

Attendance

Members of the Pensions Committee

Cllr Milkinderpal Jaspal (Chair)
Cllr Keith Inston
Cllr Phil Page
Cllr Clare Simm - V
Cllr Paul Singh
Cllr Bally Singh (Coventry City Council)
Cllr Councillor Alan Taylor (Dudley MBC)
Cllr Craig Collingswood (Vice-Chair)
Cllr Andrew Randle
Cllr Tersaim Singh
Cllr Paul Sweet - V
Cllr Stephen Simkins
Cllr Vera Waters (Walsall MBC) - V

Trade Union observers

Malcom Cantello (Unison)
Martin Clift (Unite)

Employees

Rachel Brothwood	Director of Pensions - West Midlands Pension Fund
Rachel Howe	Head of Governance and Corporate Services - West Midlands Pension Fund
Claire Nye	Director of Finance - V
Amy Regler	Head of Operations
Lauren Pote	Governance Support Officer
Jennifer Pearce	Senior Auditor - V
Amanda MacDonald	Audit Business Partner
Rachael Lem	Responsible Investment Officer
Darshan Singh	Head of Finance
Tom Davies	Assistant Director – Investment Strategy
Hayley Reid	Regulatory Governance Manager
David M Rowley	Grant Thornton - V

Part 1 – items open to the press and public

Item No. *Title*

- 1 **Apologies for absence (if any)**
Apologies were received from Cllr Phil Davis, Cllr Angela Sandison , Cllr Peter Allen, Janice Wadrup (GMB), and Ian Smith (Unite),

It was noted that the meeting was inquorate; it was agreed that the meeting would continue on an informal basis and acknowledged that any decisions made must be ratified when the meeting was quorate.

2 **Notification of substitute members**

None.

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

None.

4 **Minutes of the Previous Meeting**

Malcom Cantello, Trade Union Representative, recommended that the resolution listed on page 12 of the minutes of the previous meeting be rewritten.

Resolved:

That the minutes of the previous meeting held on 23 June 2021 be approved as a correct record.

5 **Matters arising**

Cllr Alan Taylor noted that he had not received a response to a previous query raised at the June 2021 meeting in regard to the Fund's statement of accounts. Specifically, a figure in relation to the Fund's leasehold properties. Darshan Singh, Head of Finance informed the Committee that the statement of accounts had been amended to reflect the query and thanked Cllr Alan Taylor for his contribution.

Rachel Brothwood, Director of Pensions advised the Committee that an appointment to the Assistant Director, Investment Partnerships post had been made and that the successful candidate was expected to start before the end of this calendar year. The Director of Pensions thanked those on the Committee who contributed to the appointments panel.

The Director of Pensions also advised the Committee that the consultation for the Fund's Pensions Administration Strategy (PAS) had concluded and the reviewed document had been published on the Fund's website.

6 **Climate Change Framework and Strategy 2021-2026**

Rachel Brothwood, Director of Pensions presented the report on the Fund's revised and updated Climate Framework and Strategy 2021 for Committee discussion and approval.

The Director of Pensions confirmed that the updated Climate Change Framework and Strategy was grounded within the Fund's investment beliefs and consisted of a three-pillar approach to integration, stewardship, and disclosure, setting short-term action, medium targets and longer-term ambition.

The five-year programme would be updated no later than 2026 and progress would be reviewed and disclosed annually.

In response to a series of questions raised by those attending, Rachel Brothwood, Director of Pensions confirmed that the Fund's strategy set out a plan for the next five years, noting that the COP26 summit is expected to provide a catalyst for increased pace of government and corporate action. The Director of Pensions noted there was currently direct regulation applicable to LGPS Funds' response and reporting on Climate Change. They highlighted that the Fund was continuing to take a holistic approach across investment, funding, covenant and its own operations.

At the time of presenting the report, the meeting was not quorate due to delayed attendance in persons, which was resolved at 10:34 when the resolutions were formally adopted.

Resolved:

1. That the Pensions Committee approve the Fund's Climate Change Framework and Strategy for 2021-2026.

7 **Pensions Administration Report from 1 April to 30 June 2021**

Amy Regler, Head of Operations presented the report on the routine operational work undertaken by the pension's administration service areas during the period 1 April to 30 June 2021.

The Head of Operations outlined the impact on workload volumes over the quarter which had increased, resulting in some operational KPIs not being met.

In regard to the workflow statistics section of the report, Malcolm Cantello (Unison) asked how the Fund are tackling the backlog of operational work. The Head of Operations advised the Committee that the Fund takes a two prong approach in this area, one being ongoing improvements to systems and functionalities and the second ensuring the Fund holds sufficient resource. The Head of Operations further noted that the Fund's operational resources were recently reviewed, including approach to training and retention. It was expected to see improvements in this area during the next reporting period.

Resolved:

1. That the Pensions Committee approve the 11 applications for admission from employers into the Fund.
2. That the Pensions Committee approve the write-offs detailed in section 11 of this report.
3. That the Pensions Committee notes the performance and workloads of the key pension administration functions.
4. That the Pensions Committee notes the development of the Fund's membership and participating employers.
5. That the Pensions Committee notes the enhanced due diligence on transfer out requests, protecting members against pension scams.

8 **Governance and Assurance**

Rachel Howe, Head of Governance and Corporate Services presented the report on the work of the Fund to deliver a well governed scheme.

The Committee were advised on the successful delivery of the Annual Benefit Statements in line with the regulatory deadline.

The Head of Governance and Corporate Services, presenting the Strategic Risk Register, noted that it reported an increased rating on resources, taking into account the increased stretch on the Fund's resources in light of the wave of regulatory change across the industry.

The Head of Governance and Corporate Services updated the Committee on ongoing regulatory changes including the updated CIPFA Knowledge and Skills Framework, the expected implementation of the Scheme Advisory Board's Good Governance review and the Pension Regulator's Single Code of Practice, of which a

final version was not expected until summer 2022. It was noted that the Fund's Governance team continued to work across these areas to provide assurance.

Resolved:

1. That the Pensions Committee note the latest strategic risk-register and areas being closely monitored in the current environment.
2. That the Pensions Committee note the compliance monitoring activity undertaken during the quarter.
3. That the Pensions Committee note the Fund's Key Performance Indicators.
4. That the Pensions Committee note the updates on potential regulatory changes and statutory guidance emerging from the LGPS and wider pensions industry.
5. That the Pensions Committee note the Governing Body Training activities undertaken during the quarter.

9 **Corporate Plan Monitoring**

Rachel Howe, Head of Governance and Corporate Services presented the report on the work of the Fund in achieving its deliverables and targets set out in the Corporate Plan.

The Committee were advised that the Fund continued to focus on service delivery for members, employers, and wider stakeholders with some progress across all areas in the first 6 months of the year.

Resolved:

1. That the Pensions Committee note the work undertaken by the Fund to work towards the goals and ambitions outlined in the Corporate Plan 2021-2026.

10 **Budget Monitoring 2021- 2022 and Quarterly Accounts 30 June 2021**

Darshan Singh, Head of Finance, presented the report on the forecast out-turn for the year against operating budget for 2021-2022 and the quarterly accounts to 30 June 2021.

The Committee were advised that the current value of the Fund had increased to £19.9 Billion, a 5% increase since March 2021, noting the main reasons for the increase was due to market movements and investment performance.

Malcolm Cantello (Unison) acknowledged that this report highlighted the decrease in cash holdings, a positive reflection of the implementation of our Investment Strategy. Following this, Cllr Stephen Simkins enquired the need to hold the level of cash that it does. Tom Davies, Assistant Director, Investment Strategy advised that the figure in the report covered cash and cash equivalent which includes short-dated investments held to secure above cash returns. The Head of Finance also noted that the Fund is required to hold a certain level of cash to cover outgoing costs, such as pension and other benefit payments, typically in the region of £250m per quarter.

Malcolm Cantello (Unison), asked officers to explain the decrease in the value of the Fund's bulk annuity insurance buy in. The Head of Finance explained that the value of the bulk annuity insurance buy in is calculated once a year by the Fund's actuary and that this figure is an indicative and notional value.

Adding to this, the Director of Pensions noted that due to the fixed and reducing membership covered by the buy-in, the value of this will fall over time as payments run-off.

Resolved:

1. That the Pensions Committee note the Fund accounts for the quarter ending 30 June 2021.
2. That the Pensions Committee note that as at 30 June 2021, West Midlands Pension Fund forecasts an out-turn underspend for the year against operating budgets.

11 **Annual Report and Accounts 2020-2021**

Darshan Singh, Head of Finance, presented the report on the Fund's audit and preparation of the annual report for the year ending 31 March 2021 ahead of publication on the Fund's website confirming the steps to sign off in advance of the statutory deadline of 1 December.

David M Rowley, Grant Thornton, presented the Committee with an update on the Annual Report and Accounts 2020-2021. He advised that Grant Thornton had no concerns to report to the Committee regarding the Fund's management, investments and controls and that the Fund's ongoing position was identified as low risk.

In response to a query raised by Cllr Bally Singh, regarding the Fund's long-term agreement with Grant Thornton and the national procurement process. Claire Nye, Director of Finance, advised that Wolverhampton Council, as appointer of the external auditor, were undertaking a review of the process.

Resolved:

1. That the Pensions Committee acknowledge the Approval of the 2020-2021 Statement of Accounts, certified by the Administering Authority's Section 151 officer and published on 21 June 2021.
2. That the Pensions Committee note Grant Thornton's Audit Findings Report
3. That the Pensions Committee note that the Management Representations letter to Grant Thornton was signed in September 2021 by the Chair and the Director of Pensions on behalf of the Fund.
4. That the Pensions Committee note the previous delegation of authority to the Chair and Vice-Chair of Pensions Committee to approve the final publication of the Fund's 2020-2021 Annual Report.

12 **Customer Engagement Update**

Simon Taylor, Assistant Director, Pensions, presented the report on the Fund's customer engagement activity from 1 April 2021 to 30 June 2021 and the future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy.

The Committee were advised that the Fund was preparing for the Annual General Meeting With employers, a key date in the stakeholder engagement calendar.

The Committee were advised that following statutory requirements, the Fund had sent letters to 3,000 members following the GMP reconciliation exercise which identified overpayments. The letters noted that previous overpayments would not be recovered, but that members pension benefits would be reduced with effect from March 2022.

Following a query from Malcolm Cantello (Unison), the Assistant Director, Pensions, noted that the recently circulated newsletter was available to the Pensions Committee members upon request.

Resolved:

1. That the Pensions Committee note the engagement activity and informed service development across the quarter.

13 **Responsible Investment Activities**

Rachel Brothwood, Director of Pensions presented the report on the work undertaken in relation to responsible investment activities since the last Pensions Committee meeting.

The Director of Pensions drew attention to an increase in climate change related disclosure following a variety of engagements through external partners including LAPFF, Hermes EOS and LGPS Central.

The Director of Pensions was pleased to inform the Committee that the Fund had successfully achieved signatory status from the Financial Reporting Council's 2020 UK Stewardship Code and had been recognised for its approach and reported outcomes to stewardship and engagement activity.

Malcolm Cantello noted a previous query in regard to LAPFF engagement with National Express. The Director of Pensions advised that the Fund had reached out to LAPFF regarding this issue, who had confirmed that a resolution was reached between the US Company and member representatives and LAPFF had concluded its work on this engagement.

Cllr Bally Singh noted positive and timely responses from the Fund's Responsible Investment team, in regard to engagement with wider constituents and stakeholders encouraging an ongoing approach to this type of engagement.

Resolved:

1. That the Pensions Committee note the Fund's engagement and voting activity for three months ending 30 June 2021 [Appendices A and B].
2. That the Pensions Committee note the issues discussed by LAPFF as set out in the Quarterly Engagement Stewardship Report.
3. That the Pensions Committee note the voting and engagement activity of LGPS Central, as set out in the Quarterly Stewardship Report
4. That the Pensions Committee note the research and engagement activity undertaken by EOS at Federated Hermes as set out in the Quarterly Engagement Report,
5. That the Pensions Committee note the Fund's involvement in the establishment of the first Asset Owner Diversity Charter.

14 **Quarterly Investment Report to 30 June 2021**

Tom Davies, Assistant Director, Investment Strategy presented the report on the developments in investment markets, assets allocation and investment performance over the latest quarter in relation to the West Midlands Pension Fund (Main Fund and Admitted Body Sub Funds).

The Committee were advised that the current value of the Fund had increased to £19.9 Billion, a 5% increase since March 2021, noting the main reasons for the increase was due to market movements and investment performance.

In response to a query raised by Cllr Bally Singh, regarding what action the Fund was taking in regard to risks associated with investments from China, the Assistant Director, Investment Strategy, advised that the Fund takes a cautious approach when developing and implementing investment strategy.

Resolved:

1. That the Pensions Committee note the global market and investment update paper prepared by the Fund's Investment Consultant, Redington (Appendix A).
2. That the Pensions Committee note Asset Allocation and Performance Reporting for the West Midlands Pension Fund (WMPF), Main Fund and Admitted Body Sub Funds.

15 **Exclusion of press and public**

Resolved:

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

16 **Investment Strategy and Activity Update**

Tom Davies, Assistant Director, Investment Strategy, presented the update on investment strategy and activity in the WMPF and Admitted Body Sub Funds over the quarter,

Resolved:

1. That the Pensions Committee note the update on the development and implementation of investment strategies for the main Pension Fund and Admitted Body Sub Funds.
2. That the Pensions Committee note product developments and planned transitions to the LGPS Central pool.

17 **LGPS Central Investment Pool**

Rachel Brothwood, Director of Pensions, presented the report on the LGPSC Pool, including matters considered by Shareholders at the Annual General Meeting on 28 September, highlights from the Company's 2021/22 Annual Report and the forward-looking analysis and considerations to inform the future development of the pool.

Resolved:

1. That the Pensions Committee note the Director's update on Shareholder business relating to LGPS Central Limited.
2. That the Pensions Committee note the Annual Report of LGPS Central Limited for 2020/21.
3. That the Pensions Committee note the work underway to finalise the LGPS Central pool report to MHCLG and inform discussion on the Company's 2022/23 business plan and budget.
4. That the Pensions Committee note the research jointly commissioned and published by pool companies within the LGPS, considering potential learnings from pooling across investors, outside of the UK.

18 **Employer Covenant Monitoring**

Simon Taylor, Assistant Director, Pensions, presented the report on the findings of the in-house covenant monitoring framework and the individual cases arising from the ongoing monitoring process. He provided an overview of the Fund's financial strength and ability to meet its liabilities.

Resolved:

1. That the Pensions Committee note the revised employer watch list updated to take into account 2019/20 financial information published and received from Fund employers.
2. That the Pensions Committee note the summary outcomes of the Employer Financial Health Survey 2021.
3. That the Pensions Committee note the update on climate risk within the employer covenant framework
4. That the Pensions Committee note the employer/sectoral developments which may have implications for employer covenant.

19 **Procurement Programme**

Amy Regler, Head of Operations, presented the report on the programme of work to procure key systems and professional services/advisors, which include a pension administration system, the Fund Actuary and benefits consultancy, risk advisor and the systems used to monitor and record activity in relation to the Fund's investments.

The Head of Operations noted the upcoming panel for the Actuary and Risk Advisor and thanked Cllr Bally Singh and Malcolm Cantello (Unison) for their participation.

Resolved:

1. That the Pensions Committee approve the nominations to a working group, alongside Fund Officers, to receive presentations from suppliers as part of the procurement process to review and appoint the Fund Actuary and Risk Advisor.
2. That the Pensions Committee note the status of the programme of procurement activities currently being undertaken by the Fund, which will see the review and appointment of a number of key providers and advisers to the Fund over the next 12 months.