

Attendance

Members of the Pensions Board

Employer representatives

Paul Johnson
Joe McCormick (Vice-Chair)

Employee representatives

Sharon Campion (Chair)
Steve Carter
Michael Foxall
Cllr Hazel Malcolm
Adrian Turner

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
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**
Apologies for absence were submitted on behalf of Jan Britton, Jacqueline Carman and Mike Sutton.
- 2 **Declarations of interests**
No declarations of interests were made.
- 3 **Minutes of the previous meeting - 25 September 2018**
With reference to minute 3 (Apologies for absence), Rachel Brothwood, Director of Pensions welcomed onto the Board Michael Foxall, who had been nominated by the Unite trade union to replace Lee Nash following his resignation.

With reference to minute 7 (Annual Governance Report 2018) and the discussion on the composition of Local Pensions Boards across the Local Government Pension Scheme (LGPS), the Director of Pensions reported that discussions were ongoing nationally to look at how Local Pensions Boards have been set up and are operating,

with surveys by the Pensions Regulator and a further survey expected from the Scheme Advisory Board. An update on the findings from these will be presented at a future meeting. The Director also reported that the Board now had moved to a four meeting per annum schedule. There would be an additional meeting on 30 April with proposed dates for meetings during the 2019/2020 Municipal Year to be confirmed and circulated to Board members as soon as possible.

With reference to minutes 9 (Data Quality and Employer Performance) and 11 (LGPS Central Update), Adrian Turner requested an update on the production of Annual Benefits Statements (ABS) and the appointment of a replacement Chief Executive Officer (CEO) for LGPS Central. The Director of Pensions reported that the Fund was continuing to prepare and issue benefit statements and had delivered ABS for 80% of the Fund's active member records. Data cleansing work has identified that a number of statements cannot be produced due to incomplete salary records, in many cases linked to members leaving the scheme. Work continues to cleanse and update records to maximise issue of information to members. Regarding LGPS Central, the Director confirmed that Andrew Warwick-Thompson had now left the Company and John Burns, Chief Operating and Financial Officer had been appointed interim CEO, pending a permanent replacement. Interviews had taken place and it was expected that an appointment would be announced in February 2019.

Resolved:

That the minutes of the previous meeting held on 25 September 2018 be approved as a correct record and signed by the Chair.

4 **Service Development Report**

Rachel Howe, Head of Governance and Corporate Services presented the update report on the Fund's delivery of its Service Plan, associated service development programmes and emerging themes that the Fund would need to prepare for and navigate to ensure it remained effective in the delivery of a high-quality service to our members and employers.

In response to Paul Johnson, Rachel Brothwood, Director of Pensions confirmed that the Fund was on track to meet the target date for all staff to annually undertake mandatory General Data Protection Regulation (GPDR)/ refresher GDPR training, as referred to in the Internal Audit Report on GDPR Review 2018/2019.

Resolved:

1. That the Fund's delivery of its Service Plan 2018 – 2023 priorities be noted.
2. That the recent GDPR audit review and the work of the Fund in delivering the changes to Data Protection Law be noted
3. That the recent awards and accreditations at the Fund be noted.
4. That the update on the Workforce Development Strategy be noted
5. That the update on the Fund's Digital Transformation Programme be noted.
6. That the forthcoming challenges and opportunities be noted.

5 **Governance Update September to December 2018**

Rachel Howe, Head of Governance and Corporate Services presented the update report on the work of the Fund in delivering a well governed scheme through the management of effective internal controls and a performance monitoring framework.

Referring to the section of the report on nominations to the Local Pensions Board, Rachel Brothwood, Director of Pensions noted that in line with the Board terms of reference, gaps in a member representative's record of attendance and training had been identified and escalated. The Fund had written to the member but had not received any response. Therefore, following consultation with the Chair, it is proposed to offer the member's seat as vacant for appointment by the trade union. The Director also informed the Board that as requested, training and attendance records would be shared with all Board members for review prior to publication. A summary of the Board's training hours was tabled for information and/or correction by Board members, as required.

Paul Johnson observed that the Fund's risk register was for the quarter July to September 2018. He assumed that there was a timing issue in the production of the register but asked if in future the Board could receive the latest view on key performance indicators. The Director of Pensions confirmed that there was a timing issue and undertook to take on board the request. The Director also reported that for the meeting on 30 April 2019 the Board would receive information for the quarter ended 31 March 2019.

The Director of Pensions reported that as part of the external governance review of the Fund, AON had asked to collate the Board's thoughts on how it functioned and was served by the Fund. The Board was invited to complete the brief questionnaire as part of the external review exercise.

Resolved:

1. That the West Midlands Pension Fund Local Pensions Board Workplan for 2019/2020 be approved.
2. That an Appointments Panel comprising the Chair and Vice-Chair of the Board, Paul Johnson, Adrian Turner and the Director of Pensions be convened to receive nominations for the year 2019/2020.
3. That the seats previously held by Mike Sutton and a Unite trade union be confirmed for nomination.
4. That the Fund's ongoing review of the policy on Termination for Employers and Funding Strategy Statement following the recent change in legislation be noted.
5. That the Fund's risk register and the mitigations in place to manage risk at the Fund be noted.
6. That the Fund's Key Performance Indicators be noted.
7. That the monitoring of and actions taken to manage potential and actual breaches of the law be noted.
8. That the initial outcomes of the AON governance and administration review be noted.
9. That the total number of training hours of Pension Board members year to date be noted.
10. That the completion of the Pension Regulator scheme return be noted.
11. That the progress in delivering benefit statements to members be noted.

Data Improvement Strategy Monitoring Report

Rachel Howe, Head of Governance and Corporate Services presented the update report on an overview of the Funds delivery against its Data Improvement Strategy.

Referring to the section of the report on Annual Benefits Statements 2018, Rachel Brothwood, Director of Pensions added that the Fund was not where it wanted to be on the monthly submissions programme with work still to do to streamline the process and enable the wider reporting back to employers, as originally planned. That said, the Fund had been commended by Government for moving to a monthly submissions programme and development work continues. It was expected that all Local Government Pensions Schemes would be asked to follow the example set by the Fund.

Resolved:

That the work undertaken by the Fund to deliver its Data Improvement Strategy be noted.

7

Pensions Administration Report- 1 June - 30 November 2018

Simon Taylor, Head of Pensions presented the report on the work undertaken by the pensions administration service during the period 1 June to the end of November 2018 for both the Main Fund and the West Midlands Integrated Transport Authority (WMITA) Fund.

Councillor Hazel Malcolm asked if a timescale had been set for when the Fund anticipated it would see improvement and achievement in the targets and key performance indicators that had been affected by the high volumes of incoming work during the reporting period. The Head of Pensions reported that it was hoped that the factors relating to the change in the SCAPE discount rate (underpinning a number of scheme benefit calculations including internal and external (CETV) transfers) would be implemented as soon as possible. With the plans being put in place to deal with the volumes of work it was hoped to be on track within the next few months.

Steve Carter noted the number of requests being received on a monthly basis for deferred member retirement quotes and asked what percentage were being responded to. The Head of Pensions undertook to report back with the figures to a future meeting. Rachel Brothwood, Director of Pensions added that the Fund had been recruiting to the team for some time and had diverted resources to support the team. It also agreed to prioritise requests for retirement quotes for people actively looking to retire. The team had a plan to deal with the backlog requests for retirement quotes and it was expected to be on track within the next couple of months. The increased volume of processing had been driven by an amendment to the scheme regulations in May 2018 allowing deferred members to access their benefits at the age of 55. The Fund had no control over the scheme changes or the increased activity that resulted. In order to manage these changes, the Fund needed more notice. This point had been raised with the Scheme Advisory Board following discussion with Pensions Committee.

Joe McCormick asked about the academies that have left the Fund. The Head of Pensions explained that they had either ceased with students transferred to other academies or gone into insolvency and placed in the hands of administrators.

In response to a call from the Chair on what the Board could do to help address the issues highlighted in the report, the Director of Pensions noted the letter which has been issued on behalf of the Pensions Committee to LGA, outlining the concerns of the Fund on the timeliness of benefit changes and invited the Board to feed through to the Fund their thoughts on how the Fund could address the challenge of communicating with the wider member and employer base.

Resolved:

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.

8 **Customer Engagement Update**

Simon Taylor, Head of Pensions presented an update of the Fund's customer engagement activity to date, in line with its Customer Engagement Strategy.

Councillor Hazel Malcom asked what the Fund was doing to engage with the younger age range to make them aware of the benefits of the pensions scheme. The Head of Pensions reported that the Fund was working with larger employers on their induction programmes to deliver a presentation on the scheme to new employees. Targeted communications were also issued to promote the scheme to younger people, to compliment media coverage. Social media and Twitter were methods that were being considered. Auto enrolment, the Government's initiative, also brought more people into the pension scheme.

Joe McCormick asked about the take up after auto enrolment. The Head of Pensions reported that take up following the first tranche of auto enrolment was low. The second tranche was being monitored to see the retention rate from auto enrolment.

Rachel Brothwood, Director of Pensions added that in terms of engaging younger people on the scheme, online video shorts, enabling pension portal access via mobile phones; use of the Funds Workforce Development Strategy and the introduction of the graduate and trainee programme; getting more young people working in the pensions service were ways the Fund could engage with younger people. The Fund's responsible investment strategy and the way it voted on issues such as disclosure on actions to address climate change risks also resonated with issues of particular interest to younger members.

Resolved:

1. That the draft 2019 employer survey be approved
2. That the engagement activity and informed service development be noted.

9 **Preparations for 2019 Actuarial Valuation**

Simon Taylor, Head of Pensions presented the report on an overview of the 2019 actuarial valuation process, deliverables and context in preparation for the review of funding strategy and employer contribution rates.

Resolved:

That the report and the associated preparatory work and planning for the 2019 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.

10 **West Midlands Integrated Transport Authority Fund**

Rachel Brothwood, Director of Pensions presented the report on an update on considerations in relation to the West Midlands Integrated Transport Authority Pension Fund (WMITA PF) and the West Midlands Pension Fund (WMPF), in response to the Government Actuary's (GAD's) recommendation to MHCLG, that the Administering Authority develop a plan to address the employer-risk inherent within the closed WMITA PF.

Joe McCormick asked about the timescale for a proposed merger of the two Funds and whether there were any precedents for other Transport Authority Pensions Funds merging. The Director of Pensions reported that timing to align with the 31 March 2019 year-end and actuarial valuation would be most beneficial from an operational perspective but acknowledging the parliamentary process and more pressing issues currently on the agenda, it may require a later date.

Adrian Turner asked about the benefits from the proposed merger of the Funds and the Pension Committee's view on the proposal. The Director of Pensions reported that the financial benefits were limited but that there were operational efficiencies. The Director of Pensions also noted the potential for the Government to direct change based on the Section 13 report.

Resolved:

1. That publication of the GAD Section 13 report be noted.
2. That the approval in principle from the West Midlands Combined Authority (WMCA), to merger the West Midlands Integrated Transport Authority Pension Fund into the West Midlands Pension Fund be noted
3. That further legal due diligence work being undertaken to develop a proposal for wider consultation be noted.

11

LGPS Central Investment Pool Update

Jill Davys, Assistant Director, Investments and Finance presented an update on the ongoing development of LGPS Central Ltd.

The Chair referred to new Chartered Institute of Public Finance and Accountancy (CIPFA) Guidance requiring all Pension Funds to fully disclose progress and costs in relation to both the ongoing management of the investment pool and transition. She asked whether the partner Funds of LGPS Central would be reporting their costs individually or as part of the Pool. The Assistant Director, Investments and Finance reported that each Pension Fund would be required to produce its own Annual Report and Accounts and report on its costs in accordance with the new CIPFA reporting format.

Resolved:

- That the update on the LGPS Central investment pool be noted.