

Attendance

Members of the Pensions Committee

Cllr Ian Brookfield (Chair)
Cllr Keith Inston (Vice-Chair)
Cllr Harbans Bagri
Cllr Alan Butt
Cllr Jasbir Jaspal
Cllr Stephen Simkins
Cllr Clare Simm
Cllr Jane Stevenson
Cllr Paul Sweet
Cllr Muhammad Afzal (Birmingham City Council)
Cllr Sandra Hevican (Sandwell MBC)
Cllr Angela Sandison (Solihull MBC)
Cllr Angela Underhill (Walsall 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 and Corporate Services - West Midlands Pension Fund
Amanda MacDonald	Client Lead Auditor - City of Wolverhampton Council
Claire Nye	Director of Finance - City of Wolverhampton Council
Amy Regler	Head of Operations - West Midlands Pension Fund
Holly Slater	Governance Officer - West Midlands Pension Fund
Simon Taylor	Head of Pensions - West Midlands Pension Fund

Part 1 – items open to the press and public

Item No. *Title*

- 1 Apologies for absence (if any)**
Apologies for absence were submitted on behalf of Councillor John Mutton (Coventry City Council), Councillor Paul Singh (City of Wolverhampton Council) and Martin Clift and Ian Smith (Unite Trade Union observer representatives).
- 2 Notification of substitute members**
No notification of substitute members were received.

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

There were no declarations of interests.

4 **Minutes of the previous meeting - 12 December 2018**

Resolved:

1. That the third paragraph to minute 5 (Matters arising) be corrected by the deletion of the words 'some employees' and the insertion of 'uniformed and non-manual employees'.
2. That recommendation 4 to minute 7 (Quarterly Investment Report to 30 September 2018) be corrected by the addition of the words 'Pension Fund' after the words 'Transport Authority'.
3. That recommendation 3 to minute 14 (Pension Administration Report from 1 July to 30 September 2018) be corrected by the addition of the words 'be noted' at the end of the sentence.
4. That subject to 1 to 3 above, the minutes of the meeting held on 12 December 2018 be approved as a correct record and signed by the Chair.

5 **Matters arising**

Rachel Brothwood, Director of Pensions reported that updates on the following matters arising from the minutes of the previous meeting were included in the agenda items specified:

- Minutes 5 and 12 (Matters Arising) concerning the Committee's concerns at the impact on the Fund of changes to the Local Government Pension Scheme impacting benefit administration at short notice - item 10 on the agenda.
- Minute 8 (Responsible Investment) and correspondence Councillor John Mutton had received on Fund investments - item agenda item 7.
- Minute 14 (Pensions Administration Report from 1 July to 30 September 2018) on the membership movement in the Main Fund - item 17 on the agenda

6 **Quarterly Investment Report to 31 December 2018**

Jill Davys, Assistant Director – Investments and Finance presented the report on a range of investment issues, primarily the economic and investment background and the quarterly performance of both the West Midlands Pension Fund and the West Midlands Integrated Transport Authority Pension Fund (WMITA PF). Supporting responsible investment activities was covered in a separate paper on the agenda for the meeting.

Malcolm Cantello (Unison) noted the variance between the investment strategies of the two employers in the WMITA PF. He asked whether there would be a coming together of the approaches the two had towards risk in the light of the proposed merger of the WMITA PF with the West Midlands Pension Fund. The Assistant Director – Investment and Finance confirmed that the two scheme employers were at different positions in terms of their, maturity, funding and resources and therefore had different strategies and approaches to risk. Rachel Brothwood, Director of Pensions added that the differential strategies were to be maintained for the closed transport fund.

In response to Malcolm Cantello about levels of cash held by the Main Fund, the Assistant Director confirmed that the Fund was holding cash for investment into income generating assets and to cover currency positions.

Councillor Angela Sandison noted performance in the global active equity portfolio and queried whether it had been affected by the Fund being underweight in the US. She asked, with weather events likely to become more extreme through global warming, should the Fund reduce its risk in the insurance linked fund. The Assistant Director acknowledged that global active equities were underweight in US equities and went on to explain the action to take out some of the risk exposure pending transition to a sustainable equity portfolio. Regarding the insurance linked fund; whilst recent performance in the sector had been poor, the ten-year performance was still showing a positive return. The Director of Pensions added that she noted the concerns and performance of the insurance linked funds for the period and confirmed that the Fund was taking a wider review of this market.

Councillor Claire Simm noted the reduction in the value of the Fund during the nine month period to date and asked whether this was typical for that part of the year. The Chair commented that there had been a global wide blip. The Fund took a long-term view of its investment value, noting the recovery already observed in the current quarter. It was noted that overall the Fund had performed well relative to its benchmark and against other LGPS and non LGPS peers.

Resolved:

1. That the global economic and market update paper prepared by the Fund's adviser, Hymans Robertson be noted.
2. That the quarterly performance reporting for the West Midlands Pension Fund be noted.
3. That the quarterly performance reporting for the West Midlands Integrated Transport Authority be noted.
4. That the updated benchmarking information received in relation to the Fund's investment performance and costs be noted.

7

Responsible Investment Activities

Rachel Brothwood, Director of Pensions took the Committee through the detailed report on the work undertaken by the Fund in relation to responsible investment since the last meeting.

Malcolm Cantello (Unison) asked, in light of the recent Climate Change conference in Krakow, was it necessary for the Fund to update its framework and strategy for managing the risks and opportunities presented by climate change. The Director of Pensions reported that no firm outcomes had emerged from the conference although there was a recognition that policy-makers were moving forward. The Fund's four-year framework will be reviewed annually, noting the pace at which policy was evolving.

Councillor Stephen Simkins suggested that the Fund should have a strategy for its involvement in new green technologies. The Director of Pensions reported that further information would be available to Committee as the Fund developed its investment in those areas.

Councillor Jane Stevenson asked whether the decision of President Donald Trump to withdraw the United States from the Paris Agreement on Climate Change was impacting on the stance companies were taking to climate change issues. The Assistant Director reported that she did not believe there had been a negative impact and companies were continuing to make progress in the US and investors continued to use their influence on companies to comply with the Agreement.

Commenting on the Fund's activity on the stewardship theme of diversity, Councillor Angela Sandison suggested that the best person for the job should be appointed rather than applying quotas. In agreeing with the point, the Chair said that some companies do not have an interest in the diversity agenda. The Fund was seeking to use its influence to make positive impacts on appointments. He thanked the Committee and the Fund for the way it used its powers in partnership and through its share holdings and voting activity to see positive change in company behaviour.

Resolved:

1. That the Fund's Framework and Strategy for Managing the risks and opportunities presented by climate change be approved.
2. That the Fund's voting and the Local Authority Pension Fund Forum's (LAPFF's) engagement activity for the three months ending 31 December 2018, including Appendix A to the report be noted.
3. That it be noted that the issues discussed in the LGPS Central Quarterly Stewardship Report which is available on the LGPS Central website:
<https://www.lgpscentral.co.uk/responsibleinvestment/>
4. That it be noted that the issues discussed by LAPFF are set in the Quarterly Engagement Report which is available on the LAPFF website:
<http://www.lapfforum.org/publications/qrtly-engagement-reports/>
5. That correspondence received from the DivestWMPF campaign group, and the Fund's response, together with a request to LAPFF to consider direct engagement with Lockheed Martin be noted.
6. That further work undertaken to develop the Fund's responsible investment approach be noted.

8 **Investment Strategy Statements Review**

Jill Davys, Assistant Director - Investment and Finance presented for review and approval the Investment Strategy Statements updated for the West Midlands Pension Fund and West Midlands Integrated Transport Authority Pension Fund (WMITA PF).

In response to questions from Malcolm Cantello (Unison), the Assistant Director confirmed that the smaller employer within the WMITA PF referred to in the report was Preston Bus Limited.

Councillor Stephen Simpkins informed the Committee that he was Champion for Air Quality on the West Midlands Combined Authority (CA). Issues relating to climate change would also be captured within the Transport Delivery Committee at the Combined Authority.

The Chair thanked the Fund's Senior Management team and employees who had been involved in the work behind the drafting and finalisation of the strategy statements included in this agenda item and elsewhere on the agenda for today's meeting.

Resolved:

That the revised Investment Strategy Statements (ISSs) drafted for the West Midlands Pension Fund (WMPF) and West Midlands Integrated Transport Authority Pension Fund (WMITAPF) 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 has been updated to reflect changes to wider Fund policies referenced within the Statement, as well as reflecting changes following the launch of LGPS Central Ltd
3. The WMITA PF ISS has been updated to reflect further restructuring of the strategic asset allocation benchmarks in line with a risk reduction strategy for both employers in the Fund
4. A copy of both Statements will be published on the Fund's website.

9

Funding Management Update

Simon Taylor, Head of Pensions asked that recommendation 1 in the published report be withdrawn as the Fund had extended consultation on the Funding Strategy Statement (FSS). The consultation period would end on 30 April 2019. The Head of Pensions presented the report on an overview of the proposed changes to the Funding Strategy Statement (FSS) following the release of LGPS Amendment Regulations. He explained the main change that related to the introduction of a provision to refund a surplus to an employer upon cessation, defined as an 'Exit Credit'.

In response to a question concerning the Exit Credits, the Head of Pensions advised that the Fund was not in surplus at Fund-level, but it did have some admitted bodies that were. He explained the changes that would take place in the light of LGPS Amendment Regulations and the proposed FSS. Rachel Brothwood, Director of Pensions expanded the discussion on 'pass through arrangements' that would be introduced in response to the Exit Credit legislation.

Resolved:

1. That authority be delegated to the Director of Pensions to finalise the Funding Strategy Statement and attaching Termination Policy, in consultation with the Chair of Pensions Committee, following the completion of the consultation with participating employers.
2. That the request to provide comment on the proposed changes to the Funding Strategy Statement and attaching Termination Policy as part of the consultation process be noted.

10 **Regulatory Update**

Rachel Howe, Head of Governance and Corporate Services presented the update report on forthcoming and potential regulatory changes across the Local Government Pension Scheme (LGPS). The Fund continued to see and manage a series of changes, with a number of consultations (both directly and indirectly) related to the LGPS issued within the last 3-6 months. With reference to an issue raised at the previous meeting (12 December 2018), the report contained a response from the Scheme Advisory Board to the Fund's letter on concerns on the late notice of potential scheme changes from April 2019 and the impact this had on the service the Administering Authority was able to provide to scheme members and employers.

The Chair informed the Committee that the Minister for Local Government had appointed him onto the Scheme Advisory Board.

Resolved:

That the current regulatory environment, consultations which could impact the Local Government Pension Scheme and the steps the Fund is taking to prepare for those changes be noted.

11 **Governance Update Report**

Rachel Howe, Head of Governance and Corporate Services reported on the main highlights from the update report on the work of the Fund in delivering a well governed scheme. The Committee was asked to approve statutory Governance Compliance and Administering Authority Discretion Statements for 2019.

The Chair thanked everyone who took part in the AON Governance Review, the outcomes from which had been extremely positive. He also referred to the Fund's participation in the Pensions Regulators 'deep dive' into ten Local Government Pension Scheme (LGPS) funds to further their understanding of the risks and challenges faced by Funds. The Regulator's visit to the Fund had gone well and they were satisfied with how the Fund was managed and run. He looked forward to seeing the Regulator's final report due to be issued in the summer.

The Director of Pensions agreed to circulate a link to the report from AON's Governance Review to members of the Committee.

Malcolm Cantello (Unison) asked about the extent of the liaison with investment managers on the late trades reported during the quarter October to December 2018. Rachel Howe, Head of Governance and Corporate Services advised that the Funds' custodian HSBC reported on the late trades and it was their action that led to the occurrences. The Assistant Director - Investment and Finance added that late trades could happen at any time and she undertook to follow up on the issues and report back to the Committee. The Chair informed the Committee that there was no detriment to the Fund due to the late trades but it was right that the Committee monitored the position and any impacts on the Fund.

In welcoming the increase in the production of Annual Benefit Statements (ABS) for Fund members from 70 % to 83% since the last meeting, Councillor Angela Sandison asked about the remaining 17%. The Director of Pensions reported that as part of the ongoing work to maximise production of benefit statements, the Fund had through dialogue with employers noted that of the total active membership records, 88% were believed to be eligible to receive a 2018 annual benefit statement. Steady progress was being made to close the gap.

Malcolm Cantello observed that undertaking training was missing from the 'roles of the members of the Committee' in the Governance Compliance Statement. It was agreed that this be included.

Resolved:

1. That the Governance Compliance Statement be approved subject to the inclusion of the role for members of the Committee 'To undertake training'
2. That the Administering Authority Discretion Statement for 2019 be approved.
3. That the top ten risks for this quarter and their movement be noted.
4. That the quarterly compliance monitoring be noted.
5. That the work of the Fund to continue maximising the production of Annual Benefit Statements for members be noted.
6. That the ongoing engagement with LGPS Central in further developing the good governance and reporting in line with the Government consultation on investment pooling be noted.
7. That the ongoing engagement with the Pensions Regulator in the review of the Fund's Good Governance assessment be noted.
8. That the outcome of the AON Hewitt governance review be noted.

12 **Internal Audit Plan 2019/2020**

Amanda McDonald, Client Lead Auditor, City of Wolverhampton Council presented an outline work programme for the Fund's internal audit for 2019/2020. 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.

The Chair asked about milestones during the year for the programme and whether the Committee would be informed of any areas of concern if they arise during the audit process. The Client Lead Auditor reported that the internal audit plan was agreed with the Fund's senior officers and progressed during the year. At the end of the year Internal Audit would report back to the Committee on progress made with the implementation of the plan. Any issues of significance that are highlighted during the audit would be reported to the Committee.

Resolved:

That the internal audit plan for 2019/2020 be noted.

13 **Business Performance and Data Management**

Rachel Howe, Head of Governance and Corporate Services presented an update on the work of the Fund to ensure ongoing review of service delivery which meets the standards and expectations of its members and employers.

Resolved:

1. That the Fund's Service Plan 2019-2024 be approved.
2. That the Fund's Key Performance Indicators be noted.

3. The progress of the Fund in delivering its Digital Transformation Programme be noted
4. The work ongoing to improve delivery of Data Management across the Fund as part of the review of the monthly submissions programme be noted.

14

Budget Monitoring 2018/2019 and Quarterly Accounts December 2018

An updated report was tabled. Jill Davys, Assistant Director – Investments and Finance reported on the key highlights from the update report on the forecast outturn for the year against operating budgets and quarterly accounts as at the end of December 2018 for the West Midlands Pension Fund and the West Midlands Integrated Transport Authority Pension Fund.

The Chair noted the breadth of work undertaken by the Committee and the Fund as highlighted in the committee reports presented. He also said that the Fund had been an industry leader in taking steps to report all its investment management costs but not all adopted the same practice, leading to some unfair comparisons.

Malcolm Cantello (Unison) asked whether the Fund's Investment Managers were complying with the Transparency Code. Jill Davys, Assistant Director - Investments and Finance reported that managers that work with LGPS Central had signed up to the Code and where the Fund goes out to tender it is a requirement for appointment. LGPS Central Limited was also a signatory to the Code. Work was ongoing to collate information for the 2019 year-end, with a notable increase in return rates as managers improved reporting. Malcolm Cantello welcomed that the investment managers were co-operating on this matter.

Resolved:

1. That it be noted that the quarterly accounts for the period ending 31 December 2018 show that:
 - the value of West Midlands Pension Fund at this date was £15.1 billion, a decrease of £281.8 million from 31 March 2018.
 - the value of West Midlands Integrated Transport Authority Pension Fund at this date was £491.5 million, a slight decrease from the £492m million as at 31 March 2018.
2. That it be noted that the West Midlands Pension Fund forecast outturn for the year against operating budgets as at the end of December 2018 is an underspend of £4 million primarily attributable to lower investment management costs.

15

External Audit Plan 2018/2019

Jill Davys, Assistant Director – Investments and Finance presented a report on the Fund's external auditors (Grant Thornton's) plan for the audit of the Fund's Annual Report and Accounts for 2018/2019. 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.

Commenting on the level of materiality as determined by the external auditors, Malcolm Cantello (Unison) said that he did not know of any organisation whose materiality level was set at such a high level. He also commented that the figure of £5.5 million for 'clearly trivial' was not trivial. The Chair commented that it was an external audit benchmark. Any issues identified below the materiality level would be picked up through internal audit process and addressed.

Resolved:

1. That the management responses to questions from the external auditors, Grant Thornton LLP, as part of their audit planning be approved.
2. That authority be delegated to the Chair of Pensions Committee to approve the final publication of the 2018/2019 Annual Report and Accounts following audit in July and approval of the draft Report by Committee in June 2018.
3. That the external audit plan for the 2018/2019 Annual Report and Accounts as prepared by Grant Thornton be noted.

16

Budget 2019/2020 and Financial Plan to 2023/2024

An updated report was tabled. Rachel Brothwood, Director of Pensions presented the report requesting approval for the Fund's operating budget for 2019/2020 and the medium-term financial plan for the five years up to and including 2023/2024. The Director informed the Committee that a higher operational budget for 2019/2020 was being requested to enable the Fund to build capacity to respond to higher service demands, enable project work to support transformation and ensure sufficient expertise in-house to deliver on the industry-leading policy frameworks in place.

Malcolm Cantello (Unison) requested a report on the Fund's staffing structure arising from the increased staffing budget. He also sought clarification on the proposed budget for External Investment Management costs which was at variance with the figure contained in the Budget Monitoring 2018/2019 and Quarterly Accounts December 2018 report elsewhere on the agenda. The Director of Pensions undertook to share more detailed information on the staffing structure with the Committee

Referring to the Fund's staffing budget for 2019/2020, the Chair reported that the Fund was looking to develop its people through workforce development and meet the challenge of recruitment and retention faced across the LGPS as a whole. Regarding the external management investment costs he noted that the area was difficult to forecast with a high level of accuracy due to scale of assets and variable performance fees. Until the invoices are received and cost transparency data captured the actual costs would not be known.

Malcolm Cantello also referred to the budgeted 6 % annual increase in External Investment Management costs during the life of the financial plan to 2023/2024. The Director of Pensions recognised that the projections were simplistic but that there were a number of unknowns which could impact future costs including changes to the Fund's investment strategy where a need for greater income-generating assets could result in re-allocation to more expensive assets, albeit still targeted to meet return and cashflow requirements.

The Chair said that he wanted to see greater transparency within the industry on the reporting of investment management costs.

Responding to a point of clarification from Malcolm Cantello, the Director of Pensions confirmed that there was an error with the opening and closing balances in tables 5 and 6 in the original published report. The first column should not have been included in both tables. The error had been corrected in the tabled report.

Resolved:

1. That the Operating Budget for 2019/2020 be approved.
2. That the Medium-Term financial plan for the period to 2023/2024 be approved.

17

Pensions Administration Report from 1 October to 31 December 2018

Amy Regler, Head of Operations presented the report on work undertaken by the pensions administration service during 1 October to 31 December 2018 for both the Main Fund and the West Midlands Integrated Transport Authority (WMITA) Pension Fund.

Malcolm Cantello (Unison) asked whether the Pensions Administrative Statement (PAS) covered occasions when delays in the production of Annual Benefit Statements (ABS) are caused by scheme employers and when an employer was the cause of a delay, whether the reason was communicated to the scheme member. The Head of Operations confirmed that the PAS looked at timeliness and quality of information received from employers. Where the Fund had to query information with the employer was where the delays often occurred. Member and Customer services representatives would feedback to employees the reasons for delays during their engagement with them. Also, if a scheme member contacted the Fund regarding an update on their request for information such as a quote, and a response had been held up pending receipt of information from their employer, the Fund would explain to them that the matter was with their employer from whom the Fund was awaiting information to issue a response. Rachel Brothwood, Director of Pensions reported that this was an area where the Fund wanted to invest in technology in order to have more timely engagements with employers, with quicker resolution for members. The Fund is developing reporting capabilities to assist management of queries internally and externally.

Councillor Angela Underhill asked whether the complaints the Fund received from scheme members were due to member lack of understanding of the regulations or a lack of clarity in the regulations. The Head of Operations reported that it could be both. The Fund utilises the member engagement events and face-to-face meetings to aid understanding. The Fund website is regularly reviewed and updated with information and work is ongoing to develop other channels for scheme member education.

In supporting the comments, the Chair added that the Fund was looking to build upon its communication about the Pension Fund. The video-shorts were proving a popular addition to the face-to-face meetings already taking place.

Resolved:

1. That the write-offs detailed in section 11 of the report be approved.

2. That the applications approved by the Director of Pensions and the Chair or Vice-Chair of Pensions Committee for admission to the West Midlands Pension Fund be noted.
3. That the pensions administration activity for both the West Midlands Pension Fund (the Main Fund) and the West Midlands Integrated Transport Authority Fund (the WMITA Fund), in particular the continued increasing work volumes be noted.

18 **Pensions Administration Strategy 2019**

Simon Taylor, Head of Pensions presented the report that outlined revisions to the Pension Administration Strategy (PAS), for approval in preparation for the revised strategy being implemented from April 2019. Consultations on the draft strategy commenced on 25 February and ended today, 27 March 2019. Eight observations were received during the consultation period. Having considered the observations, it was not proposed to alter the Employer Engagement Roadmap or Pension Administration Strategy. The eight respondents would receive a response to the point raised.

Resolved:

That the revised draft Pension Administration Strategy and associated Employer Engagement Roadmap be approved.

19 **Customer Engagement Update**

Simon Taylor, Head of Pensions presented the main highlights from the update report of the Fund's customer engagement activity from 1 October to 31 December 2018, in line with its Customer Engagement Strategy.

The Chair commented that customer engagement was of vital importance to the Committee. Therefore, whatever the Fund could do to demystify the pensions service to existing and prospective scheme members was welcomed.

Resolved:

1. That the revised Customer Engagement Strategy and associated Customer Engagement Plan (appendices C and D to the report) as outlined in section 12 to the report be approved.
2. That the engagement activity and informed service development be noted.

20 **Additional Voluntary Contributions Review**

Simon Taylor, Head of Pensions presented the report on a summary of the review of the Fund's Additional Voluntary Contribution (AVC) arrangements and the proposed changes to ensure they provide good value and options for members.

Malcolm Cantello (Unison) reported that the Fund previously had two providers of AVCs for its members. He asked whether the provision in the market enabled the Fund to offer an additional AVC provider to scheme members. The Head of Pensions reported that there are other alternatives. As part of the AVC review, consideration had been given to whether the Fund should have a second provider.

Rachel Brothwood, Director of Pensions added that the Fund had just under 5000 members who currently participate with the AVC arrangements. Part of the review of the arrangements was to challenge the current provider on a range of aspects including cost. Following responses to this and review of the market providers suitable for an LGPS fund, the Fund was not looking to extend the number of providers at this stage

Resolved:

1. That the proposed changes to the default fund and investment options provided to members who hold Additional Voluntary Contribution accounts with the Fund's provider Prudential, as summarised in section 4 of the report be approved.
2. That the work undertaken to monitor, review and enhance the arrangements for members with Additional Voluntary Contribution accounts be noted.
3. That the update in relation to the Equitable Life legacy additional voluntary contributions arrangement, with communications set for issue to members in coming months be noted.

21 **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 - items closed to press and public

22 **Investment Strategy and Activity Update**

Jill Davys, Assistant Director - Investments and Finance reported on the key points from the update report on investment strategy and activity in the West Midlands Pension Fund (WMPF) and West Midlands Integrated Transport Authority Pension Fund (WMITA PF) over the last quarter; on the product development plan and launches of LGPS Central Ltd sub-funds and arrangements for the Fund to transition assets. A summary of the key features and proposed response to the recent Minister for Housing, Communities and Local Government (MHCLG) consultation on draft statutory guidance on investment pooling was shared and discussed. A deadline of 28 March 2019 had been set for responses to be received.

Members of the Committee were invited to feedback any comments. The Director of Pensions informed the Committee that the reaction to the consultation had been mixed. It was an informal consultation that it was anticipated would be developed, pending responses, into updated statutory guidance.

Resolved:

1. That the delegation to the Director of Pensions and Assistant Director - Investments and Finance to agree the arrangements for the transition of Fund assets to LGPS Central Ltd Factor Based Low Carbon Equity sub-fund as appropriate be reconfirmed.

2. That the delegation to the Director of Pensions and Assistant Director - Investments and Finance to agree the arrangements for participation in an LGPS Central Ltd Infrastructure sub-fund as appropriate be reconfirmed.
3. That the update on investment strategies for the main Pension Fund and the WMITA Fund be noted.
4. That highlights of recent activity within the Pension Fund be noted.
5. That progress on the development of the sustainable equities mandate be noted.

23 **LGPS Central Ltd Shareholder Update**

Rachel Brothwood, Director of Pensions presented the update on LGPS Central Shareholder activity and on a summary of the outcomes of the Shareholder Forum and General Company meeting in February 2019.

Jill Davys, Assistant Director - Investments and Finance responded to a question from Malcolm Cantello (Unison) regarding two sub funds/mandates referred to in the Asset Transfer Plan appended to LGPS Central's Strategic Business Plan.

Resolved:

1. That the strategic business plan and operating budget for 2019/2020 approved for LGPS Central Limited be noted.
2. That observations from the Company's first year and deliverables set for 2019/2020 be noted.
3. That items approved by Shareholders in relation to the appointment of the new Chief Executive, remuneration, pay increases and appointment of Non-Executive Directors be noted.

24 **Procurement**

Amy Regler, Head of Operations reported on progress with the programme of work to procure key professional services and advisors, which included the selection of Covenant Advisors, Risk and Investment Advisors, Hybrid Mail provider, and the appointment of investment managers (together with a transition manager) to deliver the Fund's Sustainable Global Equity Mandate.

The Chair asked how the appointment of a Hybrid Mail provider would affect the current delivery of the Fund's printing and mailing functions, and the level of interest expressed by local authorities in the contract. The Head of Operations reported that the service was currently delivered in-house and the proposal was for it to be outsourced and to deliver a reduction in overall costs per year. The Fund had engaged with local authorities in the region on their print operations ability and capacity to deliver on the Fund's requirements. The proposed contract would be for a two-year period with the option to extend the contract for a further two years.

Resolved:

That the progress made with procurement activities and the appointment of a number of key providers and advisers be noted.

West Midlands Integrated Transport Authority Fund

Rachel Brothwood, Director of Pensions updated the Committee on the potential merger of the West Midlands Integrated Transport Authority Pension Fund (WMITA PF) and the West Midlands Pension Fund (WMPF), in response to the Government Actuary Department's (GAD's) recommendation to the Ministry of Housing, Communities and Local Government (MHCLG), that the Administering Authority develop a plan to address the employer-risk inherent within the closed WMITA PF.

The due diligence work on the proposal had not raised any material barriers to date. The Director drew the Committee's attention to the outcomes envisaged following informal discussion with key stakeholders about the proposal. Statutory consultation on final proposals would be undertaken prior to completion.

Resolved:

1. That authority be delegated to the Director of Pensions in consultation with the Chair of Pensions Committee to complete a review of the final application to the Ministry of Housing, Communities and Local Government (MHCLG), subject to receiving necessary assurance that the merger meets the criteria set by the Pensions Committee in September 2018.
2. That development of a draft application to MHCLG following dialogue with key stakeholders on the potential merger of the West Midlands Integrated Transport Authority Pension Fund with the West Midlands Pension Fund resulting from recommendations made by the Government Actuary Department in the Section 13 report on LGPS scheme funding be noted.