

Attendance

Members of the Pensions Board

Employer representatives

Jan Britton
Jaqueline Carman
Paul Johnson
Joe McCormick

Employee representatives

Sharon Campion
Steve Carter
Councillor 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
Amy Regler	Head of Operations - West Midlands Pension Fund
Holly Slater	Governance Officer - West Midlands Pension Fund

Part 1 – items open to the press and public

Item No. *Title*

- 1 Election of Chair**
Resolved:
That Sharon Campion be elected Chair of the Board for the remainder of the 2018/2019 municipal year.
- 2 Election of Vice-Chair**
Resolved:
That Joe McCormick be elected Vice-Chair of the Board for the remainder of the 2018/2019 municipal year.
- 3 Apologies for absence**
Apologies for absence were received on behalf of Councillor Phil Page and Mike Sutton.

The Board was also informed that Lee Nash had resigned from the Board. Officers were currently going through the process of seeking the nomination of a replacement representative from the Trade Union, Unite. Rachel Brothwood, Director of Pensions proposed that once the nomination was received, rather than wait until the next meeting of the Board in January 2019, the Chair and Vice-Chair of the Board would be asked to approve the nomination via email.

4 **Declarations of interests**

No declarations of interests were made.

5 **Minutes of previous meetings**

Resolved:

1. That the minutes of the meeting held on 23 January 2018 be approved as a correct record.
2. That the minutes of the meeting held on 3 July 2018 be noted.

6 **Matters Arising**

With reference to minute 9 of the meeting on 3 July 2018 (Policy Review Update 2018), particularly the discussion around membership of the Board, and attendance at meetings and training sessions, Rachel Brothwood, Director of Pensions reported that the Fund had written to one member, Paul Sayers. A response was awaited.

Adrian Turner asked whether the Board could be provided with a list of Board Member attendance at meetings and training sessions over the last 12 months. The Director of Pensions confirmed that the Fund maintained that information and it would be included in the papers for future meetings to the Board.

7 **Annual Governance Report 2018**

Rachel Howe, Head of Governance and Corporate Services presented the report on the work undertaken by the Fund in relation to its governance throughout the 2017/2018 year and preparation for 2018/2019 year.

Referring to the Board's proposed terms of reference, particularly the paragraph on membership, discussion was had on the membership of the Board in relation to elected Councillors. In answer to a question, Rachel Brothwood, Director of Pensions confirmed that membership of other Local Pensions Boards across the LGPS had elected Councillors from the Administering Authority and that the regulations governing the membership of Local Pension Boards permit, with appointment as employer or member representative, elected councillors to take up seats on the Board.

Steve Carter asked whether the Fund had contacted organisations outside of local authorities to gauge their interest in becoming members of the Board and whether there were external organisations represented on the Board. The Director of Pensions advised that the Fund had not opened up the membership of the Board to the wider employee side as member representatives were appointed via the Trade Unions. It had however, sought and secured representatives from the employer side outside the local authority. Jaqueline Carman (university representative) and Joe McCormick (academy representative), both present, were two examples of employer representatives who had responded to the open invitation.

The Chair asked for clarification on, if the Board's terms of reference previously included elected councillors could the Board now review that position. The Director of Pensions reported that officers had considered discussion at previous meetings and put forward draft terms of reference for review and approval. Changes had been made to the terms of reference relating to frequency of meetings, the quorum, nominations to the Board. The changes would contribute to the effective functioning of the Board going forward.

At the end of the discussion and with no other views being expressed, the Chair suggested that the Board note the comments raised in relation to membership and requested officers write out again with the findings of their review of elected councillors on pensions boards and the position elsewhere in the country. Councillor Hazel Malcolm asked that the expectations of elected councillors on the Board also be clarified in the note.

Referring to the proposed increase in the frequency of Board meetings from two to four times per year as set out in the draft terms of reference, the Director of Pensions reported that the next meeting of the Board was set for 22 January 2019. A further meeting would be scheduled on the date to be confirmed in April 2019. Thereafter four quarterly meetings would be scheduled during a year. The meetings would be scheduled to follow meetings of the Pensions Committee.

Resolved:

1. That the Terms of Reference for the 2018/19 year be approved.
2. That the Fund's risk register and the mitigations in place to manage risk at the Fund be noted.
3. That the proposed training throughout the year with reference to the knowledge and skills framework be noted
4. That the progress of the Fund in delivering benefit statements to members be noted.
5. That the feedback analysis from the Fund's Customer Engagement Strategy be noted.

8 **Policy Review Update 2018**

Rachel Howe, Head of Governance and Corporate Services presented the report on an overview of the Fund's statutory duty and good practice policies. The Pension Committee adopted the policies for the year 2018/2019.

Rachel Brothwood, Director of Pensions informed the Board that the Pension Fund had noted an increase in activity for responsible investment information responses. The Fund was regularly contacted for information relating to its investment decisions. The Fund dealt with these requests on a daily basis. The Director invited Board members to reach out to the Fund if contacted by the public or organisations in this way. The Fund's officers who could assist them with their response or direct them and the inquirers to the Fund's various policies in response to the enquiry.

Resolved:

1. That the Board promote the Fund's Customer Engagement Strategy amongst their representative groups.
2. The actions taken by the Fund to review the Policies in line with the Annual Review Plan be noted.
3. The Fund's updated Customer Engagement Strategy and Responsible Investment Framework be noted.

9 **Data Quality and Employer Performance**

Rachel Howe, Head of Governance and Corporate Services presented the update report on the work of the Fund in the area of data quality and to provide assurance on the action the Fund was taking with employers to improve scheme record keeping and enable issue of benefit information to members.

The Board discussed the performance on the production of 2018 Annual Benefit Statements and the rolling benefit statement project that had been implemented by the Fund to maximise the delivery of the 2018 annual benefit statement. The Board noted that the Fund had self-reported to The Pensions Regulator on the issuance of its active member benefit statements by 31 August 2017 and would be self-reporting for the late issue of the 2018 statement. The Board asked a number of questions on how the situation arose and the plans to address performance. In response to questions the Board was informed that the transition to the monthly submission process was a 2-year programme which required a number of system changes both at the Fund and with employers. The Fund acknowledged that time was needed to embed the changes to the system and the Fund was working with the software provider to further develop the process.

Over 600 employers had now converted to the new process, with the Fund managing a combination of annual and monthly returns to enable delivery of benefit statements in the first year.

Regarding employer performance against data quality, the Chair also asked why so many scheme employers were not informing the Fund when their employees were considering retiring. The Head of Governance and Corporate Services reported that it was a question of timeliness of the notification to ensure that the Fund was able to provide scheme members with the information they need at the time they need it rather than a failure to notify the Fund. In response to Adrian Turner the Head of Governance confirmed that employer performance would be discussed at the Annual General Meeting in November 2018.

Resolved:

1. That the implementation of monthly submissions as business as usual be noted.
2. That the quality of data held by the Fund and the comparison on quality for the 2016/17 and 2018/19 year be noted.
3. That the performance of employers in the area of data quality be noted.
4. That the Changes made to maximise production of 2018 Annual Benefit Statements be noted.

10 **Annual Report and Accounts 2017/2018**

Jill Davys, Assistant Director, Investments and Finance presented the report on the preparation, approval and audit of the Statement of Accounts and the Annual Report for the year ending 31 March 2018 and the latter's publication on the Fund's website. The Annual Report was being finalised and would be uploaded to the website once external audit completed their review. There had been an earlier closedown timetable for the audit of the statement of accounts. The deadline had been achieved but it had been a challenging period for the Fund with a complete change of the Finance Team, implementation of new processes and systems and the transition of employees and assets to LGPS Central during the closedown period. The West Midlands Integrated Transport Authority Fund statement of accounts had also been produced and received a satisfactory audit.

Jacqueline Carman asked whether the setup costs for LGPS Central were captured within the statement of accounts. The Assistant Director reported that it was contained within the Investment Management costs. A separate report on LGPS Central was included on the agenda which detailed the setup costs for the Company.

Resolved:

1. That it be noted that the Statement of Accounts for West Midlands Pension Fund (WMPF) for the year ending 31 March 2018 was audited and completed by 31 July 2018.
2. That it be noted that the draft Annual Report and Accounts for WMPF were considered by Pensions Committee on 5 September and the annual report was now subject to audit by the Fund's external auditors, Grant Thornton
3. That it be noted that the accounts for the West Midlands Integrated Transport Authority (ITA) for the year ending 31 March 2018 were audited and completed on 20 July 2018.

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LGPS Central Update

Jill Davys, Assistant Director, Investments and Finance presented an update on the ongoing development of LGPS Central Ltd, a jointly owned investment management company established by West Midlands Pension Fund and seven partner Funds to deliver investment pooling in accordance with the criteria laid down by the Secretary of State. In doing so she informed the Board that the, Chief Executive of LGPS Central Ltd, Andrew Warwick-Thompson, would be stepping down. The Company's Board would seek a replacement and it was anticipated that the Chief Executive would remain in post for roughly six months until they could recruit a replacement.

Councillor Hazel Malcolm commented that six months was a short time to recruit a suitable replacement and she asked about the risks from the loss of a senior figure at the company. Rachel Brothwood, Director of Pensions reported that the recruitment of a replacement would be the responsibility of the Board of LGPS Central Ltd, but Fund officers continue to work closely with the Investment Directors and executive team and the team continue to grow. The search for a replacement is expected to start shortly and will be focused on taking LGPS Central Ltd forward in the next phase of its development.

The Chair referred to the estimated setup costs for LGPS Central and asked whether the figure was likely to rise. The Assistant Director - Investments and Finance reported that the estimate of £50 million in the initial business case included transition costs for the movement of assets from one investment vehicle to another. It would therefore vary, dependent upon how and to when assets moved.

Resolved:

That the update on LGPS Central progress be noted

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Regulatory Update 2018

Rachel Howe, Head of Governance and Corporate Services gave a brief update to the report presented to the meeting on 3 July 2018 regarding regulatory updates and guidance from national bodies and on the steps taken by the Fund to ensure its compliance. LGPS Central had signed up to the cost transparency mark. On the National Scheme Advisory Board (SAB) review of issues around academisation of local authority schools, a report from PWC on options for academies would be presented to two working groups established by the SAB.

Resolved:

That the regulatory updates from the Scheme Advisory Board and the Pensions Regulator and the work of the Fund to ensure it has effective arrangements in place to ensure compliance be noted

13 **Internal Audit Plan 2018/2019**

The Board received the report presented to the meeting on 3 July 2018 on an outline of the work programme for internal audit work during 2018/2019 and on the outcome of work on the programme from the previous year. There was no further update to the report.

Resolved:

1. That the internal audit plan for 2018/2019 be noted.
2. That the internal audit annual report for 2017/2018 be noted.

14 **Pensions Administration Strategy 2018**

Simon Taylor, Head of Pensions presented a brief update to the report considered at the meeting on 3 July 2018 on revisions made to the Pension Administration Strategy (PAS) and the publication of an associated Employer Engagement Roadmap, as approved by Pensions Committee on 20 June 2018. The update in the strategy relating to changes to the charging and re-charging structure was being introduced in a targeted manner and was to deal with poor performance and timeliness and accuracy of data. The charges would be kept under review. He also reported that there would be an annual review of the Pensions Administration Strategy.

Resolved:

That the revised draft Pension Administration Strategy be noted.

15 **Pensions Administration Report**

The Board received the update report presented to the meeting on 3 July 2018 on the work undertaken by the pensions administration service during the period 1 January to 31 May 2018 for both the Main Fund and the West Midlands Integrated Transport Authority Fund. Simon Taylor, Head of Pensions said that there was no further update to report.

Resolved:

That the pensions administration activity for both the West Midlands Pension Fund (the Main Fund) and the West Midlands Integrated Transport Authority Fund be noted.

16 **Customer Engagement Update**

Simon Taylor, Head of Pensions presented an update to the report considered at the meeting on 3 July 2018 relating to the Fund's customer engagement activity to date, in line with its Customer Engagement Strategy. He gave a flavour of the feedback from the employer survey, a detailed report on which would be submitted to the next meeting of the Board. He reported that the number of members registered to manage their pension benefits on line had increase from 56,920 to circa 66,000; and that the Annual General Meeting (AGM) would be held on 13 November 2018 at the Molineux Stadium.

Rachel Brothwood, Director of Pensions confirmed that the invites for the AGM had gone out to all members. Data quality, feedback from the employer survey and areas for further development would be discussed. She hoped that as many of the Board could join her at the meeting.

Resolved:

1. That the engagement activity to date and plans for future engagement on the horizon be noted.
2. The announcement made by Prudential and the associated review of service be noted.