

Attendance

Members of the Pensions Committee

Cllr Milkinder Jaspal (Chair)
Cllr Craig Collingswood (Vice-chair)
Cllr Keith Inston
Cllr Phil Page
Cllr Clare Simm
Cllr Andrew Randle
Cllr Paul Singh - V
Cllr Stephen Simkins
Cllr Bally Singh
Cllr Alan Taylor
Cllr Angela Sandison
Cllr Phil Davies

Trade Union Observers

Malcom Cantello (Unison)
Martin Clift (Unite)
Ian Smith (Unite)

Employees

Rachel Brothwood	Director of Pensions
Rachel Howe	Head of Governance and Corporate Services
Amanda MacDonald	Audit Business Partner
Claire Nye	Director of Finance - V
Amy Regler	Head of Operations
Rachael Lem	Responsible Investment Officer
Fabrica Hastings	Democratic Services Officer
Femi Olatunde	Interim Head of Finance
Shiventa Sivanesan	Assistant Director – Investment Management
Simon Taylor	Assistant Director – Pensions
Tom Davies	Assistant Director – Investment Strategy
Hayley Reid	Regulatory Governance Manager
Holy Slater	Governance Officer - V

Part 1 – items open to the press and public

Item No. *Title*

1 Apologies for absence (if any)

Apologies were received from Cllr Paul Sweet and Cllr Peter Allen.

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 would be ratified by the Chair and Vice Chair using the urgent decisions process.

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

There were no declarations of interest.

3 **Minutes of the previous meeting**

That the minutes of the previous meeting be approved as a correct record.

4 **Matters arising**

Malcom Cantello, Trade Union Representative, raised a question regarding the distribution of an electric flyer. Simon Taylor, Assistant Director- Pensions, advised that the flyer would be re-circulated to Trade Union Representatives and all Committee members on request.

5 **Corporate Plan 2022-2027**

Rachel Howe, Head of Governance and Corporate Services, presented the report on the proposed Fund Corporate Plan for 2022 – 2027, confirming the areas of focus and drivers for change over the next five years, together with the goals and ambitions for continuing to develop the Fund and deliver a high-quality service to its customers.

The Head of Governance and Corporate Services advised the Committee that the areas of focus and drivers included in the plan were in response to the key issues presented to the Committee throughout the year as detailed in the Fund's risk register, including a focus on operational resilience, our people and systems and continuing initiatives supporting the Fund's responsible employer and investment ethos.

The Committee were advised that the Plan was currently marked as draft and that the figures would be updated prior to publication and include figures for March 2022.

In response to a question from Cllr Simkins with regards to the social value of the Fund's investments and projects, the Head of Governance and Corporate Services confirmed this had been covered within the plan under corporate responsibility and was an area of key focus for the Fund.

Resolved:

1. That the Pensions Committee approves and adopts the Corporate Plan 2022 – 2027.

6 **Budget 2022/23 and Financial Plan 2026/27**

Rachel Brothwood, Director of Pensions, presented the report on the proposed Fund Operating Budget for 2022/2023 and the medium-term financial plan for the five years up to and including 2026/2027, noting areas of development since 2021/2022.

The Committee were advised that the budget had been developed following a detailed review of the Fund's requirements, noting activities that needed to be delivered and areas where services required further support. The proposals also included provisions for temporary support for specific projects such as the implementation of the McCloud remedy.

It was noted that the forecast included an increase of £4 billion in assets under management over the next five years and that this was reflected in investment management costs which were projected to rise as changing asset allocation took effect and then stabilise as a percentage of assets under management.

In response to a question raised by Malcom Cantello, Trade Union Representative, regarding investment management costs, the Director of Pensions provided an explanation of the variation in figures relating to investment costs.

Resolved:

1. That the Pensions Committee approves the Operating Budget for 2022/23.
2. That the Pensions Committee approves the Medium-Term financial plan for the period to 2026/27.

7 Budget Monitoring 2021/22 and Quarterly Accounts 31 December 2021

Rachel Brothwood, Director of Pensions, presented the report on the forecast out-turn against operating budget for 2021/2022 and presented the quarterly accounts to 31 December 2021.

The Committee were advised that the Fund's out-turn budget had been impacted by two key themes, delays in recruitment relating to vacancies held within the Fund's employee base and delays in planned service development activity.

It was noted that there was a 10% increase in the Fund's value as at the end of December 2021.

In response to a question raised by Malcom Cantello, Trade Union Representative, regarding the increase in the Fund's value. The Director of Pensions provided further explanation with regards to the figures included within the report.

Resolved:

1. That the Pensions Committee notes the quarterly accounts for the period ending 31 December 2021 which estimate the value of West Midlands Pension Fund (WMPF) at this date to be £20.8 billion, an increase of £1.9 billion (10%) since 31 March 2021.
2. That the Pensions committee notes the WMPF forecast out-turn for the year against operating budgets as at the end of December 2021 is an underspend of £3.0 million.

8 Accounting Policies 2021/22

Femi Olatunde, Interim Head of Finance, presented the report on the accounting policies to be used in preparing the Fund's' accounts for the 2021/22 financial year.

The Interim Head of Finance, advised the Committee that the Fund's accounting policies were based on Chartered Institute of Public Finance and Accountancy (CIPFA) guidance which had been reviewed and that there had been no material changes to the guidance for this financial year.

Resolved:

1. That the Pensions Committee approves the WMPF accounting policies for the 2021/22 financial year.

9 Treasury Management Policy

Rachel Howe, Head of Governance and Corporate Services, presented the report on the Funds Treasury Management policy for 2022 for approval by the Pensions Committee.

The Committee were advised that the Fund's Treasury Management Policy had been updated in accordance with guidance from CIPFA issued in 2021.

In response to a question raised by Malcom Cantello, Trade Union Representative, regarding a reference within the policy to the Fund's Financial Management Committee, the Director of Pensions advised that the Financial Management Committee was an internal committee, established in accordance with approved delegations, which comprised of members of the Fund's Finance, Employer Services and Governance Team's and included representation from the Senior Management Team.

Resolved:

1. That the Pensions Committee approved the West Midlands Pension Fund Treasury Management Policy 2022.

10

External Audit Plan 2022

Grant Pattison, Grant Thornton, presented the report on the plan for the external audit of the Fund's Annual Report and Accounts for 2021/22.

The Committee were advised that the areas of focus for the audit were in accordance with significant risks and included management overriding controls and the valuation of the Fund's assets.

It was noted that Grant Thornton were working closely with the Fund to finalise the Audit by the end of September 2022 and would provide the Committee with a further more detailed update in June 2022.

The Director of Pensions confirmed that training on the Fund's accounting estimates would be provided to Committee members prior to the approval of the Fund's accounts.

Resolved:

1. The Pensions Committee approves the management responses to questions from the external auditors, Grant Thornton LLP, as part of their audit planning.
2. The Pensions Committee approves delegation of authority to the Chair and Vice Chair of Pensions Committee to approve the final publication of the 2021/2022 Statement of Accounts following audit in September and approval of the draft by Committee in June 2022.
3. The Pensions Committee notes the external audit plan for the 2021/2022 Annual Report and Accounts as prepared by Grant Thornton [Appendix A].

11

Internal Audit Plan 2022/2023

Amanda MacDonald, Audit Business Partner, presented the report on the outline of work programme for internal audit during 2022 – 2023. The update outlined the plan of work for the new financial year based on identified risks, forming part of the Fund's assurance framework.

The Audit Business Partner advised that the scope for all audit work would be agreed with Senior Managers and that a summary of the work completed by Internal Audit and overall opinion on the Fund's control environment would be provided to the Committee at the year end.

Resolved:

1. The Pensions Committee notes the Internal Audit Plan for 2022 – 2023.

12

Quarterly Investment Report and Investment Strategy Review 2022

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

The Committee were advised that the Fund's investment market performance, was broadly in line and met the Fund's expectations and benchmark, for the period ending 31 December 2021.

The Assistant Director advised the Committee that the Fund's Investment Strategy Statement (ISS) had been subject to an interim review prior to an in-depth review which would be undertaken in conjunction with the Fund's Actuarial Valuation and would be brought to the Committee in March 2023. The proposed changes to the ISS were relatively minor with exception of the proposal to place a hold on further allocations to emerging market equities, pending a full review of the Fund's existing holdings and risks associated with this area. The Assistant Director further highlighted that the 2023 review of the ISS would include the Fund a review of and the Fund's response to any change in LGPS guidance forthcoming in relation to the Government's Levelling Up Agenda.

In response to a question raised by Cllr Page regarding the Fund's direct and indirect exposure to investments in Russia, the Assistant Director, Investment Strategy, advised that the Fund had both direct and indirect exposure through external management arrangements and that the exposure was minimal in percentage terms. Cllr Simkins noted that it was important for the Committee to be aware of the Fund's investments across the globe and the Assistant Director confirmed that a review of the Fund's exposure to emerging markets was being undertaken.

In response to a question raised by Malcom Cantello, Trade Union Representative with regards to a timescale for reaching ISS targets, the Assistant Director, Investment Strategy, confirmed that the Fund had made a number of commitments to private markets which would take time to draw down and that it would take 12-18 months for a more meaningful allocation of invested assets to develop.

Resolved:

1. That the Pensions Committee approves the WMPF's Investment Strategy Statement (ISS) for 2022.
2. That the Pensions Committee approves a hold on further allocations to emerging market equities, retaining the Fund's underweight allocation relative to the target set out in the ISS, pending reassessment of the long-term Strategic Investment Allocation Benchmark as part of the 2022/23 triennial review.
3. That the Pensions Committee notes the global market and investment update paper prepared by the Fund's Investment Consultant, Redington.
4. That the Pensions Committee notes the asset Allocation and Performance Reporting for the West Midlands Pension Fund (WMPF), Main Fund and Admitted Body Sub Funds.

Responsible Investment Activities

Rachael Lem, Responsible Investment Officer, presented the report on the work undertaken in relation to responsible investment activities since the last Pensions Committee meeting.

The Responsible Investment Officer advised that Local Authority Pension Fund Forum (LAPFF) continued to engage on behalf of the Fund regarding companies operating in occupied Palestine territories and that the Committee would continue to be updated on LAPFF's progress.

The Committee were advised that the Fund had reviewed and updated its voting principles. A draft version of the document was attached as Appendix A - with a final version to be presented to the Committee in June 2022.

Key updates from the document included;

- The Strengthening of the expectation of board composition to enhance diversity.
- Support for enhanced auditor independence and remuneration practices.
- Support for sustainable business practices that set out enhanced expectations of company climate related disclosures and transition plans.

In response to a question raised by Cllr Simm, regarding output from discussions with companies operating in Occupied Palestine Territories, Rachel Brothwood, Director of Pensions highlighted known developments; including the cessation of some business operations in the region and evidence of increased awareness of Human Rights impacts and calls for impact assessment. The Director confirmed that dialogue was still ongoing through LAPFF and that the Committee would continue to be kept informed of progress.

In response to a question from Cllr Simkins with regards to fossil fuel investments, Rachael Lem, Responsible Investment Officer, confirmed the Fund's Climate Strategy includes targets for increasing investment in climate solutions and renewable energy.

In response to further discussion and questions from Committee members with regards to actions and outcomes relating to Responsible Investment, the Director of Pensions noted that the Fund were a signatory to the Stewardship Code and in the final stages of compiling their submission for 2022 which included tangible examples of positive outcomes from collaborative engagement.

Resolved:

1. The Pensions Committee notes the Fund's draft Voting Principles 2022 [Appendix A].
2. The Pensions Committee approves the Fund's engagement and voting activity for the three months ending 31 December 2021 [Appendices B and C].
3. The Pensions Committee approves the issues discussed by LAPFF are set out in the Quarterly Engagement Report, which is available on the LAPFF website:
https://lapffforum.org/wp-content/uploads/2022/01/LAPFF_QER04_2022_Final.pdf.

4. The Pensions Committee approves the research and engagement activity undertaken by EOS at Federated Hermes as set out in the 2021 Annual Engagement Report, which is available on the EOS website: [EOS 2021 Annual Review | UK Institutional \(hermes-investment.com\)](https://www.hermes-investment.com/engagements/2021-annual-review).

14 **Pensions Administration**

Amy Regler, Head of Operations, presented the report on the routine operational work undertaken by the Pensions Administration Service areas during the period 1 October – 31 December 2021.

The Head of Operations highlighted a decrease in outstanding casework during the quarter due to the continued focus on clearing outstanding work. It was noted that there were two Key Performance Indicator's; notification of transfer in of membership and the notification of death benefits that had fallen short of meeting their targets during the period due to delays from third parties and some long-standing casework which required more detailed review by more experienced pension administrators. The Committee were assured that the Fund's average processing timescales were within target.

The Committee were advised that the Fund had completed it's second overseas existing checking exercise and seen an improvement in response rates from the previous year with a 91% verification success rate from members. It was also noted that 28% of members had responded to the exercise utilising the digital app.

Resolved:

1. That the Pensions Committee approves the 8 applications for admission from employers into the Fund as detailed in section 9 and Appendix E of this report.
2. That the Pensions Committee approves 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.

15 **Customer Engagement**

Simon Taylor, Assistant Director – Pensions, presented the report on the Fund's customer engagement activity from 1 October 2021 to 31 December 2021 and to cover future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy. To also cover more specific elements of engagement including that with Prudential on Additional Voluntary Contribution (AVC) provision.

The Assistant Director advised the Committee that during the period customer satisfaction levels had fallen below target to 85%. This reflected a greater volume of queries received and the delivery of statutory exercises such as the guaranteed minimum pension (GMP) reconciliation.

The Committee were advised that the Fund's employer webinar sessions remained popular and that face to face member events had resumed, following the pandemic. Three events had taken place in March 2022 and received an encouraging footfall of attendees.

Resolved:

1. That the Pensions Committee notes the engagement activity and informed service development.
2. That the Pensions Committee notes the specific engagement with Prudential regarding AVC provision.

16

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 Head of Governance and Corporate Services advised the Committee that the KPI's during this quarter, demonstrated marginal movement with increasing calls to Customer Services and work volumes across the Fund's operations.

The Fund's risk register continued to highlight key themes, including data, resourcing, impact on service delivery and the reliance on third parties, including interim support. The Head of Governance and Corporate Services advised that the Fund had increased risk ratings in a number of areas this quarter with external factors such as pending regulatory changes being the primary driver for increased risk assessment.

Resolved:

1. That the Pensions Committee notes the Fund's Key Performance Indicators.
2. That the Pensions Committee notes the latest strategic risk-register and areas being closely monitored in the current environment.
3. That the Pensions Committee notes the compliance monitoring activity undertaken during the quarter.
4. That the Pensions Committee notes the governing Body Training activities undertaken during the quarter.

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Regulatory Update

Rachel Howe, Head of Governance and Corporate Services, and Amy Regler, Head of Operations, presented the report on the regulatory environment in which the Fund is operating and the work being done to stay informed and prepared for change covering the following areas;

- 1, McCloud
- 2, Pensions Dashboards
- 3, Pensions Regulator Code of Practise
- 4, Public Service Pensions and Judicial Officers Bill (PSPJO Bill)
- 5, Levelling Up White Paper

In response to questions raised from the Committee it was noted that the Fund participates and engages industry wide across several forums with regards to forthcoming regulatory changes and responds to consultations where there are potential implications for the Fund and the wider LGPS.

The Director of Pensions advised the committee that the Fund was keen to gain further clarification on the implications of the Government's Levelling Up Agenda and

any material points of future consultation would be circulated and discussed with Committee and the Local Pensions Board.

Resolved:

1. That the Pensions Committee notes the forthcoming regulatory changes across the Local Government Pension Scheme environment and the Fund's response to them.

18 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.

19 LGPS Central Pooling and Shareholder Update

Rachel Brothwood, Director of Pensions presented the report on the matters considered and presented to Shareholders at the LGPS Central Limited General Meeting on 22 February 2022 and updates the Committee on the Company and pool progress.

Resolved:

1. That the Pensions Committee notes the Director's update on Shareholder business relating to LGPS Central Limited.
2. That the Pensions Committee notes the shareholder approval of the Company's 2022/23 business plan and budget.

20 Investment Strategy and Activity Update

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

Resolved:

1. That the Pensions Committee notes the update on the development and implementation of investment strategies for the main Pension Fund and Admitted Body Sub Fund.
2. That the Pensions Committee notes the product developments and planned transitions to the LGPS Central pool.
3. That the Pensions Committee notes the statement from Fund's Investment Consultants in relation to investment strategy implementation and interim review of the ISS (appendix A).

21 2022 Actuarial Valuation Update

Simon Taylor, Assistant Director – Pensions, presented the report on the matters relevant to the triennial review of the Funding Strategy Statement over 2002/2023 and delivery of the 2022 actuarial valuation.

Resolved:

1. That the Pensions Committee notes the progress on the transition of Fund actuary service provider
2. That the Pensions Committee approves the report and the associated update on progress with the 2022 Actuarial Valuation for the Fund

3. That the Pensions Committee notes the update on the Associated Employer Covenant Review in the context of the Fund's Integrated Risk Management Framework, to include exposure aligned to climate risk
4. That the Pensions Committee notes the Fund's response to the second Department for Levelling Up, Housing and Communities (DLUHC) consultation on academy consolidation.