Threadneedle ESIF Feeder Vehicle 1 SCSp
- EISER Infrastructure Capital Equity Partners
- EQT Infrastructure Fund
- Global Infrastructure Partners
- Goldman Sachs International Infrastructure Fund
- Gresham House BSI - West Midlands PF
- Gresham House BSI Housing LP
- Gresham House BSI Infrastructure LP

- Hg Renewable Power Partners
- Impax Energy
- Impax New Energy Fund II
- Infracapital Partners
- Innisfree PFI Secondaries
- Insight Global Farmland Fund
- JP Morgan IIF
- JP Morgan Asian Infrastructure & Related Resources Opportunity Fund
- LGPS Central Core/Core Plus Infrastructure Partnership LP
- LGPS Central Value Add/Opportunistic Infrastructure Partnership LP
- Dalmore PPP Fund
- PIP EDF
- PIP Multi Strategy Infrastructure
- Red Funnel
- Welcome Break

Absolute Return/Opportunistic

- Cairn Pathfinder Fund I
- CATco Series A sub 41SP 2019
- CATco Sub 3 SP 2018
- CEMOF II Master Co-Investment Partners
- Credit Suisse IRIS Fund S01 - Side Pocket
- Credit Suisse IRIS Fund S02 - Side Pocket
- Credit Suisse IRIS Fund S03 - Side Pocket
- Credit Suisse IRIS Fund S04 - Side Pocket
- Dorchester Capital Secondaries Offshore Fund IV
- Dorchester Capital Secondaries Offshore Fund V
- Dorchester Capital Secondaries Offshore Fund VI

Indirect Property

- AEW European Property Investors Special Opportunities Fund
- Beacon Capital Strategic Partners VI
- Blackrock Residential Opportunities Fund
- Bluehouse Accession Property III
- Bridges Property Alternatives III
- Bridges Property Alternatives IV
- Bridges Sustainable Property Fund Unit Trust
- Dune Real Estate Fund II
- Hearthstone Residential Fund
- Igloo Regeneration Partnership
- Mansford UK Feeder A
- Morgan Stanley AIP Phoenix Fund
- Newcore Strategic Situations IV LP

INVESTMENT POLICY AND PERFORMANCE

ASSETS HELD AS AT 31 MARCH 2024

- North Haven Real Estate Fund VII
- Phoenix Asia IV Limited
- Phoenix Asia V Ltd
- Rockspring Peripheral Europe Ltd (PELP)
- RREEF European Value Added Fund
- Silk Road Asia Value Partners
- UK Active Value Property Unit Trust
- UK Active Value Property Unit Trust II
- Vision Brazil Real Estate Opportunities Fund II

Private Equity

The Fund has investments in the following:

- Advent Ventures Life Sciences Fund
- Advent Ventures Life Sciences Fund II
- Altor Fund III, L.P.
- Apax Europe VII, LP
- ASOF II Feeder Fund
- Astorg IV
- Atomico Ventures II
- Axiom Asia PCF II
- BC European Capital VII
- BlackRock Private Opportunities Fund IV
- Blackstone Capital Partners VI, LP
- Bomgar
- Bridgepoint Europe III
- Bridgepoint Europe IV
- Bridgepoint Europe V
- Bridges Community Ventures
- Bridges Ventures III
- Capital Dynamics Asia
- Carlyle Asia Partners III, LP
- Carlyle Asia Partners IV, LP
- Carlyle Asia Partners V. LP
- Carlyle Europe Partners IV
- Carlyle Partners V, LP
- Carlyle Partners VI, LP
- Chicago Growth Partners II, LP
- Clayton, Dubilier & Rice VIII, LP
- Cressey & Company Fund IV, LP
- DCM VI, LP
- Dominus Capital Partners
- Doughty Hanson & Co. Fund III, LP
- Doughty Hanson & Co. IV, LP
- Doughty Hanson & Co. Tech II, LP
- ECI 8, LP
- Eduko
- Epiris Fund II
- Exponent PEP II
- Francisco Partners V, LP
- Francisco Partners III, LP
- Graphite Capital Partners VII
- Graphite Capital Partners VIII
- Graphite IX
- HarbourVest Partners VIII - Venture
- HG Capital 6
- HG Capital 8
- HIPEP V-Asia Pacific & RoW
- HIPEP VI - Emerging Markets
- HIPEP VI-Asia Pacific Fund
- IK VII
- I-MED
- Industry Ventures Fund V, LP
- Industry Ventures VI, LP
- Key Capital Partners IV
- Key Capital Partners VI
- Khosla Ventures
- Lexington Middle Market Investors II, LP
- LGPS Central Co-Investment 2018
- LGPS Central Co-Investment 2021
- LGPS Central PE Primary
- LGPS Central PE Primary 2021
- Madison Dearborn Capital Partners VI, LP
- Menlo Ventures XI, LP
- MVM Fund III, LP
- New Enterprise Associates 13, LP
- New Leaf Ventures II, LP
- Newbury Equity Partners II
- Olympus Growth Fund V, LP
- Olympus Growth Fund VI, LP
- Olympus Growth Fund VII AIV (Cayman), LP
- Olympus Growth Fund VII, LP
- Opus Capital VI
- Pantheon Asia Fund V
- Pantheon Global Secondary Fund III, LP
- Pantheon USA Fund
- Pantheon USA Fund II
- Pantheon USA Fund III, LP
- Permira V
- Permira VI, LP
- Pfingsten Partners IV
- Pomona Capital VII, LP
- Pomona Co-Investment Fund
- Pragma II
- Quadriga Capital Private Equity Fund III, LP

INVESTMENT POLICY AND PERFORMANCE

ASSETS HELD AS AT 31 MARCH 2024

- Scottish Equity Partners IV
- Scottish Equity Partners V
- TA Atlantic & Pacific VI
- The Triton Fund III
- Unigestion Direct Opps 2015
- Unigestion Secondary Opp II
- Vestar Capital Partners V, LP
- West Midlands Equity Co-Investment

Fixed Interest

The Fund has direct nominal & index-linked gilt holdings which aim to replicate the ICE BofA 15+ Years UK Gilt Index & the ICE BofA All Maturity UK Gilt Inflation-Linked Government Index, respectively.

Income: Corporate Bonds

- Aegon Global Short Dated Climate Transition Fund
- Legal & General Active Corporate Bond - All Stocks Fund
- Legal & General Investment Grade Corporate Bond - All Stocks Index Fund
- LGPS Central Global Active Investment Grade Corporate Bond Multi Manager Fund (A Acc)
- RLAM Segregated Mandate
- Schroders All Maturities Corporate Bond Fund

Income: Multi-Asset Credit

- CQS Credit Multi-Asset Fund (Class Ei)
- LGPS Central Global Active Multi Asset Credit (MAC) Multi Manager Fund (A Acc)

Income: Emerging Market Debt

- Capital International Emerging Market Debt Fund
- LGPS Central Global Active Emerging Market Bond Multi Manager Fund (A Acc)

Income: Diversified Private Credit

- LGPS Central Credit Partnership I LP
- LGPS Central Credit Partnership II LP
- LGPS Central Credit Partnership III LP
- LGPS Central Credit Partnership IV LP
- Schroders Focus II Fund
- Schroders Focus III Fund
- FDC Tooling Loan Fund
- FDC Mezzanine Loan Fund
- FDC National Mezzanine Loan Fund
- FDC Help to Own Fund II

- Goldman Sachs Mezzanine Partners V Offshore, LP
- Park Square Capital Partners II, LP

Stabilising: Government Bonds

- Legal & General Overseas Bond Index Fund Stabilising: Index-Linked Bonds
- Legal & General All Stocks Index-Linked Gilt Index Fund

4) Direct Property Holdings

The Fund has investments in the following:

Agricultural

- Cleveland Estate
- Backford & Wincham Est
- Stagsden Land
- Butlers Marston Est

Hotels

- Manchester Dale Street (Premier Inn)

Industrial

- Birmingham (Merlin Park II)
- Birmingham (Midpoint Park)
- Birmingham (Alliance Unit)
- Bristol (Kingswood Industrial Estate)
- Coventry Ryton on Dunsmore (Network Rail DC)
- Hayes (Elystan Business Centre Unit)
- London Park Royal
- Horsham (Parsonage Way)
- London Powergate Business
- London (Waxlow Road)
- London Medway - Commercial Park
- Southampton Unit 43 Nursling Industrial
- Southampton (Canberra Rd)
- Weybridge (Brooklands)
- Basingstoke (West Ham Industrial Estate)

Offices

- Bath (Manvers St)
- Birmingham (Colmore Row)
- Birmingham (St Philips Place)
- Bristol (1 Rivergate)
- Edinburgh (Citypoint)
- Leeds (City Point)
- London (Southwest House)
- London (Whitfield Street)

INVESTMENT POLICY AND PERFORMANCE

ASSETS HELD AS AT 31 MARCH 2024

Retail Warehouses

- Bristol (Longwell Green)
- Hayes (Uxbridge Road Retail Park)
- Pontefract (Racecourse Retail Park)
- South Ealing (Wickes)
- Sydenham (Bell Green)

Retail

- Bury St Edmunds (Arc)
- Glasgow (Buchanan Street)
- High Wycombe Sytner Car Showroom

Supermarkets

- Birmingham (Great Barr) Asda
- Wood Green Morrisons

Other

- Bath Thornbank Gardens (University of Bath)
- University of York Student Accommodation

INVESTMENT POLICY AND PERFORMANCE

RESPONSIBLE INVESTMENT

Introduction

As long-term asset owners, we believe that the integration of environmental, social and governance (ESG) factors into the investment process is key to protecting and enhancing the value of our assets and, therefore, is critical in helping secure our members' existing and future pensions. We aim to utilise our influence as an investor to participate in positive change and support the long-term sustainability of society and our planet - creating sustainable futures.

Our approach to responsible investment is defined in our [Responsible Investment Framework](#).

Key Highlights Over 2023-24

As the industry continues to grow and evolve in enhancing best practices for ESG integration, investment stewardship and tackling climate change, we continue to partner for shared gain and remain committed to delivering a valued and sustainable pension fund, ready and able to drive efficiencies through a proactive approach to change.

Net Zero

As long-term investors, climate change presents risks and opportunities that form a part of our critical thinking in the way we approach investment and our wider objectives and delivery themes including global influence and delivering for local people. We recognise the need to address climate change on a global scale due to its wide-scale impact on global financial markets and believe that climate-related risks are systemic and financially material in the long term¹.

Our [Climate Change Framework and Strategy](#) captures our ambition to align to net zero by 2050 or sooner and outlines our approach to addressing and mitigating climate change, including a 50% reduction in our investment portfolio's carbon emissions by 2030. Progress against these targets is disclosed annually in our [Climate-related Financial Disclosures Report](#).

¹As described by investors in the World Economic Forum 2024 Global Risk Report

INVESTMENT POLICY AND PERFORMANCE

RESPONSIBLE INVESTMENT

During 2023/24 we:

- achieved a 30% reduction in our carbon intensity across our listed equity portfolio since 2019;
- continued our transparency and disclosure efforts by voluntarily reporting in line with the [Paris Aligned Asset Owner Initiative \(PAAO\)](#)'s net zero commitments and submitting an entry to be included in the [PAAO's 2023 Progress Report](#);
- enhanced our annual climate risk analysis by working in collaboration with LGPS Central to develop a suite of backward and forward-looking climate metrics in order to develop our understanding of the portfolio's climate-related risk and enable us to increase the scope and coverage of our assets under climate risk analysis.



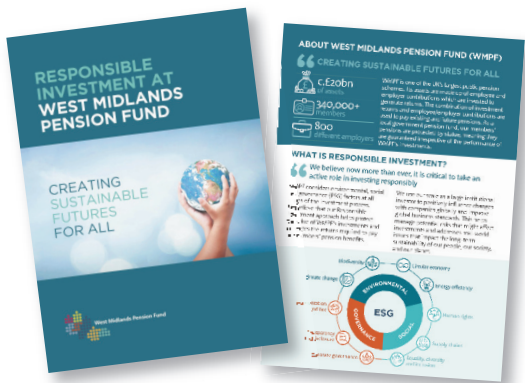
Responsible Investment (RI) Member Survey

In 2023, we conducted our first RI member survey. The survey was designed to initiate a conversation with beneficiary members on the topic, gauge member awareness, understanding and views on RI, and to help inform how we engage with members moving forward. The survey ran for three weeks across May and June, and we received responses from 7,306 members, which represents 2.2% of our membership base.

The survey results showed that our members have limited awareness of what RI is and why we use it in our investment approach. Members aged 35 and under demonstrated the highest understanding of

RI and had a more notable interest in ESG and climate change than members who are closer to or at retirement. Leveraging the findings of the survey, we started the following initiatives:

- Increasing communication with members through engagement forums.
- Publishing member-friendly material – including our first RI leaflet in digital and hard copy.



- Reviewing the investment pages of our website.

Transparency and Disclosure

We review our policies to ensure consistency with industry best practice and guidance. During the year, we strengthened our [Voting Principles](#) with particular attention on increasing expectations around company net zero pathways and the diversity of company boards and management teams. This includes requiring companies to include 1.5°C pathways as part of their financial statements and encourage companies to protect and restore biodiversity as part of their climate transition efforts. We will consider voting against the Chair if the company scores below 10 on the Forest 500 ranking.

Following submission of our 2023 Annual Stewardship Report for review by the Financial Reporting Council in May 2024, in September 2024, we received confirmation that we had retained signatory status to the UK 2020 Stewardship

INVESTMENT POLICY AND PERFORMANCE

RESPONSIBLE INVESTMENT

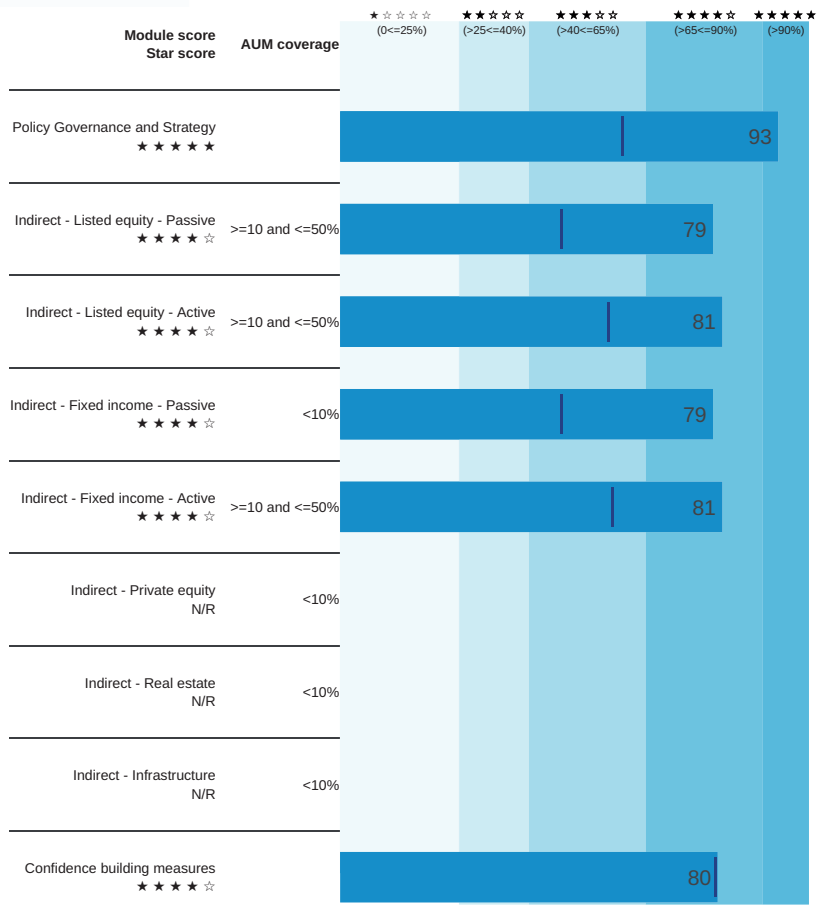
Code for the third consecutive year. Our activities, undertaken during the 2023 reporting year, demonstrate our ambition to be leaders in the active stewardship of our assets and ultimately deliver improved outcomes and sustainable futures. Our latest [Annual Stewardship Report](#) which was submitted following the financial year-end can be found [here](#).

During the year we also achieved signatory status to the Principles of Responsible Investment (PRI) for our 2023 submission aiming to assess investors' commitments and approach to RI, marking the third consecutive year to achieve this signatory status. We achieved 4 to 5 stars across all categories, outperforming the median score for all assessed modules.

Summary scorecard

PRI Median

Module Score



INVESTMENT POLICY AND PERFORMANCE

RESPONSIBLE INVESTMENT

Working in Partnership

We believe that working collaboratively with like-minded investors and industry participants will accelerate progress and outcomes, whether this applies to influencing wider policy, addressing investee company risks, or solving real world systemic issues.

Engagement is embedded into our approach through the active stewardship of our held assets. To protect shareholder value, investee companies are engaged on a range of financially material ESG risks through external managers and through leveraging partnerships to build influence and scale. Over the year this included:

- Climate Action 100+ (CA100+)
- “EOS” at Federated Hermes (LGPS Central’s stewardship provider)
- Local Authority Pension Fund Forum (LAPFF)
- Principles for Responsible Investment (PRI)
- Rathbones ‘Votes Against Slavery’ Engagement
- 30% Investor Group

We also recognise the importance of shaping the industry that we operate in to align with addressing the long-term issues that affect the value of the investments that we make. This includes the direction of policy, development of best practice and communication with peers to effectively deliver outcomes. Over the year we have actively participated in:

- Institutional Investor Group on Climate Change (IIGCC)
- Occupational Pensions Stewardship Council (OPSC)²
- Asset Owner Diversity Charter (AODC)
- Cross-Pool Working Group
- Responsible Investment Working Group (RIWG) with LGPS Central

Please refer to our [Annual Stewardship Report](#) for more details on these engagement partners and initiatives.



² Merging with the UK RI Asset Owner Roundtable in 2024, the group is now called the Asset Owner Council

INVESTMENT POLICY AND PERFORMANCE

RESPONSIBLE INVESTMENT

Engagement Over the Year

Engagement took place with our portfolio companies through LGPS Central's engagement provider EOS ("EOS")³. EOS engages companies on a wide variety of ESG factors, often engaging on multiple topics with one company.

Over the year EOS engaged on **3,299** engagement topics with **692**⁴ companies in our portfolio. We have shown this split by geography and engagement topics in the following pages.

Engagement by geography

The data provided in the following pages is for the 2023 – 2024 financial year (1 April 2023 – 31 March 2024).

Global

EOS engaged with **692** companies



Developed Asia

EOS engaged with **94** companies



Australia and New Zealand

EOS engaged with **44** companies



Europe

EOS engaged with **158** companies



Emerging and Developing Markets

EOS engaged with **65** companies



United Kingdom

EOS engaged with **45** companies



North America

EOS engaged with **286** companies



Please note: totals may not sum to 100% due to rounding.

³ Engagement is also undertaken by our external asset managers and the Local Authority Pension Fund Forum (LAPFF), which has not been captured in these statistics or the statistics on the following pages.

⁴ Companies can be 'engaged' more than once on various topics over time

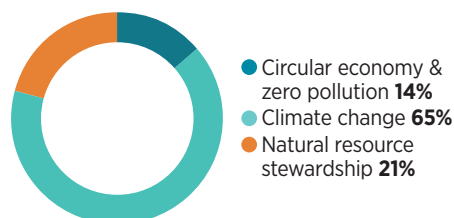
INVESTMENT POLICY AND PERFORMANCE

RESPONSIBLE INVESTMENT

Engagement by Topic

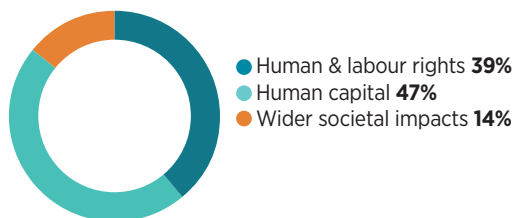
Environmental

Environmental topics featured in **1,146** engagements over the last year.



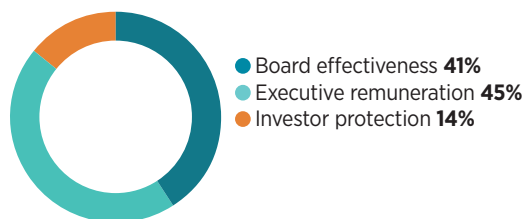
Social and Ethical

Social and ethical topics featured in **882** engagements over the last year.



Governance

Governance topics featured in **882** engagements over the last year.



Strategy, Risk and Communication

Strategy, risk and communication featured in **389** engagements over the last year.



Please note: totals may not sum to 100% due to rounding.

INVESTMENT POLICY AND PERFORMANCE

RESPONSIBLE INVESTMENT

Voting Over the Year

Execution of our voting rights is delegated to LGPS Central Ltd who manage the majority of the Fund's global equity investments in-house through pooled vehicles.

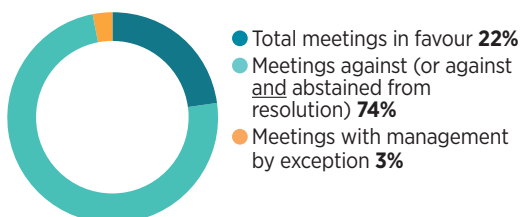
Global

We voted at **2,864** meetings (**36,979** resolutions) over the last year



Europe

We voted at **512** meetings (**9,225** resolutions) over the last year



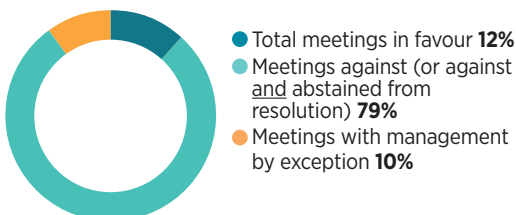
Australia and New Zealand

We voted at **127** meetings (**715** resolutions) over the last year



North America

We voted at **617** meetings (**8,243** resolutions) over the last year



Developed Asia

We voted at **807** meetings (**8,176** resolutions) over the last year



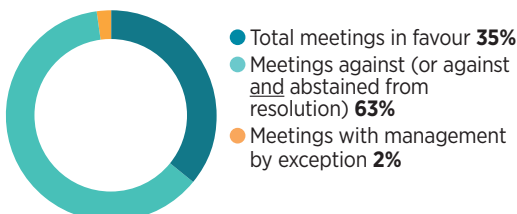
United Kingdom

We voted at **396** meetings (**6,700** resolutions) over the last year



Emerging and Developing Markets

We voted at **405** meetings (**3,920** resolutions) over the last year



Please note: totals may not sum to 100% due to rounding.

INVESTMENT POLICY AND PERFORMANCE

RESPONSIBLE INVESTMENT

Key definitions of metrics

Voting category	Definition
Total meetings in favour	Voted for all resolutions in a meeting
Meetings against (or against and abstained)	Voted against at least one resolution in a meeting, except for when there is a resolution with management by exception (see definition below)
Meetings abstained	Voted abstain in all resolutions in a meeting, OR, we voted at least one abstain and the remaining resolutions for in a meeting
Meetings with management by exception	At least one resolution in a meeting, where we voted for a resolution against the recommended policy

Below are the issues on which we voted against management or abstained across geographies.

Global

We voted against or abstained on **5,469** resolutions over the last year



Europe

We voted against or abstained on **1,393** resolutions over the last year



Australia and New Zealand

We voted against or abstained on **237** resolutions over the last year



North America

We voted against or abstained on **1,375** resolutions over the last year



Developed Asia

We voted against or abstained on **1,307** resolutions over the last year



United Kingdom

We voted against or abstained on **295** resolutions over the last year



Emerging and Developing Markets

We voted against or abstained on **862** resolutions over the last year



Please note: totals may not sum to 100% due to rounding.

ACTUARIAL STATEMENT FOR 2023/24

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the administering authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2023. In summary, the key funding principles are as follows:

- to take a prudent long-term view of funding liabilities.
- to ensure that the regulatory requirements to set contributions to meet the future liability to provide scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the Fund are met.
- to support the desirability of maintaining as nearly constant a primary contribution rate as possible, as defined in Regulation 62(5) of the LGPS Regulations 2013.
- to ensure that pension benefits can be paid as and when they fall due over the lifetime of the Fund.
- to set levels of employer contribution rates to target an appropriate funding level over a relevant time period and using appropriate actuarial assumptions, while taking into account the different characteristics of participating employers.
- to build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective; and

- to adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations.

The FSS sets out how the administering authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the administering authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 17 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 70% likelihood that the Fund will achieve the funding target over 17 years.

Funding Position as at Last Formal Funding Valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £20,334 million, were sufficient to meet 103% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £679 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method Used to Value the Liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

ACTUARIAL STATEMENT FOR 2023/24

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2022 valuation were as follows:

Financial assumptions	31 March 2023
Discount rate	4.3% pa
Salary increase assumption	3.9% pa
Benefit increase assumption (CPI)	2.9% pa

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current pensioners	21.1 years	23.9 years
Future pensioners*	22.0 years	25.4 years

*Aged 45 at the 2022 Valuation.

Experience Over the Period Since 31 March 2022

Markets continued to be disrupted by the ongoing war in Ukraine and inflationary pressures, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in a higher than expected LGPS benefit increase of 10.1% in April 2023. Despite this, the funding level of the Fund is likely to be higher than reported at the 31 March 2022 funding valuation due to the significant rise in interest rates which reduces the value placed on the Fund's liabilities.

The next actuarial valuation will be carried out as at 31 March 2025. The *Funding Strategy Statement* will also be reviewed at that time.

Tom Hoare FFA

Date: 4 June 2024

For and on behalf of Hymans Robertson LLP

INDEPENDENT AUDITOR’S STATEMENT TO THE MEMBERS OF CITY OF WOLVERHAMPTON COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS OF WEST MIDLANDS PENSION FUND INCLUDED WITHIN THE PENSION FUND ANNUAL REPORT AND ACCOUNTS

Opinion

We have examined the pension fund financial statements of West Midlands Pension Fund (the ‘pension fund’) for the year ended 31 March 2024 included within the pension fund annual report, which comprise the Fund Account, the Net Assets Statement, and the Notes to the Pension Fund Statements, including the summary of significant accounting policies.

In our opinion, the pension fund financial statements included within the pension fund annual report are consistent, in all material respects, with the audited pension fund financial statements of City of Wolverhampton Council for the year ended 31 March 2024 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

Respective responsibilities of the Section 151 Officer and the auditor

As explained more fully in the Statement of Responsibilities, the Section 151 Officer is responsible for the preparation of the pension fund’s financial statements in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

Our responsibility is to state to the members of City of Wolverhampton Council our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the financial statements of City of Wolverhampton Council.

We also read the other information contained in the pension fund annual report and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information comprises the information included in the pension fund annual report, other than the pension fund financial statements and our auditor’s statement thereon. We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the financial statements of City of Wolverhampton Council describes the basis of our opinion on those financial statements.

Use of this auditor’s statement

This statement is made solely to the members of City of Wolverhampton Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members of City of Wolverhampton Council those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than City of Wolverhampton Council and the members of City of Wolverhampton Council as a body, for our work, for this statement, or for the opinions we have formed.

Mark Stocks, Key Audit Partner

Date: 27 January 2025

for and on behalf of Grant Thornton UK LLP,
Local Auditor
Birmingham

STATEMENT OF ACCOUNTS

FUND ACCOUNT

	Note	2023/24 £m	2022/23 £m
Contributions			
Contributions receivable	8	764.7	451.8
Transfers in	9	16.1	19.7
Other income	10	13.1	13.0
Total contributions and other income		793.9	484.5
Benefits			
Benefits payable	11	(734.8)	(722.7)
Payments to and on account of leavers	12	(18.8)	(40.9)
Other payments		(1.6)	-
Total benefits and other expenditure		(755.2)	(763.6)
Net withdrawals from dealings with members		38.7	(279.1)
Management expenses	13	(125.8)	(110.1)
Returns on investments			
Investment income	14	121.7	78.2
Changes in value of investments	16	1,555.3	(355.4)
Revaluation of bulk annuity insurance buy-in contract	17	4.0	(42.0)
		1,681.0	(319.2)
Net increase/(decrease) in the Fund during the year		1,593.9	(708.4)
Net assets of the Fund at the beginning of the year		19,626.0	20,334.4
Net assets of the Fund at the end of the year		21,219.9	19,626.0

STATEMENT OF ACCOUNTS

NET ASSETS STATEMENT

	Note	2023/24 £m	2022/23 £m
Investment assets (at market value)	15		
Bonds		2,997.3	215.3
UK equities		57.8	43.0
Overseas equities		2,212.5	2,389.4
Pooled investment vehicles		13,716.8	15,121.9
Property		1,019.2	1,007.9
Derivative contracts – Swaps		1.8	-
Foreign currency holdings		77.7	114.0
Cash deposits		934.9	548.4
Other investment assets		20.6	5.7
Investment assets		21,038.6	19,445.6
Investment liabilities (at market value)	15		
Derivative contracts - Swaps		-	(2.4)
Investment liabilities		-	(2.4)
Net investment assets		21,038.6	19,443.2
Returns on investments			
Bulk annuity insurance buy-in contract	17	107.8	118.0
Long-term debtors	19	6.4	6.0
Current assets	20	91.9	82.2
Current liabilities	21	(24.8)	(23.4)
		21,219.9	19,626.0

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

The notes form part of these financial statements.

STATEMENT OF ACCOUNTS

NOTES TO THE PENSION FUND STATEMENTS

Note 1 - General

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

West Midlands Pension Fund is part of the Local Government Pension Scheme and is administered by the City of Wolverhampton Council on behalf of all local authorities in the West Midlands and other employers who have members in the Fund. Membership of the Fund is available to all local government employees including non-teaching staff of schools and further and higher education corporations in the West Midlands region together with employees of scheduled and admitted bodies. At 31 March 2024, the Fund had 838 actively participating employers (2023: 804) and 347,735 members (2023: 345,241) as set out in the following table. A full list of participating employers can be found in the Fund's Annual Report.

	31 March 2024 No.	31 March 2023 No.
Active Members	117,784	113,854
Pensioner Members	117,225	115,725
Deferred Members	112,726	115,662
	347,735	345,241

The responsibility for administering the Fund is delegated to the Council's Pensions Committee. It meets at approximately quarterly intervals and has members from each of the seven metropolitan district councils in the West Midlands. A Pensions Board was also in operation during 2023/24. Membership of the Committee and Board can be found on the City of Wolverhampton Council website: <https://wolverhampton.moderngov.co.uk/mgListCommittees.aspx?bcr=1>

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

- i) The Local Government Pension Scheme Regulations 2013 (as amended)
- ii) (The Local Government Pension Scheme (Transitional Provisions, Saving and Amendments) Regulations 2014 (as amended)

- iii) The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

The scheme is a contributory defined benefit pension scheme. Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme (LGPS) Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2024. In addition to employee contributions, employers' contributions are paid as set based on triennial actuarial funding valuations. The triennial actuarial valuation applicable to contributions payable in relation to contribution rates payable for 2023/24 to 2025/26 was conducted at 31 March 2022. Employer contribution rates during 2023/24 ranged from 0% to 49.6% of pensionable pay.

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

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

As at 31 March 2024, WMPF had assets of £11,342.1m managed in LGPSC sub-funds comprising £7,425.8m managed through Authorised Contractual Scheme (ACS) sub-funds, £1,128.6m managed through vehicles, and a further £2,787.7m managed through discretionary funds. Additions and changes to LGPS Central Limited sub-funds continue to be made in collaboration with LGPS Central investment asset pool Partner Funds. WMPF continues to engage in the development and

STATEMENT OF ACCOUNTS

NOTES TO THE PENSION FUND STATEMENTS

review of sub-funds, taking decisions to transition assets on a case-by-case basis dependent on sub-funds meeting the strategic asset allocation and risk and return requirements of WMPF. The transition of the Fund's remaining assets into products offered by LGPS Central Limited is expected to take several years.

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

Note 2 – Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2023/24 financial year and its financial position as at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 6 of these accounts.

The accounts have been prepared on a going concern basis.

Note 3 – Statement of Accounting Policies

a) Fund account

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

b) Contributions income

Normal contributions, both from the members and from the employers, are accounted for on an accruals basis. Member contributions are made in accordance with the LGPS (Amendment) Regulations 2018 using common percentage rates for all schemes which rise according to pensionable pay. Employer contributions are set at the percentage rate recommended by the Actuary, in the payroll period to which they relate. Additional contributions (including past service deficit contributions and excluding additional voluntary contributions) as notified by employers for the period have also been included. Past service deficit contributions are accounted for in the year in which they are payable under the schedule of contributions set by the scheme actuary. Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid is classed as a current financial asset with amounts due after the following year classed as long-term financial assets.

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

c) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who had either transferred benefits in or out of the scheme as at 31 March 2024, calculated in accordance with the Local Government Pension Scheme Regulations (see notes to the accounts). Transfers in respect of individuals are accounted for when received or paid which is normally when the member liability is accepted or discharged. Bulk transfers in and out, where the receiving scheme has agreed to accept the liability prior to receipt and the necessary employee consents have been obtained, are accounted for in accordance with the bulk transfer terms signed by qualified actuaries appointed by the two pension schemes involved in the bulk transfer.

STATEMENT OF ACCOUNTS

NOTES TO THE PENSION FUND STATEMENTS

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

d) Investment income

i) Interest income

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

ii) Dividend income

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

iii) Distributions from pooled funds

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

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

iv) Property-related income

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

v) Changes in the value of investments

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

vi) Stock lending income

Stock lending income is accounted for on a cash basis.

e) Taxation

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

f) Benefits payable

Pensions and lump sum benefits payable include all amounts known to be due as at 31 March 2024. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

g) Financial assets

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

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

- i) Market-quoted investments are valued on the basis of the bid price (or, if unavailable, most recent transaction) on the relevant stock market. Fixed interest securities are recorded at net market value based on their current yields;
- ii) Unquoted securities are valued by the fund managers at the year-end in accordance with generally accepted guidelines. Unquoted private equities are valued by the investment managers in accordance with International Private Equity and Venture Capital Valuation Guidelines (2022) using guidelines of the British Venture Capital Association. This includes the use of discounted cash flow models which are independently valued; and

STATEMENT OF ACCOUNTS

NOTES TO THE PENSION FUND STATEMENTS

iii) Pooled investment vehicles are valued at the closing price under single pricing system, or bid price under dual pricing system, as advised by the respective fund manager.

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

The LGPS Central pool trading company, LGPS Central Limited, became licensed to trade on 1 April 2018. The Pension Fund's view is that as at 31 March 2024, cost remains an appropriate estimate of the fair value of shares held in this company.

h) Freehold and leasehold properties

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

i) Foreign currencies

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

j) Derivatives

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

Purchases and sales of swap contracts are recognised on close out or expiry as cash receipts or payments, giving rise to a gain or loss.

k) Movement in the net market value of investments

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

l) Cash and cash equivalents

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

m) Financial liabilities

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

n) Management expenses

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

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

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

o) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (see note 6).

p) Additional voluntary contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members the assets of which are invested separately from those of the Fund. The Fund has appointed Prudential

STATEMENT OF ACCOUNTS

NOTES TO THE PENSION FUND STATEMENTS

Assurance Company Limited and Utmost Life and Pensions as its AVC providers. AVCs are paid to the provider by employers and are specifically for providing additional benefits for individual contributors. Each contributor receives an annual statement showing the amount held in their account and the movements in the year. AVCs are not included in the accounts in accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (see note 22).

Note 4 – Critical Judgements in Applying Accounting Policies

It has not been necessary to make any material critical judgements in applying the accounting policies in 2023/24.

Note 5 - Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

Actuarial present value of promised retirement benefits

Uncertainties

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

Effect if actual results differ from assumptions

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability; however, an increase in assumed

earnings inflation or assumed life expectancy would significantly increase the pension liability as detailed by the Fund's Actuary below:

Fair value of investments

Uncertainties

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

Effect if actual results differ from assumptions

The use of estimates for investment values is greatest for those assets classified at Level 3 which means there is a risk that there is a risk that the value of investments may change materially over the course of the forthcoming 12 months. The total value of Level 3 investments is £4,669.6m (excluding bulk annuity) at 31 March 2024 (31 March 2023: £4,698.1m). The assets classified as Level 3 and the sensitivity of the valuation methods employed is described in note 17.

Note 6 – Actuarial Valuation of the Fund

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

On the basis of the assumptions adopted, the 2022 valuation revealed that the value of the Fund's assets of £20,334m represented 103% of the funding target of £19,655m at the valuation date. The valuation also showed that an average primary rate of contribution of 21.7% of pensionable pay per annum was required from employers. The common rate is calculated as

Change in assumptions - year ended 31 March 2024	Approx. % increase in liabilities	Approx. monetary value £m
0.1% p.a. decrease in discount rate	2%	347
1 year increase in member life expectancy	4%	787
0.1% p.a. increase in salary increase rate	0%	18
0.1% p.a. increase in CPI inflation	2%	329

STATEMENT OF ACCOUNTS

NOTES TO THE PENSION FUND STATEMENTS

being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

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

In practice, each individual employer’s position is assessed separately and the contributions required are set out in the report dated 31 March 2023.

In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

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

As a result of the valuation, a revised Rates and Adjustments certificate was prepared for the three years commencing 1 April 2023. The result for the elected pre-paid council was certified as follows:

Prepayment amount - combined future service rate (% of pay)					
	2023/24	2024/25	2025/26	Rate of discount	Prepayment
Solihull MBC	£22.95m	£23.85m	£24.75m	4.3% pa	£67.1m

The early payment amount shown above is due in the year where the Council has opted to make a cash payment in advance. This amount was received by the Fund in April 2023. The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

	2022	2019
Rate of return on investments	4.3% per annum	4.6% per annum
Rate of pay increases	3.9% per annum	3.6% per annum
Rate of increases in pensions in payment (in excess of guaranteed minimum pension)	2.9% per annum	2.6% per annum
Average life expectancy for current pensioners – men currently aged 65	21.1 years	21.8 years
Average life expectancy for current pensioners – women currently aged 65	23.9 years	24.0 years
Average life expectancy for future pensioners – men currently aged 45	22.0 years	23.7 years
Average life expectancy for future pensioners – women currently aged 45	25.4 years	25.9 years

The assets were assessed at market value.

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

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

The duration of the Fund is 18 years (2023: 17 years).

STATEMENT OF ACCOUNTS

NOTES TO THE PENSION FUND STATEMENTS

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

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

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund. To assess the value of the benefits on this basis, the following financial assumptions have been used:

	31 March 2024	31 March 2023
Rate of return on investments (discount rate)	4.85% per annum	4.75% per annum
Rate of pay increases	3.75% per annum	4.00% per annum
Rate of increases in pensions in payment (in excess of guaranteed minimum pension)	2.75% per annum	3.00% per annum

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2022 model, with a 25% weighting of 2022 data, 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	31 March 2024		31 March 2023	
	Male	Female	Male	Female
Current pensioners	20.6 years	23.5 years	20.7 years	23.7 years
Future pensioners (assumed to be 45 at the valuation date)	21.5 years	24.9 years	21.6 years	25.1 years

All other demographic assumptions are unchanged from last year and are as per the latest funding valuation of the Fund.

The total value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2023 was estimated as £19,771m (2022: £27,503m). The impact of the changes in actuarial financial assumptions between 31 March 2023 and 31 March 2024 as described above is to decrease the liabilities by £1,234m (2022/23: Decrease £10,040m). Other inputs affecting the valuation include experience gains/losses, interest cost on obligations, employee contributions received, accrual of benefits and estimated benefits paid have increased the liability by £1,269m (2022/23: Increase £2,480m). The impact of the change in actuarial demographic assumptions between 31 March 2023 and 31 March 2024 is to decrease the actuarial present value by £128m (2022/23: Decrease £172m).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2024 is therefore £19,678m.

STATEMENT OF ACCOUNTS

NOTES TO THE PENSION FUND STATEMENTS

Note 7 - Taxation

1) Value Added Tax (VAT)

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

2) Taxation of overseas investment income

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

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

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

Note 8 – Contributions Receivable

	2023/24 £m	2022/23 £m
Contributions receivable by type:		
From employers		
Contributions	589.6	249.9
Past service deficit	14.1	45.9
Additional cost of early retirement	6.3	12.3
	610.0	308.1
From employees		
Basic contributions	154.0	143.0
Additional contributions	0.7	0.7
	154.7	143.7
Total contributions	764.7	451.8
Contributions receivable by type of employer:		
Administering authority	44.5	36.0
Other scheduled employers	672.7	370.2
Admitted employers	47.5	45.6
	764.7	451.8

Following the actuarial valuation as at 31 March 2022, one employer chose to pay their full three-year combined future service and past service deficit contributions in advance as a lump sum in 2023/24. The lump sum paid by one council has been accounted for fully in 2023/24 and are listed in the table in note 6. The additional contributions above represent the purchase of added membership or additional benefits under the pension scheme.

STATEMENT OF ACCOUNTS

NOTES TO THE PENSION FUND STATEMENTS

Note 9 – Transfers In

	2023/24 £m	2022/23 £m
Individual transfers	16.1	19.7
Total transfers in	16.1	19.7

Note 10 – Other income

	2023/24 £m	2022/23 £m
Compensatory added years	6.1	6.6
Pensions increases	7.0	6.4
Total other income	13.1	13.0

Note 11 – Benefits Payable

	2023/24 £m	2022/23 £m
Benefits payable by type		
Pensions		
Retirement pensions	596.0	538.7
Widows' pensions	38.8	36.3
Childrens' pensions	1.3	1.2
Widowers' pensions	9.0	8.0
Ex-spouses' pensions	0.3	0.3
Equivalent pension benefits	0.2	0.2
Cohabiting partners' pensions	0.6	0.5
Civil partnership	0.1	0.2
Amounts due to estate	0.1	-
Total transfers in	646.4	585.4
Lump sum benefits		
Retiring allowances	77.2	117.9
Death grants	11.2	19.4
	88.4	137.3
Total benefits payable	734.8	722.7
Benefits payable by type of employer:		
Administering authority	55.7	54.9
Other scheduled employers	615.6	606.3
Admitted employers	63.5	61.5
Total benefits payable	734.8	722.7

STATEMENT OF ACCOUNTS

NOTES TO THE PENSION FUND STATEMENTS

Note 12 – Payment To and On Account of Leavers

	2023/24 £m	2022/23 £m
Individual transfers	17.5	38.7
Refunds of contributions	1.3	2.2
	18.8	40.9

Note 13 – Management Expenses

	2023/24 £m	2022/23 £m
Administrative costs	12.2	10.4
Investment management expenses	109.6	95.4
Oversight and governance costs	4.0	4.3
	125.8	110.1

Included in oversight and governance costs of £4.0m above are anticipated external audit fees of £194,000 (2022/23: £85,000). External audit for the Fund are appointed by the City of Wolverhampton Council through the PSAA (Public Sector Audit Appointments) framework.

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

Note 13(i) – Investment Management Expenses

2023/24	Management fees	Performance- related fees	Transaction costs	Total
Equities	8.4	-	3.1	11.5
Pooled investments	13.7	3.0	23.8	40.5
Private equity	10.1	23.1	-	33.2
Property	3.7	0.8	5.9	10.4
Infrastructure	6.0	5.1	-	11.1
Absolute return	0.8	1.3	-	2.1
Derivatives	0.1	-	-	0.1
Cash, cash equivalent and fx contracts	0.7	-	-	0.7
	43.5	33.3	32.8	109.6
Custody fees				-
Total				109.6

STATEMENT OF ACCOUNTS

NOTES TO THE PENSION FUND STATEMENTS

Note 13(i) – Investment Management Expenses (continued)

2022/23	Management fees	Performance-related fees	Transaction costs	Total
Equities	10.5	-	3.0	13.5
Pooled investments	11.3	-	18.6	29.9
Private equity	12.7	15.8	-	28.5
Property	4.2	0.3	1.9	6.4
Infrastructure	6.1	5.9	0.1	12.1
Absolute return	1.1	2.8	-	3.9
Derivatives	0.2	-	0.7	0.9
Cash, cash equivalent and fx contracts	0.1	-	-	0.1
	46.2	24.8	24.3	95.3
Custody fees				0.1
Total				95.4

Note 14 – Investment Income

	2023/24 £m	2022/23 £m
Dividends and interest		
Bonds - UK private sector - quoted	3.2	10.8
Equities - Overseas	31.0	23.1
Pooled investment vehicles - UK private sector quoted	0.4	0.2
Pooled investment vehicles - Overseas equities	3.5	6.7
Pooled investment vehicles - Interest on cash deposits	45.3	4.8
Pooled investment vehicles - Stock lending	0.4	0.8
Other interest	1.3	-
	85.1	46.4
Property management		
Property management income	52.6	45.2
Property management expenses	(16.0)	(13.4)
Total property management	36.6	31.8
Total investment income	121.7	78.2

Stock lending

As at 31 March 2024, £198.8m of stock was on loan to an agreed list of approved borrowers through the Fund's custodian in its capacity as agent lender (31 March 2023: £291.7m). The loans were covered by non-cash collateral in the form of equities, gilts, Delivery by Values (DBVs) and G10 sovereign debt totalling £211.6m and giving a margin of 6.4% (31 March 2023, £308.2m, margin of 6.0%).

Collateral is marked to market, adjusted daily and held by a third-party agent on behalf of the Fund. Net income from stock lending amounted to £0.4m during the year (2022/23: £0.8m). The Fund retains its economic interest in stocks on loan and their value is included in the Fund valuation. There is, however, an obligation to return collateral to the borrowers and its value is therefore excluded from the Fund valuation. The securities lending programme is indemnified to give the Fund further protection against losses. There are no liabilities associated with the loaned assets.

STATEMENT OF ACCOUNTS

NOTES TO THE PENSION FUND STATEMENTS

Note 15 – Net Investment Assets

	2023/24 £m	2022/23 £m
Investment assets		
Bonds		
UK companies - segregated	209.6	215.3
UK gilts	2,787.7	-
	2,997.3	215.3
UK equities		
Quoted	55.8	41.0
Unquoted	2.0	2.0
	57.8	43.0
Overseas equities		
Quoted	135.8	115.0
Unquoted	2,076.7	2,274.4
	2,212.5	2,389.4
Pooled investment vehicles		
Managed funds		
UK fixed interest	1,288.6	947.0
Other fixed interest	2,204.1	2,139.7
UK quoted, index linked	704.3	741.3
UK quoted equities (pooled assets)	368.4	1,325.7
Overseas quoted equities (pooled assets)	6,278.1	6,846.8
Infrastructure	933.3	1,036.2
Private equity	1,449.8	1,396.9
UK absolute returns	74.2	190.6
Overseas absolute returns	105.4	101.1
UK property	193.5	196.4
Overseas property	83.6	104.7
Unit trusts		
UK property	33.5	95.5
	13,716.8	15,121.9
Property		
UK freehold	981.0	969.9
UK leasehold*	38.2	38.0
	1,019.2	1,007.9
Derivative contracts		
Swaps	1.8	-
	1.8	-

*All leasehold properties are held on long leases

STATEMENT OF ACCOUNTS

NOTES TO THE PENSION FUND STATEMENTS

Note 15 – Net Investment Assets (continued)

	2023/24 £m	2022/23 £m
Foreign currency holdings		
Australian Dollars	-	0.5
Canadian Dollars	-	0.6
Czech Koruna	-	2.2
Danish Kroner	-	0.6
Euro	67.4	44.7
Hungarian Forints	-	0.8
Japanese Yen	-	4.8
Mexican Peso	-	3.6
New Zealand Dollars	-	0.5
Norwegian Kroner	-	0.4
Polish Zloty	-	0.5
Singapore Dollars	-	1.6
Swedish Kroner	-	2.7
Swiss Francs	-	5.6
Turkish Lira	-	0.3
United States Dollars	10.3	44.6
	77.7	114.0
Cash deposits		
UK	353.6	164.2
US	581.3	384.2
	934.9	548.4
Other investments		
Other debtors*	15.8	-
Outstanding dividend entitlement and recoverable withholding tax	4.8	5.7
	20.6	5.7
Total investment assets	21,038.6	19,445.6
Investment liabilities		
Derivative contract - Swaps	-	(2.4)
Total investment liabilities	-	(2.4)
Net investment assets	21,038.6	19,443.2

* Other debtors relate to investment receivable from the sale of part of the agricultural portfolio.

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

STATEMENT OF ACCOUNTS

NOTES TO THE PENSION FUND STATEMENTS

Note 15 – Net Investment Assets (continued)

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

	At 31 March 2024		At 31 March 2023	
	Market value £m	% of total market	Market value £m	% of total market
LGPS Central Global Ex UK Passive Equity Fund	2,193.2	10.4	2,152.4	11.1
LGPS Central All World Equity Climate Multi Factor Fund	2,557.8	12.2	2,801.9	14.4
LGPS Central UK Passive Equity Fund*	368.2	1.8	1,246.1	6.4
LGPS Central Global Equity Active Multi-Manager Fund	1,481.2	7.0	1,211.9	6.2

*LGPS Central UK Passive Equity Fund has been included in the above disclosure for comparative purposes only.

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

	At 31 March 2024		At 31 March 2023	
	Market value £m	% of total market	Market value £m	% of total market
Investments managed by LGPS Central Limited regional asset pool:				
Authorised Contractual Schemes (ACS) - global equities	6,232.3	29.6	6,793.1	35.0
Authorised Contractual Schemes - UK equities	368.2	1.8	1,246.1	6.4
Authorised Contractual Schemes - fixed interest	825.3	3.9	754.7	3.9
Non ACS private markets	1,128.6	5.4	781.5	4.0
Total	8,554.4	40.7	9,575.4	49.3

Investments managed by LGPS Central Limited outside regional asset pool:

Non ACS discretionary funds	2,787.7	13.3	-	-
	2,787.7	13.3	-	-

Investments managed outside LGPS Central Limited regional asset pool:

In-house: property, cash, quoted and unquoted equities	2,176.3	10.3	1,769.2	9.1
Managers: UK quoted	33.7	0.2	99.9	0.5
Managers: emerging markets	961.3	4.6	1,306.4	6.7
Managers: global equities	1,197.5	5.7	1,078.5	5.5
Managers: fixed interest	2,959.9	14.1	2,941.7	15.3
Managers: indirect property	235.8	1.1	301.1	1.5
Managers: infrastructure funds	743.0	3.5	936.2	4.8
Managers: absolute return	179.7	0.9	313.3	1.6
Managers: private equity	1,188.7	5.6	1,115.8	5.7
	9,675.9	46.0	9,862.1	50.7
Other debtors	20.6		-	
Outstanding dividend entitlement and recoverable withholding tax	-		5.7	
	20.6		5.7	
Net investment assets	21,038.6		19,443.2	

STATEMENT OF ACCOUNTS

NOTES TO THE PENSION FUND STATEMENTS

Analysis of derivatives

Objectives and policies for holding derivatives

The Fund utilises derivative instruments in line with investment policy and investment management agreements in place with third party investment managers. As part of the LDI (Liability Driven Instrument) scheme held within the admitted body separate funds, the Fund holds a series of swap contracts to support its risk management strategy:

	2023/24 £m	2022/23 £m
Open swap contracts at the beginning of the year	(2.4)	2.6
Movement during the year	4.2	(5.0)
Open swap contracts at the end of the year	1.8	(2.4)

Note 16 - Investment Market Value Movements Analysis

The change in the value of investments during 2023/24 is set out below:

	Value as at 31 March 2023 £m	Purchases at cost and derivative payments £m	Sales proceeds and derivative receipts £m	Investment management fees deducted at source £m	Change in market value £m	Value as at 31 March 2024 £m
Bonds	215.3	2,709.3	(48.8)	-	121.5	2,997.3
UK equities	43.0	-	-	-	14.8	57.8
Overseas equities	2,389.4	1.2	(273.0)	-	94.9	2,215.5
Pooled investment vehicles	15,121.9	566.5	(3,243.6)	(92.5)	1,364.5	13,716.8
Property	1,007.9	84.1	(48.4)	-	(24.4)	1,109.2
	18,777.5	3,361.1	(3,613.8)	(92.5)	1,571.3	20,003.6
Derivative contracts						
Swaps	(2.4)	-	-	-	4.2	1.8
	(2.4)	-	-	-	4.2	1.8
Outstanding dividend entitlement and recoverable withholding tax	5.7				-	4.8
Foreign currency holdings	114.0				-	77.7
Cash deposits	548.4				(20.2)	934.9
Other debtors	-				-	15.8
	668.1				(20.2)	1,033.2
	19,443.2				1,555.3	21,038.6

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

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

STATEMENT OF ACCOUNTS

NOTES TO THE PENSION FUND STATEMENTS

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Fund such as fees, commissions, stamp duty and other fees. Transaction costs during the year amounted to £32.7m (2022/23: £24.3m). In addition to the transaction costs disclosed below, indirect costs are incurred through the bid-offer spread of investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Fund.

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

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

	Value as at 31 March 2022 £m	Purchases at cost and derivative payments £m	Sales proceeds and derivative receipts £m	Investment management fees deducted at source £m	Change in market value £m	Value as at 31 March 2023 £m
Bonds	563.6	213.9	(464.5)	-	(97.7)	215.3
UK equities	57.2	-	-	-	(14.2)	43.0
Overseas equities	2,539.7	0.1	(0.1)	-	(150.3)	2,389.4
Pooled investment vehicles	15,049.2	715.5	(630.3)	(77.2)	64.7	15,121.9
Property	1,142.8	93.9	(19.3)	-	(209.5)	1,007.9
	19,352.5	1,023.4	(1,114.2)	(77.2)	(407.0)	18,777.5
Derivative contracts						
Swaps	2.6	-	-	-	(5.0)	(2.4)
Futures	12.3	-	(12.3)	-	-	-
Forward foreign exchange	(7.4)	-	7.4	-	-	-
	7.5	-	(4.9)	-	(5.0)	(2.4)
Broker balances	16.6				-	-
Outstanding dividend entitlement and recoverable withholding tax	6.4				-	5.7
Foreign currency holdings	617.0				-	114.0
Cash deposits	136.3				56.6	548.4
	776.3				56.6	668.1
	20,136.3				(355.4)	19,443.2

STATEMENT OF ACCOUNTS

NOTES TO THE PENSION FUND STATEMENTS

Note 16(i) - Property Holdings

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

	2023/24 £m	2022/23 £m
Opening balance	1,007.9	1,142.8
Additions	84.1	93.9
Disposals	(48.4)	(19.4)
Net change in market value	(24.4)	(209.4)
	1,019.2	1,007.9

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

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

	2023/24 £m	2022/23 £m
Within one year	41.7	37.5
Between one and five years	141.4	130.4
Later than five years	169.1	152.5
Total future lease payments due under existing contracts	352.2	320.4

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

STATEMENT OF ACCOUNTS

NOTES TO THE PENSION FUND STATEMENTS

Note 17 - Fair Value - Basis of Valuation

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

Asset type	Valuation level	Basis of valuation	Observable and unobservable inputs	Key sensitivity
Market quoted investments	1	Published bid market price ruling on 31 March 2024.	n/a	n/a
Quoted bonds	1	Market bid price based on current yields.	n/a	n/a
Futures	1	Published exchange prices at 31 March 2024.	n/a	n/a
Unquoted bonds	2	Average of broker prices.	Evaluated price feeds.	n/a
Pooled investment vehicles - unit trusts and property funds	2	PIV are stated at the bid price quoted or the closing single market prices.	Net asset value based pricing set on a forward pricing basis.	n/a
Swaps	2	Valued at fair value at the year-end using the projection method, where the future cashflows under each leg are discounted back to valuation date.	Interest rates	n/a
Freehold and leasehold properties	3	Valued at fair value at the year-end using the investment valuation reports of appointed independent valuers. The commercial property portfolio is valued by reference to market evidence for comparable property. Agricultural properties are valued by specialist independent valuers on a bi-yearly basis.	Existing lease terms and rentals, independent market research, tenant covenant strength, estimated vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or discount rate could affect valuations.
Unquoted equity (includes private equity, infrastructure and absolute return/diversified growth funds)	3	Value is based on the latest investor reports and financial statements provided by the fund managers of the underlying funds, adjusted for transactions arising after the date of such reports.	Earnings before interest, tax, depreciation and amortisation (EBITDA) multiple, revenue multiple, discounted cash flows, discount for lack of marketability.	Could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.
Bulk annuity insurance buy-in	3	Provided by the Fund's Actuary based on a roll-forward of the value placed on the buy-in held within one of the Admitted Body Separate Funds and most recently valued as part of the Fund's triennial actuarial valuation as at 31 March 2022 allowing for estimated level pensions paid and the change in the discount rate used to value the buy-in.	Key underlying inputs for the valuation are the discount rate and life expectancy. Discount rate has been set at 4.85% with reference to the market yields on high quality corporate bonds.	Adjustments to discount rate and life expectancy.

STATEMENT OF ACCOUNTS

NOTES TO THE PENSION FUND STATEMENTS

Sensitivity of assets valued at level 3

The table below details the Fund's review of financial information as provided by appointed independent investment consultants. The valuation methods detailed above are likely to be accurate to within the ranges and, as set out below, the consequent potential impact on the closing value of investments at 31 March 2024 and 31 March 2023.

	Valuation range* % (+/-)	Valuation at 31 March 2024 £m	Valuation on increase £m	Valuation on decrease £m
Freehold and leasehold property	13.7	1,019.2	1,158.8	879.6
Private equity	23.0	1,449.9	1,783.2	1,116.3
Infrastructure	13.3	933.3	1,057.5	809.2
Absolute return/Diversified growth**	10.2	114.9	126.6	103.2
Unit Trusts - UK property	13.7	227.0	258.1	195.9
Foreign property	13.7	83.6	95.1	72.1
Fixed interest	9.0	841.7	917.5	766.0
		4,669.6	5,396.8	3,942.3

*The valuation range % figures for each asset class are based on the modelling of West Midlands Pension Fund's asset allocation as at 31 March 2024.

**Our Absolute return/Diversified growth investments seek to generate positive returns regardless of market conditions by using a wide range of strategies which focus on minimising downside risk.

	Valuation range % (+/-)	Valuation at 31 March 2023 £m	Valuation on increase £m	Valuation on decrease £m
Freehold and leasehold property	11.9	1,007.9	1,127.5	888.3
Private equity	30.6	1,396.9	1,823.9	969.8
Infrastructure	12.7	1,036.2	1,167.3	905.1
Absolute return/Diversified growth	17.5	313.3	368.1	258.6
Unit Trusts - UK property	11.9	234.8	262.7	207.0
Foreign property	11.9	104.7	117.2	92.3
Fixed interest	11.6	604.3	674.4	534.2
		4,698.1	5,541.1	3,855.3

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

	Adjustment	Valuation at 31 March 2024 £m	Valuation on increase £m	Valuation on decrease £m
Change in assumptions - year ended 31 March 2024:				
Adjustment to discount rate	(+/-) 1%	107.8	129.4	86.2
Adjustment to life expectancy assumptions	(+/-) 1 year	107.8	112.1	103.5

	Adjustment	Valuation at 31 March 2023 £m	Valuation on increase £m	Valuation on decrease £m
Change in assumptions - year ended 31 March 2023:				
Adjustment to discount rate	(+/-) 1%	118.0	141.6	94.4
Adjustment to life expectancy assumptions	(+/-) 1 year	118.0	136.2	113.3

STATEMENT OF ACCOUNTS

NOTES TO THE PENSION FUND STATEMENTS

Note 17(i) - Fair Value Hierarchy

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

Level 1

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

Level 2

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

Level 3

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

The values of the investments in private equity, infrastructure and absolute return/diversified growth funds are based on the latest investor reports and financial statements provided by the fund managers of the underlying funds. Valuations are undertaken quarterly, and an adjustment is made to roll forward the latest available valuation to 31 March as appropriate. Absolute returns refer to the total return an investment generates over a certain period, expressed as a percentage. This measures the appreciation or depreciation in value of the investment, without comparing it to any benchmark or index.

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

	Quoted market price Level 1 £m	Using observable inputs Level 2 £m	With significant unobservable inputs Level 3 £m	Total £m
Value at 31 March 2024				
Financial assets at fair value through profit and loss				
Bonds	2,997.3	-	-	2,997.3
Equities	2,268.3	2.0	-	2,270.3
Pooled investments	6,600.5	3,465.9	3,650.4	13,716.8
Derivatives	-	1.8	-	1.8
	11,866.1	3,469.7	3,650.4	18,986.2
Non-financial assets at fair value through profit and loss				
Bulk annuity insurance buy-in at fair value through profit and loss	-	-	1,019.2	1,019.2
	11,866.1	3,469.7	4,777.4	20,113.2

STATEMENT OF ACCOUNTS

NOTES TO THE PENSION FUND STATEMENTS

	Quoted market price Level 1 £m	Using observable inputs Level 2 £m	With significant unobservable inputs Level 3 £m	Total £m
Value at 31 March 2023				
Financial assets at fair value through profit and loss				
Bonds	215.3	-	-	215.3
Equities	2,430.4	2.0	-	2,432.4
Pooled investments	8,039.1	3,392.5	3,690.3	15,121.9
	10,684.8	3,394.5	3,690.3	17,769.6
Non-financial assets at fair value through profit and loss	-	-	1,007.9	1,007.9
Financial liabilities at fair value through profit and loss	-	(2.4)	-	(2.4)
Bulk annuity insurance buy-in at fair value through profit and loss	-	-	118.0	118.0
	10,684.8	3,392.1	4,816.2	18,893.1

Note 17(ii) - Reconciliation of Fair Value Measurements Within Level 3

	Market value 31 March 2023 £m	Purchases during the year £m	Sales during the year £m	Unrealised gains/losses* £m	Realised gains/losses £m	Market value 31 March 2024 £m
Freehold and leasehold property	1,007.9	84.1	(48.4)	(24.4)	-	1,019.2
Private equity	1,396.9	133.3	(113.5)	(38.7)	71.9	1,449.9
Infrastructure	1,036.2	106.2	(51.0)	(158.4)	0.3	933.3
Absolute return/Diversified growth	313.3	48.5	(142.9)	(121.2)	17.2	114.9
Unit trusts - UK property	234.8	2.5	(14.0)	2.4	1.3	227.0
Foreign property	104.7	-	(8.1)	(13.5)	0.5	83.6
Fixed interest	604.3	233.1	(119.9)	123.0	1.2	841.7
	4,698.1	607.7	(497.8)	(230.8)	92.4	4,669.6

*Unrealised gains/losses presented includes management fees deducted at source. Unrealised and realised gains and losses are recognised in the changes in value of investment line of the Fund account.

STATEMENT OF ACCOUNTS

NOTES TO THE PENSION FUND STATEMENTS

Bulk annuity insurance buy-in contract

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

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

	31 March 2024 £m	31 March 2023 £m
Bulk annuity insurance buy-in contract value at start of year	118.0	174.0
Actuarial revaluation of insurance contract:		
Interest on buy-in	6.0	3.0
Change in demographic assumptions	(1.0)	(14.0)
Change in financial assumptions	(1.0)	(33.0)
Actuarial experience	-	2.0
	4.0	(42.0)
Level pensions paid by insurer	(14.2)	(14.0)
Bulk annuity insurance buy-in contract value at end of year	107.8	118.0

The value of the buy-in as at 31 March 2024 is based on a roll-forward of the value placed on the buy-in as part of the 2022 accounting valuation, allowing for estimated level pensions paid, changes in demographic assumptions and the change in the discount rate used to value the buy-in.

The discount rate underlying the value of the buy-in at 31 March 2023, for the purposes of last year's accounting report, was 4.75% pa. The 31 March 2024 discount rate has been set equal to the discount rate of the IAS26 obligations at 4.85% pa. The value of the buy-in has therefore been set equal to the portion of the pensioner obligations within the total IAS26 obligations which it insures.

Note 18 - Investment Capital Commitments

	2023/24 £m	2022/23 £m
Non-publicly quoted equities and infrastructure	1,495.7	2,042.3
Property	31.5	44.6
	1,527.2	2,086.9

These amounts relate to outstanding commitments due on funds held in the private equity, fixed interest, absolute return and alternative investment portfolios. The amounts 'called' by these funds are irregular in both size and timing.

STATEMENT OF ACCOUNTS

NOTES TO THE PENSION FUND STATEMENTS

Note 19 – Long-Term Debtors

	2023/24 £m	2022/23 £m
Reimbursement of lifetime tax allowances	6.4	6.0
	6.4	6.0

Note 20 – Current Assets

	2023/24 £m	2022/23 £m
Contributions receivable		
Employers' future service	50.4	20.3
Employers' past service deficit	2.6	3.7
Members	12.4	12.1
Other receivables	4.9	15.1
	70.3	51.2
Cash at bank	20.9	30.3
Cash held on behalf of third parties	0.7	0.7
	91.9	82.2

Note 21 – Current Liabilities

	2023/24 £m	2022/23 £m
Pensions and lump sum benefits	6.7	2.0
Receipts in advance	-	0.1
Other payables	18.1	21.3
	24.8	23.4

Note 22 – Additional Voluntary Contributions

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

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

	2023/24		2022/23	
	Utmost life £m	Prudential £m	Utmost Life £m	Prudential £m
Opening value of the fund	1.3	43.1	1.5	36.6
Income	0.1	5.3	0.1	4.9
Expenditure	(0.2)	(3.9)	(0.3)	(7.3)
Change in market value	-	2.5	-	8.9
Closing value of the fund	1.2	47.0	1.3	43.1

STATEMENT OF ACCOUNTS

NOTES TO THE PENSION FUND STATEMENTS

Note 23 – Financial Instruments

	2023/24 £m	Restated 2022/23 £m
Net gains and losses on financial instruments:		
Financial assets - Fair value through profit and loss	1,579.7	(145.9)
Closing value of the Fund	1,579.7	(145.9)

The prior year movement has been restated to exclude the fair value movement of the investment property as this is not considered a financial instrument. As a result of this exclusion, the prior year movement increased by £209.5m.

	2023/24		2022/23	
	Fair value through profit and loss £m	At amortised cost £m	Fair value through profit and loss £m	At amortised cost £m
Financial assets				
Bonds	2,997.3	-	215.3	-
UK equities	57.8	-	43.0	-
Overseas equities	2,212.5	-	2,389.4	-
Pooled investment vehicles	13,716.8	-	15,121.9	-
Derivative contracts	1.8	-	-	-
Bulk annuity insurance buy-in	107.8	-	118.0	-
Cash	-	1,033.5	-	692.7
Other investment balances	-	20.6	-	5.7
Debtors	-	76.7	-	57.2
Financial liabilities				
Derivative contracts	-	-	(2.4)	-
Creditors	-	(24.8)	-	(23.4)
Closing value of the Fund	19,094.0	1,106.0	17,885.2	732.2

All realised gains and losses arise from the sale or disposal of financial assets that have been derecognised in the financial statements. The Fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

STATEMENT OF ACCOUNTS

NOTES TO THE PENSION FUND STATEMENTS

Note 24 - The Nature and Extent of Risks Arising from Financial Instruments

Risk management

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

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

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

Investment risk

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

Counterparty risk

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

STATEMENT OF ACCOUNTS

NOTES TO THE PENSION FUND STATEMENTS

Credit risk

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

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

The tables below outline the Fund's money market and bank deposit holdings, by long-term Fitch rating, as at 31 March 2024 and 31 March 2023:

	Long-term Fitch rating ¹	Value at 31 March 2024 £m	Value at 31 March 2023 £m
Money market funds			
HSBC GBP Liquidity Fund Class H	Aaa-mf	62.6	13.3
HSBC USD Liquidity Fund Class H	Aaa-mf	581.2	384.2
LGIM GBP Liquidity Fund	AAAmf	225.4	13.3
Insight GBP Liquidity Fund	AAAmf	5.0	13.4
Invesco GBP Liquidity Fund	AAAmf	11.5	13.2
Custody and deposit accounts			
CBRE Client Account West Midlands Met Authority		8.4	17.2
Merrill Lynch		3.7	3.8
NatWest GBP Cash ²	A+	21.6	31.0
HSBC GBP Cash	AA-	40.8	93.8
HSBC Non-GBP Cash ³	AA-	74.0	110.2
		1,034.2	693.4

¹ Moody's rating used if no Fitch rating available. Sourced as at 31 March 2024.

² The Natwest GBP Cash balance includes £21.6m in 2023/24 and £31.0m in 2022/23 from non-investment related cash that is disclosed separately as part of the current assets.

³ Includes various foreign currency balances. Total value expressed in GBP.

STATEMENT OF ACCOUNTS

NOTES TO THE PENSION FUND STATEMENTS

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due, especially pension payments to its members. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. The appropriate strategic level of cash balances to be held forms part of the Fund’s investment strategy and the Fund carries out cash flow planning in respect of contributions, benefit payments, investment income and capital calls/distributions on an ongoing basis. The risk that the Fund will be unable to raise cash to meet its liabilities is considered low. Due to having cashflow management procedures in place, the Fund is able to invest in illiquid asset classes and take advantage of the illiquidity premium that can be found in these investments where appropriate.

Valuation risk

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

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

The majority of the Fund’s underlying investments are in liquid quoted assets, representing minimal valuation risk (falling under Level 1 and 2 of IFRS 13’s fair value hierarchy). Investments classified as Level 3 financial instruments have a fair value of £3,758.2m at 31 March 2024 (Restated 2023: £3,808.2m), which represents 17.7% of total assets (Restated 2023: 19.4%). During the current year, the valuation risk disclosure was revised to exclude directly held investment property, as it is not considered a financial instrument, and to include the annuity insurance buy-in contract. Prior year figures have been restated to reflect the adopted methodology. As a result, the fair value of the Level 3 assets within this note was increased by £118m being the value of the annuity insurance buy-in contract and decreased by £1,007.9m being the value of directly held property. The restatement has also impacted the proportion of Level 3 assets as a percentage of total assets, reducing it from 26% to 19.4% in the prior year.

The guidance of IFRS 13 includes additional disclosures for level 3 measurements that include the reconciliation of opening and closing balances and quantitative information about unobservable inputs and assumptions used. Valuation of the Fund’s investments falling under the scope of this guidance is conducted by their respective appointed investment managers.

Market risk - currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any financial instruments not denominated in GBP sterling, the functional currency of the Fund. The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP. The table below indicates a measure of the sensitivity of the investment assets directly exposed to foreign exchange fluctuations and cash balances within each asset class to currency market movements, based on the expected 1-year standard deviations of each of the underlying foreign currency exposures within the respective asset classes. The disclosure table as of 31 March 2023 has been restated to exclude investments not directly exposed to foreign exchange fluctuations, consistent with the methodology adopted for the year ending 31 March 2024.

STATEMENT OF ACCOUNTS

NOTES TO THE PENSION FUND STATEMENTS

The calculations behind these potential market movements account for the diversification effects between currencies within each holding. The calculations do not account for any currency risk management overlay strategy the Fund may use from time to time.

Currency risk sensitivity analysis

Asset type	Asset value as at 31 March 2024 £m	Potential market movement £m ¹	Value on increase £m	Value on decrease £m
Equities ²	135.8	10.4	146.2	125.4
Property	83.6	7.1	90.7	76.5
Fixed interest ³	921.6	67.9	989.5	853.7
Private equity	854.6	65.0	919.6	789.6
Alternatives ⁴	373.3	30.3	403.6	343.0
Liquid assets	658.9	59.8	718.7	599.1
Total⁵	3,027.8	240.5	3,268.3	2,787.3

¹ Accounts for diversification between currencies but not any currency hedging via derivatives.

² Currency exposures of the overseas equity holdings have been calculated using generic indices.

³ Includes exposure to fixed interest gilts, index-linked gilts, overseas government bonds, corporate bonds, emerging market debt, multi-asset credit and private credit.

⁴ Includes exposure to absolute return and infrastructure investments.

⁵ Excludes exposure to derivative contracts.

Asset type	Restated asset value as at 31 March 2023 £m	Restated potential market movement £m ¹	Restated value on increase £m	Restated value on decrease £m
Equities ²	115.0	9.9	124.9	105.1
Property	104.7	10.0	114.7	94.7
Fixed interest ³	912.4	76.6	989.0	835.8
Private equity	847.7	72.2	919.9	775.5
Alternatives ⁴	486.9	43.0	529.9	443.9
Liquid assets	498.2	45.8	544.0	452.4
Total⁵	2,964.9	257.5	3,222.4	2,707.4

¹ Accounts for diversification between currencies but not any currency hedging via derivatives.

² Currency exposures of the overseas equity holdings have been calculated using generic indices.

³ Includes exposure to fixed interest gilts, index-linked gilts, overseas government bonds, corporate bonds, emerging market debt, multi-asset credit and private credit.

⁴ Includes exposure to absolute return and infrastructure investments.

⁵ Excludes exposure to derivative contracts.

The prior year disclosure table has been restated to reflect the exclusion of £9,178.0m from the Equities line pertaining to equity holdings in Sterling, as these were originally considered to have currency risk based on their underlying holdings. The total potential market movement reduced by £790.2m, the value on increase was reduced by £9,968.2m, whilst the total value on decrease by £8,387.8m.

STATEMENT OF ACCOUNTS

NOTES TO THE PENSION FUND STATEMENTS

Market risk - interest rate risk

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

Interest rate risk sensitivity analysis

	Carrying amount as at 31 March 2024 £m	Change in year in the net assets available to pay benefits +100bps £m	-100bps £m
Index-linked gilts	2,743.8	(435.7)	435.7
Gilts	950.2	(82.0)	82.0
Overseas government bonds	93.5	(6.2)	6.2
Corporate bonds	1,116.6	(60.8)	60.8
Emerging market debt	791.7	(52.6)	52.6
Multi-asset credit	721.5	(37.0)	37.0
Private credit	841.7	(2.1)	2.1
Swaps ¹	1.8	(0.1)	0.1
Total	7,260.8	(676.5)	676.5

¹ Includes interest rate, inflation and total return swaps in the WMTL and PBL LDI portfolios.

Note: Durations are as at 31 March 2024.

	Carrying amount as at 31 March 2023 £m ¹	Change in year in the net assets available to pay benefits +100bps £m	-100bps £m
Index-linked gilts	764.4	(129.6)	129.6
Gilts	186.2	(21.7)	21.7
Overseas government bonds	97.5	(6.8)	6.8
Corporate bonds	1,021.8	(54.4)	54.4
Emerging market debt	715.5	(43.4)	43.4
Multi-asset credit	707.0	(16.6)	16.6
Private credit ²	602.1	(1.6)	1.6
Swaps ³	(2.4)	(0.2)	0.2
Total	4,092.1	(274.3)	274.3

¹ Sourced from the West Midlands Pension Fund's and Admitted Body Separate Fund's Q4 2022/2023 Net Asset Statements.

² Excludes legacy and immaterial positions (total: £2.0m).

³ Includes interest rate, inflation and total return swaps in the WMTL and PBL LDI portfolios. The impact of a 100bps increase/decrease has been calculated based on PV01.

Note: Durations are as at 31 March 2023.

STATEMENT OF ACCOUNTS

NOTES TO THE PENSION FUND STATEMENTS

Market risk - other price risk

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

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

Other price risk sensitivity analysis

	Carrying amount as at 31 March 2024 £m ¹	Assumed one year volatility of asset class ²	Value on increase £m	Value on decrease £m
UK equities	426.2	15.70%	493.1	359.3
Global equities (ex UK)	8,490.5	15.70%	9,823.5	7,157.5
Property	310.6	13.70%	353.2	268.1
Fixed interest ³	7,259.0	4.80%	7,607.4	6,910.6
Private equity	1,449.8	23.00%	1,783.2	1,116.3
Alternatives ⁴	1,048.3	9.90%	1,152.0	944.5
	18,984.4		21,212.4	16,756.3

¹ Volatility figures for each asset class are based on the modelling of West Midlands Pension Fund's asset allocation as at 31 March 2024, using assumptions provided by Mercer.

² Includes exposure to fixed interest gilts, index-linked gilts, overseas government bonds, corporate bonds, emerging market debt, multi-asset credit and private credit.

³ Includes exposure to absolute return and infrastructure investments.

⁴ Excludes derivative contracts, cash deposits, foreign currency holdings and the outstanding dividend entitlement.

	Restated Carrying amount as at 31 March 2023 £m ¹	Assumed one year volatility of asset class ²	Restated Value on increase £m	Restated Value on decrease £m
UK equities	1,350.5	18.60%	1,601.7	1,099.3
Global equities (ex UK)	9,236.2	16.00%	10,714.0	7,758.4
Property	339.6	11.90%	380.0	299.2
Fixed interest ³	4,096.8	4.80%	4,293.4	3,900.2
Private equity	1,396.9	30.60%	1,824.4	969.4
Alternatives ⁴	1,349.6	11.80%	1,508.9	1,190.2
	17,769.6		20,322.3	15,216.9

¹ Sourced from the West Midlands Pension Fund's and Admitted Body Separate Fund's Q4 2022/2023 Net Asset Statements.

² Volatility figures for each asset class are based on the modelling of West Midlands Pension Fund's asset allocation as at 31 March 2023.

³ Includes exposure to fixed interest gilts, index-linked gilts, overseas government bonds, corporate bonds, emerging market debt, multi-asset credit and private credit.

⁴ Includes exposure to absolute return and infrastructure investments.

⁵ Excludes derivative contracts, cash deposits, foreign currency holdings and the outstanding dividend entitlement.

STATEMENT OF ACCOUNTS

NOTES TO THE PENSION FUND STATEMENTS

The total Fund volatility taking into account the expected interactions between the different asset classes shown, based on the underlying volatilities and correlations of the assets, in line with mean variance portfolio theory is 12.3%. On this basis, the total value on increase is £21,212.4m (Restated 2023: £20,322.3m) and the total value on decrease is £16,756.3m (Restated 2023: £15,216.9m). Due to the approach taken to determine the total Fund volatility (in which the beneficial impact of diversification is recognised), the monetary impact on the total Fund assets is determined using the total Fund volatility, which is lower than the sum of the monetary impact for each asset class. The prior year disclosure table has been restated to reflect the exclusion of £1,007.8m from the Property line pertaining to directly held investment property, as this asset class is not considered a financial instrument. The total value on increase was reduced by £1,127.8m, whilst the total value on decrease by £887.8m.

Reputational risk

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

Note 25 - Impairment for Bad and Doubtful Debts

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

	2023/24		2022/23	
	Number	Total (£)	Number	Total (£)
Less than £100	28	1,259	6	181
£100 - £500	33	7,731	-	-
Over £500	7	10,133	-	-
Total	68	19,123	8	181

Note 26 - Related Parties

Pensions administration and certain investment functions are performed by the City of Wolverhampton Council and the costs shown in Note P13 above are recharged to the Fund. Contributions of £43.6m were receivable from the City of Wolverhampton Council for 2023/24 (2022/23: £24.7m) - City of Wolverhampton Council had paid its 2022/23 future service contributions in advance as part of a lump sum payment of £57.3m on 30 April 2019. At 31 March 2024 £5.4m was owed by the Council and £2.4m owed to the Council.

Pensions Committee

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

Pensioner Councillors:	Trade union representatives:	Beneficiary pensioner:	Deferred Councillor:	Active Trade union representative:
<ul style="list-style-type: none"> • M Jaspal • T Singh 	<ul style="list-style-type: none"> • M Clift • M Cantello 	None to report	<ul style="list-style-type: none"> • A Mattu 	<ul style="list-style-type: none"> • J Wadrup

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

STATEMENT OF ACCOUNTS

NOTES TO THE PENSION FUND STATEMENTS

There are four employing bodies (2022/23: Five) of the Fund in which a member of the Committee has declared an interest for 2023/24. Contributions from each of these employers are set out below:

	Contributions receivable 2023/24 £'000	Contributions receivable 2022/23 £'000
Birmingham City Council	137,429	26,299
Goldthorne Park Primary School	n/a	140
Kingswood Trust	n/a	29
Perryfields Academy - Broadleaf Partnership Trust	282	n/a
Sandwell Children's Trust	n/a	4,856
West Midlands Combined Authority	n/a	4,356
Woden Primary School - Central Learning Partnership Trust	175	n/a
Wolverhampton Homes	4,439	n/a

Birmingham City Council paid its contributions in advance in April 2020 to cover the period to April 2023. No such payment was made to cover the year ending 31 March 2024 and the payments returned to a standard monthly cycle.

Help to own

In 2021, the Fund invested in the Help to own scheme, a joint venture between City of Wolverhampton Council and the West Midlands Combined Authority to pilot an affordable housing project. Help to Own helps to address the issue that many potential buyers in work have when looking to buy a home, raising a deposit to secure a mortgage. As at 31 March 2024, within the investment bounties, the Fund had made a loan totalling £12.1m (2023: £12.7m) to the scheme.

LGPS Central Limited

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

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

The Fund has agreed a number of advisory agreements covering a range of asset classes for which LGPS Central has provided services to the Fund. The charges in respect of these services totalled £2.227m in 2023/24 (2022/23: £2.150m). The amount outstanding in respect of these services at 31 March 2024 was £1.282m (31 March 2023: £0.552m).

As part of the Pool Cost Sharing Arrangement, the Pension Fund was invoiced £3,308m in respect of Governance, Operator Running and Product Development costs by LGPS Central Limited for 2023/24 (2022/23: £2.873m). The amount outstanding in respect of these services at 31 March 2024 was £0.813m (31 March 2023: £0.742m).

LGPS Central Limited is an admitted body and employs staff that are active members of the West Midlands Pension Fund. Normal contributions receivable from LGPS Central Limited for the year to 31 March 2024 were £727,600 (2022/23: £613,900).

STATEMENT OF ACCOUNTS

NOTES TO THE PENSION FUND STATEMENTS

Key management personnel

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

	2023/24 £m	2022/23 £m
Short-term benefits	153	146
Post-employment benefits*	119	38
	272	184

*Post-employment benefits reflect the change in cash equivalent transfer value (CETV) of pension year on year. New pension factors were published for the scheme with effect from June 2023 this change in factors accounts for £67,000 of post employment benefits for 2023/24.

Note 27 - Events After the Reporting Date

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

