

Pensions Committee

Minutes - 21 March 2018

Attendance

Members of the Pensions Committee

Cllr Ian Brookfield (Chair)
Cllr Keith Inston (Vice-Chair)
Cllr Harbans Bagri
Cllr Peter Bilson
Cllr Jasbir Jaspal
Cllr Louise Miles
Cllr Paul Singh
Cllr Tersaim Singh
Cllr Wendy Thompson
Cllr Keith Chambers (Walsall MBC)
Cllr Steve Clark (Dudley MBC)
Cllr Sandra Hevican (Sandwell MBC)
Cllr John Mutton (Coventry City Council)
Cllr Angela Sandison (Solihull MBC)
Malcolm Cantello (Trade Union Observer Representative)

Employees

Rachel Brothwood	Director of Pensions - West Midlands Pension Fund
Jill Davys	Assistant Director - Investments and Finance - West Midlands Pension Fund
Dereck Francis	Democratic Services Officer - City of Wolverhampton Council
Rachel Howe	Head of Governance - West Midlands Pension Fund
Amanda MacDonald	Client Lead Auditor – City of Wolverhampton Council
Michael Marshall	Director of Responsible Investment and Engagement – LGPS Central Ltd
Amy Regler	Head of Operations - West Midlands Pension Fund
Holly Slater	Governance Officer - West Midlands Pension Fund
Simon Taylor	Head of Client and Funding Management - West Midlands Pension Fund

Part 1 – items open to the press and public

Item No. *Title*

- 1 Apologies for absence (if any)**
Apologies for absence were submitted on behalf of Councillor Phil Page (City of Wolverhampton Council), and Martin Clift (UNITE), Alan Phillips (GMB) and Ian Smith (Unite)(Trade Union Observer representatives)
- 2 Notification of substitute members**
No notification of substitutes were received for the meeting.

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

Councillor Tersaim Singh declared a pecuniary interest in agenda item 18 (Responsible Investment Activities) in so far as it related to GKN.

4 **Minutes of the previous meeting - 13 December 2017**

Resolved:

That the minutes of the previous meeting held on 13 December 2017 be approved as a correct record and signed by the Chair.

5 **Matters arising**

Minute 7 (Responsible Investment Activities)

Malcolm Cantello (Unison) reported that he had not received the letter circulated to the Committee regarding Hanwha Corporation. Rachel Brothwood, Director of Pensions confirmed the Fund would recirculate the letter. The Director also confirmed that the investment with Hanwha Corporation no longer sat in the Fund's internal passive equity portfolio.

Minute 12 (LGPS Central update)

Malcom Cantello sought clarification on whether it was still the case that all employees transferring to LGPS Central under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE) would be able to retain Local Government Pension Scheme (LGPS) benefits. The Director of Pensions confirmed that all employees TUPE transferring to LGPS Central would continue to be offered membership of the pension scheme. Some Pensions Fund employees had applied for and been appointed to higher graded and salaried posts at LGPS Central. Not all of these higher salaried posts are eligible for LGPS pension benefits.

Minute 20 (Investment Transition to LGPS Central),

Malcolm Cantello asked whether the service agreement relating to the transitioning of assets to LGPS Central was covered elsewhere on the agenda. The Director of Pensions reported that item 25 on the agenda provided an overview of the agreements and that during the next training session (rescheduled from March to June) the Committee would receive a more detailed briefing and explanation of the various agreements being put in place.

6 **Budget Monitoring 2017-2018 and Quarterly Accounts December 2017**

George Hill, Interim Head of Finance presented the key highlights from the update report on the forecast outturn for the year against the Fund's operating budget and quarterly accounts for the West Midlands Pension Fund and West Midlands Integrated Transport Authority Pension Fund for the quarter ending 31 December 2017.

Councillor Angela Sandison commented that the forecasted outturn on miscellaneous income appeared high. The Interim Head of Finance reported that it related to a recharge of actuarial fees to employers.

The Chair thanked the Fund's Management team and employees for all their hard work during the year in producing the excellent results detailed in the monitoring report, particularly given the increased demands placed on staff with the preparations for LGPS Central as well as the work on both Funds.

Resolved:

1. That the quarterly accounts for the period ending 31 December 2017 be noted, which show that:
 - the value of West Midlands Pension Fund at this date was £15.5 billion, an increase of £1.2 billion from 31 March 2017;
 - the value of West Midlands ITA Pension Fund at this date was £512.1 million, an increase of £9.2 million from 31 March 2017.
2. That the forecast outturn against operating budgets as at the end of December 2017, which is an under spend of £10.2 million be noted.

7 **Operational Budget 2018-2019**

George Hill, Interim Head of Finance presented for approval the Fund's operating budget for 2018/2019, and medium term financial plan for five years up to and including 2022/2023.

Malcolm Cantello (Unison) noted that the Fund contributed an eighth of LGPS Central's set-up charges to April 2018 and he noted the additional cost within the Fund operating budget from 2018/19. He noted that there would be some savings in future but asked for an indication of how the money paid to LGPS Central would be spent. Rachel Brothwood, Director of Pensions reported that LGPS Central had an agreed budget to cover the cost of employees, systems and provision of investment management and advisory services to Partner funds. Governance costs would be shared between Partner funds on an equal eighths basis with operations and investment management costs shared between the nine funds on an asset value basis. Since the West Midland's pension funds held the largest share of total LGPS Central Partner fund assets, they paid a higher proportion of the total costs

Resolved:

That the operating budget for 2018/2019 and the medium term financial plan for the period to 2022/2023 be approved.

8 **Debtors Policy**

George Hill, Interim Head of Finance presented for review and approval the Fund's Debt Monitoring and Write-off Policy. The policy combined, updated and documented Fund practice in preparation for the launch of the new debt management functionality within the City of Wolverhampton Council's finance system, Agresso.

Referring to paragraph 2.4 of the Policy, Malcom Cantello (Unison) queried whether the Agresso system could be configured to perform the invoice and payments received function currently being performed on the Fund's administration system, UPM. Jill Davys, Assistant Director Investments and Finance reported that the two systems are not currently linked to enable that way of working. Discussions were taking place with the Council and the providers of the Fund's administrative system UPM to see if the process could be simplified.

Resolved:

That the Debt Monitoring and Write-off Policy be approved.

9 **External Audit Plan 2017-2018**

George Hill, Interim Head of Finance presented the plan from the Fund's external auditors, Grant Thornton LLB for their external audit of the Fund's Annual Report and Accounts for 2017/2018. In addition to the plan the external auditor had produced a document 'Informing the Audit Risk Assessment', that set out some of the potential areas of risk with regard to the Annual Report and Accounts. The document provided management responses to a number of questions posed by the auditor, and the Committee was invited to consider whether the responses were consistent with its own understanding, and whether it had any further comments to make on the matters.

Malcolm Cantello (Unison) queried the use of the term 'trivial' to describe the figure of £5.360 million set by the external auditors as the materiality level. The Interim Head of Finance reported that the word was an audit term. Below that level the external auditors would not amend omissions or misstatements in the Fund's audited accounts. Any unadjusted misstatements or omissions of lesser amounts to the extent that they are identified in their audit work would be reported to the Committee. The Fund would also take note of and address any findings from the external auditors on unadjusted misstatements or omissions in the audited accounts below the materiality level.

Resolved:

1. That the management responses to questions from the external auditors, Grant Thornton LLP, as part of their audit planning be confirmed.
2. That authority be delegated to the Chair of Pensions Committee to approve the final publication of the 2017/18 Annual Report and Accounts following audit in July, and approval of the draft by Committee in June.
3. That the external audit plan for the 2017/18 Annual Report and Accounts, as prepared by Grant Thornton be noted.

10 **Internal Audit Plan 2018-2019**

Amanda McDonald, Client Lead Auditor, City of Wolverhampton Council presented an outline work programme for the Fund's internal audit during 2018-2019. Internal audit was a key part of the Fund's governance and financial control framework, and aimed to provide assurance that the Fund's systems, processes and controls were operating effectively and in support of the Fund's overall aims and objectives.

Resolved:

That the West Midlands Pension Fund internal audit plan for 2018-2019 be noted.

11 **Risk and Compliance Monitoring 1 October to 31 December 2017**

Rachel Howe, Head of Governance highlighted from the report changes to the rating of the top ten risks as new key areas of focus. Noting no issues on the quarterly compliance monitoring report; progress on the Markets in Financial Instruments Directive II (MiFID II) regulations classification; and the process for seeking Trade Union nominations for the 2018/2019 democratic year.

Councillor Angela Sandison asked for further explanation on the reasons for the number of red rated items in the overview of the risk register. The Head of Governance reported that risks were previously ranked with a score between 1 to 10.

Following a comprehensive review of the risk register and reporting, the score ranking had been replaced with the traffic light system (Red, Amber, Green) to better illustrate the active and live nature of the register. The risks in the register were rated red to indicate they are a priority for the Fund at this time and not because of any failure in addressing the risk.

Resolved:

1. That the top ten risks for West Midlands Pension Fund be noted.
2. That the compliance monitoring for the quarter and the resolutions put in place to address non-compliance be noted.
3. That the Markets in Financial Instruments Directive II (MiFID II) classification update be noted.
4. That the process for nominations of Trade Union Representatives to the Pension Committee for the 2018/2019 democratic year be noted.

12

General Data Protection Regulation

Rachel Howe, Head of Governance presented the key points from the report on the work of the Fund in preparing for the implementation of the EU General Data Protection Regulation (GDPR), that would come into effect on 25 May 2018.

Members of the Committee asked whether they would be receiving training on GDPR. The Head of Governance advised that councillors should receive training on the Regulation from their Council and that the Fund would be providing specific training at the annual induction for Trustees planned for June.

Malcolm Cantello (Unison) also queried what would be the relationship with the Actuary. The Head of Governance reported that the Institute of Actuaries had provided guidance under the current regulations that Scheme Actuaries were Data Controllers (with similar responsibilities to pension trustees) but noted that discussion on the roles of the funds various advisers under GDPR was still ongoing within the industry.

Resolved:

1. That the GDPR policy be approved.
2. That the work undertaken to prepare the Fund for changes in data protection be noted.
3. That the Fund's role and work with Local Government Association to deliver LGPS wide support and templates.
4. That the work to be completed before 25 May 2018 be noted.
5. That it be noted that no serious risks to data had been identified in the completion of Privacy Impact Assessments.
6. That the role of Trustees as Data Controllers be noted.

13 **Governance and Policy Update 2018**

Rachel Howe, Head of Governance presented for approval proposed changes to the Committee's Terms of Reference and the Governance Compliance statement to reflect the additional governance structures introduced to facilitate Investment Pooling.

Malcolm Cantello (Unison) asked whether the Committee would be receiving a copy of the Fund's staffing structure, in accordance with paragraph 10.6.7.8 of the revised terms of reference, in light of the extensive staffing changes taking place at the Fund resulting from investment pooling. Rachel Brothwood, Director of Pensions reported that the senior management structure had been presented to Committee on 13 December 2017. Other staffing changes taking place following through from the headline restructure of the Fund's four service areas. The Director undertook to submit an update on the Fund's staffing structure to the next meeting.

In response to other questions the Director of Pensions reported that the changes to the terms of reference related to the creation of new governance structures and transition of services to the LGPS Central pool and the inclusion of a procedure for taking urgent decisions. The Head of Governance confirmed that the dates of Pensions Committee meetings listed in the Customer Engagement Plan would need to be formally agreed at Annual Council.

Resolved:

1. That the proposed changes to the Pension Committee Terms of Reference in the City of Wolverhampton Council Constitution be approved.
2. That the Governance Compliance Statement for 2018 for the Main Fund and the Integrated Transport Authority Fund be approved.
3. That the work on the Fund's statutory policies to date be noted.

14 **Service Plan 2018-2023**

Rachel Howe, Head of Governance presented for approval the Fund's Service Plan 2018 – 2023.

Malcolm Cantello (Unison) asked whether the Fund should be receiving a cash flow management statement from 1 April 2018 once LGPS Central is launched. Rachel Brothwood, Director of Pensions reported that the Fund had a cash flow plan that was monitored on a monthly basis. LGPS Central will implement investment strategy but management of cash would remain with the Fund. It would only transfer cash to LGPS Central (or receive distributions) in accordance with agreed investment activity.

Councillor Angela Sandison raised a question in relation to the figures reported in the Service Plan noting they were low. The Director of Pensions noted some placeholders had been included within the draft pending availability of full year information and reported that the document would be fully reviewed prior to publishing.

Resolved:

1. That the Service Plan 2018 – 2023 be approved.
2. That the Fund's updated core objectives and corporate priorities be noted.

15 **Pension Administration Report October-December 2018**

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

Resolved:

1. That the write-offs detailed in section 8.0 of the report be approved.
2. That the applications approved by the Director of Pensions and the Chair or Vice Chair of Pensions Committee for admission to the West Midlands Pension Fund be noted.
3. 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.

16 **Data Quality and Employer Performance**

Rachel Howe, Head of Governance presented the update report on the work of the Fund in the area of data quality. The report sought to provide the Committee with assurance on the action the Fund was taking with employers to improve data.

Malcolm Cantello (Unison) said that it was pleasing to note the amount of detail that would be included on the employer performance dashboard. Rachel Brothwood, Director of Pensions reported that a large amount of engagement had taken place with employers so they understand their responsibilities to provide timely and accurate data. The dashboards were still being developed and rolled out to target specific issues but were proving effective in improving data performance. A report on progress would be submitted to a future meeting.

Councillor Angela Sandison asked whether the dip in performance on the production of Annual Benefit Statements for 2017 compared to the previous year was attributed to the quality of employer data. The Head of Governance confirmed that was the case. The move to the monthly submission of employer data was helping to bring the quality of data up to date. However, it did not solve the issue of historic data gaps and there was a separate piece of work to address that.

Resolved:

1. That the work undertaken to improve the quality of data received from employers be noted.
2. That the engagement undertaken by the Fund with its employers be noted.
3. That the Data Improvement Plan drafted by the Fund in compliance with the Pension Regulator's best practice guidance be noted.

17 **Customer Engagement Update**

Simon Taylor, Head of Client and Funding Management presented the update of the Fund's customer engagement activity during the quarter 1 October to 31 December 2017 in line with its Customer Engagement Strategy.

It was noted that the appendices to the report were identical. A correct copy would be circulated.

Councillor Angela Sandison asked whether the Customer Engagement team could arrange for presentations to be delivered in the Solihull area. The Head of Client and Funding Management confirmed that the team have visited and would be visiting Solihull and had a programme to ensure delivery of events across the region. The previous visits were not noted in this report as they fell outside of the quarter reported.

Resolved:

That the engagement activity to date and plans for future engagement on the horizon be noted.

18

Responsible Investment Activities

Councillor Tersaim Singh declared a pecuniary interest in the report in so far as it related to GKN from whom he received a pension.

Michael Marshall, Director of Responsible Investment and Engagement presented the update on the work undertaken by the investment team regarding their responsible investment activities since the last Committee meeting. He particularly highlighted the FRC consultation on the UK corporate governance code; the Fund's engagement through partnerships and focus on its stewardship themes for 2018 of climate change, cyber security and diversity; and changes to the Fund's Responsible Investment Framework.

Malcolm Cantello (Union) asked and it was agreed that the phase 'labour management' in the Responsible Investment Framework document be amended to employee relations.

The Director of Responsible Investment and Engagement also reported on correspondence the Fund had received from campaign group Support Saudi Women and GKN and Melrose Plc. GKN had been invited to consider an offer from Melrose Plc to acquire 100% of GKN Plc through a cash and share offer. As the Fund was a GKN shareholder it was called upon to consider the offer made by Melrose. The Director of Responsible Investment and Engagement explained the position of the Fund and the basis on which a decision would be made, with reference to the principles of the Fund's Responsible Investment Framework and in line with its fiduciary duty. The situation would continue to be monitored carefully.

Members of the Committee asked about the pensions deficit at GKN and the contribution both GKN and Melrose were committed to make towards the deficit. It was also reported that GKN had a history in the Bilston area of Wolverhampton; that the City of Wolverhampton had a commitment to the aerospace industry and that the Committee also had a role to show commitment to local businesses. Members of the Committee also expressed concerns relating to GKN's employee pensions; a potential loss of jobs in the UK (whether or not the offer was accepted); the perceived reputation Melrose Plc had for splitting up companies. The Fund's small position in GKN was noted as was the historic relevance to Bilston. The Committee noted their fiduciary duty.

Rachel Brothwood, Director of Pensions reported that the Committee's comments would be fed into a due diligence process before the Fund exercised any decision on the offer from Melrose Plc.

Resolved:

1. That the updated Responsible Investment Framework be approved.
2. That the Fund's voting and Local Authority Pension Fund Forum's (LAPFF's) engagement activity for the three months ending 31 December 2018, including Appendix 1 to the report be noted.
3. That it be noted that the issues discussed by LAPFF are set in the Quarterly Engagement Report which is available on the LAPFF website:
<http://www.lapffforum.org/publications/qrtly-engagement-reports/>
4. That other activity undertaken to ensure the Fund continued to develop and support its approach to Responsible Investment be noted.
5. That correspondence received from the Support Saudi Women campaign group and the Fund's response be noted
6. That the Fund's 2018 stewardship themes, which are climate change, cyber security and diversity be noted.
7. That work ongoing to consider issues raised in relation to the potential takeover of GKN Plc be noted.
8. That it be noted that the Fund had joined the 30% Club Investor Group and endorsed its Statement of Intent.

19

Shareholder Voting Update

Michael Marshall, Director of Responsible Investment and Engagement presented the report on a review of the Fund's UK Voting Principles. The report also sought to provide the Committee with assurance as to how shareholder voting activities would be carried out in the short and longer term, in particular during the initial transition of investment portfolios to LGPS Central. The Director of Responsible Investment & Engagement also proposed an amendment relating to the recommendation in the report relating to the provision of voting provider services.

Malcolm Cantello (Unison) asked how the proposal would affect the relationship with the Local Authority Pension Fund Forum (LAPFF). The Director of Pensions advised that it was separate and would have no effect on LAPFF. The recommendation concerned how the Fund would exercise its voting rights and avoided any change in voting services provider during the busy voting season.

In response to Malcolm Cantello, the Director of Responsible Investment and Engagement explained the references to '14 day GM facility' and 'M&A (Merger and Acquisitions) decisions' referred to in clause 3.3 in the Pensions Fund Voting Principles. He also confirmed that the Committee would receive training on the Fund's voting principles.

Resolved:

1. That it be agreed to novate the contract with Pirc Limited for the provision of voting services to LGPS Central until October 2018 to cover the busy voting period.
2. That the Fund's UK Voting Principles be noted.

20

Economic and Market Update - February 2018

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

Resolved:

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

21

Investment Strategy Statements Review

Jill Davys, Assistant Director – Investment and Finance presented for review and approval updated Investment Strategy Statements for the West Midlands Pension Fund (WMPF) and West Midlands Integrated Transport Authority Pension Fund (WMITAPF). Changes to the Main Fund strategy were mainly cosmetic. The changes to the ITA strategy were more significant relating to some realignment of investment strategy.

In response to Councillor Angela Sandison, the Assistant Director, Investment and Finance reported that one of the Fund's five updated core objectives, 'Investing to increase capacity', related more broadly to investing in employees, resources, technology, new ideas and options to increase capability and capacity across service areas to deliver the Fund's objectives as the Fund continues to grow in members, employers and assets values. This was covered in more detail in the Fund's Service Plan 2018-2023 at item 14 above.

Resolved:

That the revised Investment Strategy Statements (ISSs) drafted for the West Midlands Pension Fund and West Midlands Integrated Transport Authority Pension Fund be approved and it be noted that:

1. The ISSs have been prepared in line with the statutory requirements under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
2. The WMPF ISS had been updated to reflect changes to wider Fund policies referenced within the Statement.
3. The WMITAPF has been updated to reflect the restructuring of the strategic asset allocation benchmarks in line with a risk reduction strategy for the main employer in the Fund.
4. A copy would be published on the Fund's website.

22

LGPS Central Update

Rachel Brothwood, Director of Pensions outlined the key points from the update report on progress with the implementation of LGPS Central (asset pooling through the jointly owned investment management company LGPS Central Ltd).

Malcolm Cantello (Unison) thanked the Director for keeping members informed on the progress with setting up LGPS Central through the circulation of regular briefing notes. He reported staff at the Fund who would be transferring to LGPS Central under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE)

needed to be made aware of the regulations and any changes to their terms and conditions that LGPS Central would like to make. He added that the Trade Unions as a body had not been consulted and the Trade Union Regional Office had concerns. They related to whether there was a two tier pension structure developing where a Defined Contribution Pension Scheme benefit was provided by LGPS Central Ltd for those with salaries above a certain level. The Director of Pensions reported that the local Trade Union representatives had been involved in the employee briefings that had taken place and a regional official had also been invited to attend. Proposed changes to terms and conditions had been shared with the Unions at the start of the employee consultation process in October 2017. It was agreed that concerns would be raised with LGPS Central Ltd who were due to attend the training session following the meeting and the Director committed to ensuring any further information and consultation with union representatives be arranged, as required.

Resolved:

That the progress to date with the implementation of LGPS Central be noted.

23 **Exclusion of the Press and Public**

Resolved:

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

Part 2 - exempt items, closed to press and public

24 **Pooling - Transition Update**

Jill Davys, Assistant Director, Investments and Finance presented the update report on the plan for the transition of West Midlands Pension Fund's passive equity portfolios to LGPS Central internal passive equity sub-funds and on the arrangements for the transition.

Malcolm Cantello (Unison) asked how the West Midlands Pension Fund's interests would be identified in the three LGPS Central sub funds once other partner Funds transfer their assets into the sub funds. The Assistant Director, Investments and Finance reported that the Pensions Fund would own units in sub funds commensurate to the size of the investment.

In response to Councillor Angela Sandison, the Assistant Director Investments and Finance explained that Northern Trust was appointed as LGPS Central's custodian, following a in depth procurement exercise undertaken by the LGPS Central Programme team. Their appointment as Asset Servicer, covering a broad range of support services, was agreed with the Programme Board (including Section 151 officers across Partner Funds) in June 2017.

Resolved:

1. The transition of the following West Midlands Pension Fund passive equity portfolios to LGPS Central sub-funds be approved:
 - UK Passive Equity

- Global ex UK Passive Equity
- Global Dividend Growth Equity

2. That authority be delegated to the Director of Pensions and Assistant Director, Investments and Finance to make arrangements for the transition of internal passive equity holdings to LGPS Central.

25

Investment Pooling, Transitional and Legal Agreements

Rachel Brothwood, Director of Pensions presented the report on an overview of the legal agreements being put in place to transfer West Midlands' investment management functions and the first tranche assets into the first sub funds launched by LGPS Central; document charging structures with LGPS Central and cost sharing with Partner Funds; and outline services West Midlands would provide to LGPS Central.

Authority was sought to enter into any legal agreements required to complete the establishment of LGPS Central as service provider and the Pension Fund as client, ensuring continuity of management of Fund assets through the pooled implementation structure and in line with the agreed Investment Strategy Statements for the West Midlands Pension Fund and West Midlands Integrated Transport Authority Fund.

It was noted that concerns had been raised on the consultation with Trade Union representatives on the Transfer of Undertakings (Protection of Employment) (TUPE) arrangements and changes to terms and conditions and the Director undertook to ensure these were resolved before completing the transfer agreement.

Resolved:

1. That the Fund enter into agreements with LGPS Central Limited and other Partner Fund Administering Authorities within the LGPS Central pool, as required, to facilitate:
 - The transfer of investment management functions and employees whose employment is governed by the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) to LGPS Central Limited
 - Transitional arrangements (including continuation of proxy voting services) and data sharing
 - Provision of investment advisory, discretionary management and investment execution services to the West Midlands' Funds, as clients of LGPS Central
 - Subscription and transfer of assets to the first passive equity sub-funds launched by LGPS Central
 - LGPS Central's recovery of charges for its services and cost sharing between Partner Funds
 - LGPS Central's participation in the West Midlands' Pension Fund, pension cost sharing and guarantees from other Partner Fund Administering Authorities
 - Wider services in connection with the occupation of premises, facilities management and shared support services.
2. That the actions necessary to complete the production and review of the agreements noted in the report be noted.

3. That the Director of Pensions and the City of Wolverhampton Council Solicitor be authorised to enter into all necessary legal agreements to deliver the required contractual arrangements between all parties.

26 **West Midlands Pension Fund Custody Services**

Jill Davys, Assistant Director, Investments and Finance presented the report on proposals to review West Midlands Pension Fund's custodial arrangements in light of the transition of assets to LGPS Central.

Resolved:

That authority be delegated to the Director of Pensions and the Assistant Director of Pensions to review requirements for the custody of the Fund's assets and to make arrangements for any necessary changes in custody arrangements in light of the progress with asset transition under investment pooling.

27 **Asset Allocation and Investment Performance - West Midlands Pension Fund**

Jill Davys, Assistant Director, Investment and Finance reported on the key points from the quarterly asset allocation and investment performance of the Fund and on the implementation of its investment strategy for the period ended 31 December 2017. In doing so the Assistant Director responded to the Committee's questions on the performance in the private equity asset class and the maximum and minimum benchmark levels for growth assets; and steps being taken to and to address performance in private equities and to reduce the overweighting in growth assets.

Resolved:

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

28 **Asset Allocation and Investment Performance - West Midlands Transport Integrated Authority**

Jill Davys, Assistant Director, Investment and Finance presented the report on the performance on asset allocation and investment monitoring for the WMITA Pension Fund and on the implementation of its investment strategy for the period ended 31 December 2017.

Resolved:

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

29 **Investment Strategy and Activity Update**

Jill Davys, Assistant Director, Investment and Finance presented the report on an update on investment strategy and activity in the Fund over the last quarter (October to December 2017). The report included changes to the West Midlands Integrated Transport Authority (WMITA) strategic asset allocation; and an update on proposals for consolidation in the private equity portfolio as well as an overview on equity protection strategies.

Resolved:

1. That the update on investment strategy for the main Pension Fund and the proposed strategic asset allocation revisions for the WMITA Fund and progress towards implementation be noted.

2. That highlights of recent activity within the Pension Fund be noted.
3. That the proposed consolidation of the private equity portfolio upon completion of the private equity review be noted.

30 **Employer Covenant Update**

Simon Taylor, Head of Client and Funding presented the update on employer covenant monitoring including high profile cases under review; an update on the Fund's exposure to the Carillion collapse; the Fund's involvement in the Scheme Advisory Board; and an analysis of academy closures within the Fund.

Resolved:

1. That the update on Academies be noted.
2. That the update on the Fund's exposure to Carillion be noted.
3. That the process for procurement of covenant and legal advisers be noted.

31 **Guaranteed Minimum Pension (GMP) Reconciliation**

Simon Taylor, Head of Client and Funding Management presented the update report on the progress made by the Fund in the reconciliation of members contracted out records held by HM Revenue and Customs (HMRC) with the member data held on the Fund's pension administration system.

Resolved:

1. The appointment of ITM to undertake stage 2 of Guaranteed Minimum Pension (GMP) Reconciliation be approved.
2. That the action taken by the Fund on GMP reconciliation be noted.