

Pensions Committee

Minutes - 16 March 2016

Attendance

Members of the Pensions Committee

Cllr Peter Bilson
Cllr Dr Michael Hardacre
Cllr Keith Inston
Cllr Jasbir Jaspal
Cllr Paul Singh
Cllr Tersaim Singh
Cllr Mohammed Arif (Walsall MBC)
Cllr Sandra Hevican (Sandwell MBC)
Cllr David Sparks (Dudley MBC)

Trade Union observers

Malcolm Cantello (Unison)
Martin Clift (Unite)
Victor Silvester (Unite)
Ian Smith (Unite)

Employees

Geik Drever	Strategic Director of Pensions - West Midlands Pension Fund
Rachel Howe	Head of Governance - West Midlands Pension Fund
David Kane	Head of Finance - West Midlands Pension Fund
Dereck Francis	Democratic Support Officer
Emma Bland	Compliance and Risk Manager - West Midlands Pension Fund
Rachel Brothwood	Assistant Director, Actuarial and Pensions - West Midlands Pension Fund
Simon Taylor	Head of Client and Funding Management - West Midlands Pension Fund
Mark Taylor	Director of Finance

Part 1 – items open to the press and public

Item No. *Title*

- 1 Apologies for absence (if any)**
Apologies for absence were submitted on behalf of Cllrs Ian Brookfield, Lorna McGregor, Phil Page and Wendy Thompson (City of Wolverhampton Council), Cllr Mohammad Afzal (Birmingham City Council), Cllr Damian Gannon (Coventry City Council), Cllr Angela Sandison (Solihull Metropolitan Borough Council) and Mr Victor Silverster (Trade Union observer).
- 2 Notification of substitute members**
No notifications of substitutes were received for the meeting.
- 3 Declarations of interests (if any)**
No declarations of interest were made.

4 **Minutes**

(a) Pensions Committee – 9 December and 11 February 2016

Resolved:

That subject to the name 'Sanderson' being corrected to 'Sandison' in minute 5 of the meeting held on 11 February 2016, the minutes of the meetings of the Pensions Committee held on 9 December 2015 and 11 February 2016 be approved as a correct record and signed by the Chair.

(b) Investment Advisory Sub Committee – 9 December 2015

Resolved:

That the minutes of the meeting of the Investment Advisory Sub Committee held on 9 December 2015 be approved as a correct record and signed by the Chair.

5 **Matters arising**

With reference to the minute no 6 (Matters arising) of the Pensions Committee on 9 December 2015, Geik Drever, Strategic Director of Pensions reported that:

- Cllr Roger Phillips had been appointed as the Chair of the national Scheme Advisory Board; and
- Cllr Jasbir Jaspal (Chair) had corresponded with a member in Coventry to discuss the Israel-Palestinian campaign. The issue he was raising was political so he was advised to pursue it via that route.

6 **Pensions administration report - 1 October to 31 December 2015**

Rachel Brothwood, Assistant Director, Actuarial and Pensions highlighted the main points of the report on work undertaken by the pensions administration service during the period 1 October to 31 December 2015 for both the Main Fund and the West Midlands Integrated Transport Authority (WMITA) Fund.

Resolved:

1. That the applications for admission to the West Midlands Pension Fund from the under mentioned employers detailed in section 6.3 of the report be approved:

Employer name

Priory Education Services Ltd

Wates (Central West)

Wates (Central East)

Willmot Dixon (South)

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

7 **Report of the Pension Board - Data Quality**

Rachel Brothwood, Assistant Director, Actuarial and Pensions highlighted issues noted by the Local Pension Board in their review of the report presented at their meeting on 19 January 2016 on data quality which highlighted the work of the Fund in improving the quality of membership data held by the Fund.

Ian Smith, UNITE asked of the Fund's response to the Pension Board's call for a policy on 'naming and shaming' employers who fail to meet the standards required when providing data to the Fund, and if that response would be acceptable to the Pension Board. The Assistant Director, Actuarial and Pensions reported that the Fund's preference at this stage was to engage and work with employers to improve data quality and not name but it had informed employers with material data issues that it would be difficult for the Fund not to take such action if it does not receive satisfactory responses from employers to data quality queries.

Geik Drever, Strategic Director of Pensions reported that if the Fund does not receive responses from employers to its data queries it would be reported to the Pensions Regulator. The Assistant Director, Actuarial and Pensions added that this would likely be more productive than 'naming and shaming' an employer and the Pensions Regulator had powers to take action and instruct improvement.

Resolved:

That the report from Pensions Board be received, and the actions taken by Fund officers be noted.

8 **Employer covenant update**

Simon Taylor, Head of Client and Funding Management presented a report on an outline of the planned employer covenant review aligned to the 2016 actuarial valuation, and the formal appointment of Deloitte LLP and PricewaterhouseCoopers LLP as covenant advisers.

In response to a question from Malcolm Cantello, Unison, the Head of Client and Funding Management reported that the costs of the work of the covenant advisers have been agreed as part of the procurement process with each advisor having specific areas of focus. He undertook to report back to the Committee on the costs incurred.

Rachel Brothwood, Assistant Director, Actuarial and Pensions added that the important point was the benefit from the Service in enhancing the covenant monitoring framework and Fund approach to employer risk management which would protect the Fund and other employers from incurring an additional funding obligation in the event that an employer fails and leaves an unfunded pension liability. Part of the service includes provision of training and development of tools for Fund officers which will enable the covenant monitoring work to be managed in house at lower cost. Geik Drever, Strategic Director of Pensions added that it was an important risk management tool for the Fund.

In response to a further question from Malcolm Cantello concerning liaison between the covenant advisers and the actuary, the Assistant Director, Actuarial and Pensions reported that this would be critical. There would be a strong link and the actuary would take into account the covenant view in setting the funding assumptions and future contribution rates.

Resolved:

1. That the report and the associated implications be noted.
2. That the appointment of covenant advisers and the associated work plan be noted.

- 9 **Service plan monitoring 2015/16 and quarterly accounts December 2015**
David Kane, Head of Finance presented the report which covered an update on performance against key performance indicators (KPIs), the forecast outturn for the year against operating budgets as at the end of December 2015; and the quarterly accounts for the period ending 31 December 2015.

Resolved

1. That performance against the Fund's key performance indicators as at the end of December 2015 be noted.
2. That the forecast outturn against operating budgets as at the end of December 2015, which is an under spend of £2.4 million be noted.
3. That it be noted that the quarterly accounts for the period ending 31 December 2015, show that:
 - a. the value of West Midlands Pension Fund at this date was £11.3 billion, a decrease of £125.8 million from 31 March 2015;
 - b. the value of West Midlands ITA Pension Fund at this date was £467.3 million, a decrease of £7.6 million from 31 March 2015.

- 10 **Service plan 2016/21**
David Kane, Head of Finance, presented the report seeking the Committee's approval of the Fund's Service Plan 2016/21, which included the operating budget for 2016/17, and the medium term financial plan for the five years up to and including 2020/21. In doing so he highlighted the key drivers of change that would impact on the Fund over the medium term and the significant activities that had taken place.

Ian Smith, UNITE commented that the external investment management costs appeared to be increasing year on year. The Head of Finance explained that an assumption of 6% growth had been included in the operating budget but as a percentage of total net assets, investment management costs were in fact static.

Ian Smith added that he recalled from last year's Annual General Meeting that a better saving on External Management costs was predicted. The Strategic Director of Pensions reported that the Service had made savings on like for like areas.

Malcolm Cantello, Unison queried why the Integrated Transport Authority Income had remained static over the years. The Head of Finance explained that it was a closed Fund.

Resolved:

- That the Service Plan 2016/21 including the operating budget for 2016/17 and the medium term financial plan for the period to 2020/21 be approved.

11 **Internal Audit plan 2016/17**

Amanda McDonald, Client Lead Auditor presented the proposed internal audit plan for 2016/17 to be delivered by City of Wolverhampton Council's Audit Service. In doing so the Client Lead Auditor drew the Committee's attention to the planned audit reviews to be completed during 2016/17.

The Chair welcomed the plan.

Resolved:

That the internal audit plan for 2016/17 be noted.

12 **Risk and compliance monitoring 1 October to 31 December 2015**

Rachel Howe, Head of Governance, West Midlands Pensions Fund presented the report on the Fund's top ten risks, feedback on the quarterly compliance monitoring programme, the Fund's compliance with the Pensions Regulator's code of practice and the Scheme Advisory Board's key performance indicators.

Resolved:

1. That the top ten risks for West Midlands Pension Fund be noted.
2. That the compliance issues that had arisen during the quarter and the resolutions put in place be noted.

13 **Trustee training update**

Rachel Howe, Head of Governance, presented a report on proposals for how the Fund would deliver training for Trustees and Pensions Board members to support them in their duty to undertake training and development. She also reported that collectively members had undertaken 552.5 hours of training during the year.

In response to a question from Cllr David Sparks, the Head of Governance clarified that self-training included work related to the Pensions Regulator tool kit and any self-study that trustees and Board members undertake and any other pensions groups they do reading for.

Resolved:

That the training timetable and dates for structured training throughout 2016/17 be approved.

14 **Responsible investment activities**

Geik Drever, Strategic Director of Pensions highlighted the main points of the report on the work undertaken by the Investment team regarding their responsible investment activities between the period 1 October to 31 December 2015. In doing so she reported that the member in Coventry had again written to the Chair of the Committee on the Israel-Palestinian campaign. They were advised that the Fund was engaging with the Company concerned and would continue to engage with them.

Ian Smith, UNITE asked in terms of voting globally who would hold the voting right once LGPS Central was formed. The Strategic Director of Pensions reported that this was being discussed. Once more was known about the governance structure for LGPS Central a decision on the voting right could be made.

Ian Smith also asked in terms of voting whether the Committee would still be able to consider representations for the Fund to disinvest in areas. The Strategic Director of Pensions reported that the Fund had an engagement policy and not exclusion and at this stage it was unclear whether the Committee could make that decision. She envisaged that companies would go to the Pool Fund (LGPS Central). They would also contact the different sectors. Cllr Peter Bilson added that he anticipated that the Committee would still be written to on such matters.

In response to Cllr Tersaim Singh, the Strategic Director of Pensions confirmed that the Committee would continue to be a member of Local Authorities Pension Fund Forum (LAPFF).

Resolved:

1. That the Committee adhere to the Fund's engagement policy and to not adopt exclusion of companies on purely ethical criteria as a matter of policy.
2. That City of Wolverhampton Council continue to be the contract holder of LAPFF's research and engagement partner.
3. That the Committee sign up to the Paris Pledge.
4. The Fund's voting and LAPFF's engagement activity for the three months ending 31 December 2015 be noted.
5. That it be noted that the issues discussed by LAPFF are set in the Quarterly Engagement Report which is available on their website:
<http://www.lapfforum.org/Publications/engagement>
6. That it be noted that the Fund has co-filed shareholder resolutions on carbon management for Anglo American, Glencore and Rio Tinto.
7. That the Fund's review of stranded asset risk be noted.
8. That the Fund having joined a class action for automobile manufacturing company Volkswagen be noted.

15 **2016 Actuarial valuation overview and planning**

Rachel Brothwood, Assistant Director, Actuarial and Pensions presented an overview of the 2016 actuarial valuation process, deliverables and context in preparation for the review of funding strategy and employer contribution rates. An update would be presented to the next meeting and a summary of the results from the valuation process would be presented to the Committee in December 2016.

Resolved:

That the report and the associated preparatory work and planning for the 2016 actuarial valuation of both the West Midlands Pension Fund (the Main Fund) and the West Midlands Integrated Transport Authority Fund (the WMITA Fund) be noted.

16 **Nomination of Trade Unions to Pension Committee**

The Committee considered nominations received from Trade Unions for representation on the Pensions Committee for the 2016/17 Municipal Year.

Ian Smith, UNITE requested that in future when letters are circulated seeking nominations from the Trade Unions, the text of the letter be agreed, particularly on the definition of a 'retired member'.

Resolved:

1. That the following nominations from the Trade Unions be received.

UNITE the Union	Ian Smith
	Martin Clift
GMB	Alan Phillips
Unison	Malcolm Cantello

2. That the nominations be appointed as observers on Pension Committee for the Municipal Year 2016/17.

17 **Exclusion of press and public**

Resolved:

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

Part 2 - exempt items, closed to press and public

18 **Local Government Pension Scheme investment pooling**

Geik Drever, Strategic Director of Pensions provided an update on Government proposals regarding the pooling of investments in the Local Government Pension Scheme (LGPS). Specifically to delegate to the Strategic Director of Pensions, following consultation with the Chair, to agree the Fund's position on the legal structures and governance arrangements for the LGPS Central investment pool.

The Strategic Director of Pensions also updated the Committee on the Fund's staffing, recruitment activity for trainees and a minor review of the composition of the Investment team. She advised that the Committee would receive quarterly updates on the Fund's staffing position.

Cllr Tersaim Singh suggested that in order to address the recruitment problems the Fund was experiencing, it needed another plan for in house training of staff.

Malcolm Cantello, Unison noted that the Fund's trainees would be on the City of Wolverhampton Council pay grade and that Birmingham City Council had a special trainee grade. He asked what the Fund was putting forward to aid with recruitment and retention of staff. A representative from the Council's HR Service was in attendance and confirmed that special grades had to be considered within the Council's Single Status policy.

The Strategic Director of Pensions added that the Fund no longer had long grades but the grades do allow staff to apply to progress.

Cllr Peter Bilson reported that City of Wolverhampton Council introduced Graduate Apprentices, Apprenticeships as well as a Trainee scheme that allowed the employee to move around the organisation gaining experience in different areas and

disciplines. He suggested that this might be something for the Fund to consider. He also made the comment that staffing was not just an issue for the West Midlands Pension Fund. It was the same for other Funds and perhaps there were issues that need to be rethought and examined. He suggested that the University could be approached direct and talk to the new Business School about the talent that would be there.

In supporting the recommendations in the report Cllr Bilson asked that updates on the legal structures and governance arrangements for the LGPS Central investment pool be shared with the Committee via email. He also noted that it might be necessary to hold a special meeting of the Committee to consider and approve structures and on governance arrangements in due course.

Resolved:

1. That authority be delegated to the Strategic Director of Pensions, following consultation with the Chair, to agree the Fund's position on the legal structures and governance arrangements for the LGPS Central investment pool.
2. That the review of the investment team be noted.
3. That the contribution of resources made by WMPF to the LGPS Central investment pooling project be noted.
4. That the costs relating to LGPS Central as budgeted in 2016/17 and 2017/18 be noted.

19 **Legal Services OJEU Tender**

Geik Drever, Strategic Director of Pensions updated the Committee on the procurement of legal services relating to the Property Portfolio.

Resolved:

That the report be noted.

20 **Time of future meetings**

The Committee was asked to consider the start times for the pensions Committee and the Investment Advisory Committee for 2016/17.

Resolved:

That for 2016/17 and with the exception of the June meetings, meetings of the Pensions Committee commence at 1.30 pm and the Investment Advisory Committee start at 10.30am.