

Attendance

Members of the Pensions Committee

Cllr Milkinderpal Jaspal (Chair)
Cllr Paul Appleby
Cllr Craig Collingswood
Cllr Carol Hyatt
Cllr Phil Page
Cllr Andrew Randle
Cllr Paul Singh
Cllr Tersaim Singh
Cllr Bally Singh (Coventry City Council)
Cllr Peter Allen (Sandwell Metropolitan Borough Council)
Cllr Michael Gough (Solihull Metropolitan Borough Council)

Trade Union observers

Malcolm Cantello (Unison)
Martin Clift (Unite)
Victor Silvester (Unite)
Ian Smith (Unite)

Employees

Rachel Brothwood	Director of Pensions - West Midlands Pension Fund
Rachel Howe	Head of Governance and Corporate Services - West Midlands Pension Fund
Amanda MacDonald	Audit Business Partner
Claire Nye	Director of Finance
Amy Regler	Head of Operations
Peter Farrow	Head of Audit
Femi Olatunde	Head of Finance
Hayley Reid	Senior Auditor
Shiventa Sivanesan	Assistant Director – Investment Management and Stewardship
Holly Slater	Governance Officer

Part 1 – items open to the press and public

Item No. *Title*

- 1 Apologies for absence (if any)**
Apologies were received from Councillor Olivia Birch, Councillor Angus Lees and Martin Clift – Trade Union Representative, Unite.
- 2 Declarations of interests (if any)**
There were no declarations of interest.
- 3 Minutes of the previous meeting**
Resolved:
 1. That the wording “investment management costs” on the second line of the top of page 3 be deleted and amended to “ever increasing management costs”.

2. Subject to the above amendment the minutes of the previous meeting held on 29 June 2022 be approved as a correct record.

4 **Matters arising**

Councillor Collingswood advised that a member of his constituency had raised a question regarding the meeting's webcast, which he had discussed with relevant officers and was responding to accordingly.

Councillor Hyatt noted that she was pleased to see the range of topics included in the Fund's Responsible Investment Report and noted the role of EOS Federated Hermes in supporting the Fund's work on sustainable investment.

5 **Annual Governance Arrangements**

Rachel Howe, Head of Governance and Corporate Services, presented the report on the Annual Governance matters of Pensions Committee, ensuring effective due diligence in decision making through regular review of delegated powers, terms of reference and the continued engagement of the Fund's stakeholders on its Governing Bodies.

The Committee were asked to note the reappointment of the four Trade Union member representatives, as detailed in the report.

In response to a question raised by Cllr Hyatt, regarding the Trade Union Representatives, the Head of Governance and Corporate Services clarified the role of Trade Union representatives for the Committee.

The chair of the Committee advised that the contribution from the Trade Union representatives had been invaluable.

Resolved:

1. That the Pensions Committee approves the re-appointment of the Unite and Unison Trade Union representatives for the municipal year 2022/23:
 - Martin Clift and Ian Smith – Unite
 - Malcolm Cantello – Unison
 - Janice Wadrup – GMB
2. That the Pensions Committee approves the revised Training Policy developed for members of the Fund's Governing Bodies.
3. That the Pensions Committee notes the Committee's Terms of Reference.
4. That the Pensions Committee notes the following dates and time of the meetings of the Pensions Committee:
 - **Pensions Committee – 10am**
 - 21 September 2022
 - 14 December 2022
 - 22 March 2023

6 **Compliance 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 that the year-end Key Performance Indicators (KPI's) reflected the workload and impacts reported to Committee throughout the year.

Risks included on the Fund's Risk Register had remained static during the quarter with themes centralising on pending regulatory change and resourcing with competition in the area remaining high. A new risk in relation to member behaviour in the current economic climate had been added to the Risk Register, noting the potential for an increase in member movements and vulnerable customer concerns.

Resolved:

1. That the Pensions Committee approves the 2022 Governance and Compliance Statement.
2. That the Pensions Committee notes the Urgent Decisions taken by the Chair and the Vice Chair of the Pensions Committee following the meeting on 30 March 2022.
3. That the Pensions Committee notes the latest Strategic Risk Register and areas being closely monitored in the current environment.
4. That the Pensions Committee notes the compliance monitoring activity undertaken during the quarter.
5. That the Pensions Committee notes the Fund's KPI's and action taken to support service delivery.
6. That the Pensions Committee notes the release of the Pensions Regulator's Corporate Plan 2022 – 2024.

7 **Statement of Accounts 2021-2022**

Femi Olatunde, Interim Head of Finance, presented the report on the draft Statement of Accounts for the year ending 31 March 2022, together with delegations to finalise and enable publication of the Statement of Accounts and Annual Report following Committee approval of the draft report in September 2022, subject to completion of the external audit.

The Committee were advised that the draft Statement of Accounts for the year ending 31 March 2022 had been completed, and the net assets of the Fund had increased to £20.3bn as at 31 March 2022.

David Rowley, Grant Thornton, provided the Committee with an overview of the external Audit Plan, advising the Committee that interim work had been undertaken and that the external audit would be completed over the summer.

In response to a question from Cllr Collingswood with regards to the audit fee, David Rowley confirmed that the final audit fee would be determined by progress of the audit over the summer and that fee setting had been completed in conjunction with the scale fees set by the national Local Authority Scheme and Public Sector Audit Appointments Limited (PSAA).

Resolved:

1. That the Pensions Committee approves the draft Statements of Accounts for the year ending 31 March 2022.
2. That the Pensions Committee approves the delegation of authority to the Chair and Vice Chair of Pensions Committee to approve the final Statement of Accounts once the audit is completed in September.

3. That the Pensions Committee approves the delegation of authority to the Chair and Vice Chair of Pensions Committee to approve the final publication of the Fund's 2021-2022 Annual Report following approval of the draft by Pensions Committee in September 2022 and ahead of the Local Government Pension Scheme (LGPS) Regulatory requirement to publish the Fund's Annual Report and Accounts by 1 December.
4. That the Pensions Committee notes the draft accounts have been certified by the Section 151 Officer as required by regulations.
5. That the Pensions Committee notes the draft Statement of Accounts (and the Annual Report) for West Midlands Pension Fund (WMPF) will now be subject to audit by the Fund's external auditors, Grant Thornton.
6. That the Pensions Committee notes Grant Thornton's Audit Plan for the 2021/22 external audit of the Pension Fund.

8 **Budget Monitoring / Quarterly Accounts 31 March 2022**

Rachel Brothwood, Director of Pensions, presented the report on the outturn for the year against operating budgets as at the end of March 2022.

The Committee were provided with an overview of the outturn against the Fund's operating budget and advised that the Fund's outturn had been impacted by a number of key themes including delays to both recruitment to vacancies within the Fund's staffing structure and the commencement of service development initiatives.

In relation to external investment management costs, it was noted that the Fund had seen an increase in reported costs and that the fees were linked to the value of the Fund's investments. In response to a question from Malcolm Cantello with regards to investment costs, the Director of Pensions noted that costs as a percentage of assets under management costs were in line with the previous year.

Resolved:

That the Pensions Committee notes the WMPF outturn for the year against operating budgets at the end of March 2022. This reflects and incorporates reported investment management fees deducted at source (as collected as part of the 2021/22 cost transparency initiative). Net expenditure excluding investment management costs is an outturn of £10.995m against the operating budget of £14.251m for 2021/22.

9 **Pensions Administration Report to 31 March 2022**

Amy Regler, Head of Operations, presented the report on the routine operational work undertaken by the Pensions Administration Service areas during the period 1 January – 31 March 2022.

The Head of Operations noted that the team had completed 63% more casework than during the same period last year. It was noted that one KPI: 'Issue of deferred retirement quotes' had not achieved its target during the period, due to an increase in the volume of work, and confirmed that the Fund's average processing timescales were within target.

The Head of Operations provided an overview of new regulations introduced on 1 June 2022 in relation and referred to as the Stronger Nudges Guidance, which applied to members with defined contribution savings. In the context of the LGPS and WMPF, this is relevant to members who have Additional Voluntary Contribution

accounts (AVC's). The changes require scheme administrators to ensure that individuals are made aware of Pensions Wise guidance service in order to help members make informed decisions when accessing their benefits. The Committee were assured that the Fund had updated its procedures in accordance with the new guidance.

Resolved:

1. The Pensions Committee approves the 12 applications for admission from employers into the Fund as detailed in Section 9 and Appendix E of this report.
2. The Pensions Committee approves the write-offs detailed in Section 11 of this report.
3. The Pensions Committee notes the performance and workloads of the key pension administration functions.
4. The Pensions Committee notes the development of the Fund's membership and participating employers.
5. The Pensions Committee notes the introduction of Stronger Nudge amendment to the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013.

10 **Customer Engagement Update**

Simon Taylor, Assistant Director (Pensions), presented the report on the Fund's customer engagement activity from 1st January 2022 to 31st March 2022 and to cover future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy.

The Committee were advised that the revised Customer Engagement Plan had been updated to reflect; the move away from coronavirus restrictions, updated customer expectations and the ability to utilise the Fund's new office space for service delivery.

The Assistant Director (Pensions) advised that the Fund had seen a 24% increase in members attending webinars, workshops and presentations compared to the previous period and that the Fund had received 18 individual expressions of interest to join the Fund's Employer Peer Group, ahead of the new annual cycle due to commence in July 2022.

The Assistant Director (Pensions) informed members that preparations were underway for the Fund's Employer Mid-Year-Review which would take place on 12 July at the event space within the Fund's offices.

Resolved:

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

11 **Local Pensions Board Annual Governance Report**

Rachel Howe, Head of Governance and Corporate Services, presented the report on the work undertaken by the Local Pensions Board ("the Board") during the 2021-22 municipal year and to meet the legislative requirement for producing an annual report.

It was noted that the report also contained an update on the Scheme Advisory Board's latest annual report, which reports on the LGPS as a whole.

Resolved:

That the Pensions Committee notes the report, prepared annually in order to meet the legislative requirement for recording the work of the Local Pensions Board.

12 **Internal Audit Annual Report 2021 - 2022**

Peter Farrow, Head of Audit, presented the report on the outcome of the work programme for internal audit for 2021 – 2022.

The Committee were advised that no significant issues had arisen throughout the year and that recommendations to address weaknesses / improvements had been agreed by management. Based on the work undertaken during the year it was confirmed that internal audit had provided reasonable assurance that the Fund had adequate and effective governance, internal control and risk management arrangements in place.

The Chair of the Committee thanked the Audit Team for the work undertaken during the year.

Resolved:

That the Pensions Committee notes the Internal Audit Annual Report for 2021 – 2022.

13 **Quarterly Investment Report to 31 March 2022**

Shiventa Sivanesan, Assistant Director – Investment Management and Stewardship, 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 on the challenges of the global market during the first three months of the calendar year with both equities and fixed income seeing market values fall and the Main Fund experiencing a negative return of -1.9%, over the period, underperforming the benchmark by 0.5%.

In response to a question from Cllr Bally Singh, the Assistant Director advised that the Fund set long-term strategic asset allocations as part of its Investment Strategy in conjunction with the Fund's actuarial valuation. An interim review of the strategy had been undertaken at the start of the financial year and a full review was due to be undertaken in conjunction with the 2022 Actuarial Review.

Resolved:

1. That the Pensions Committee notes the Global Market and Investment Update paper prepared by the Fund's Investment Consultant, Redington.
2. That the Pensions Committee notes the Asset Allocation and Performance Reporting for the WMPF Main Fund and Admitted Body Sub Funds.

14 **Responsible Investment**

Shiventa Sivanesan, Assistant Director – Investment Management and Stewardship, presented the report on the work undertaken in relation to responsible investment activities since the last Pensions Committee meeting.

The Assistant Director advised the Committee that the Fund had submitted its second annual Stewardship Report to the Financial Reporting Council (FRC) for assessment against the principles set out in the 2020 UK Stewardship Code. The 2022 report includes details of the stewardship activity undertaken over the calendar year 2021.

It was noted that the draft version of the Fund's Voting Principles as shared with the Committee at the previous meeting had now been finalised, strengthening the Fund's voting principles in a number of areas.

The Fund continues its policy of engaging investors through a collaborative approach with investment partnerships, to improve outcomes and drive change, most notably through the Local Authority Pension Fund Forum (LAPFF) and the LGPS Central pool.

The Fund continues to engage on a wide range of issues, prioritising the engagement themes as set out in the Responsible Investment Framework:

- Climate Change
- Sustainable Food Systems
- Human Rights
- Responsible Financial Management.

It was noted that the Fund continues to receive requests and queries from members of the public in relation to a range of issues including climate change, human rights and investments in defence companies. The Fund continues to review and respond to correspondence, signposting activity and action across a wide range of responsible investment initiatives.

Malcolm Cantello, Trade Union Representative congratulated Officers on the production of the Fund's Voting Principles and the Annual Stewardship Report.

In response to a question from Cllr Hyatt requesting further details on engagements that had taken place, the Director of Pensions confirmed it was recognised that work was ongoing to refine and report measures of success to enable review of progress over time.

In response to a question from Cllr Gough, the Assistant Director -Investment Management and Stewardship confirmed that investments in low-cost passive equity index strategies were reducing as the Fund moved to more sustainable and climate-aware strategies.

Resolved:

1. That the Pensions Committee notes the Fund's second Annual Stewardship Report submitted to the FRC in April 2022, which sets out stewardship activities undertaken by the Fund and its investment partners over 2021. The report is available on the Fund's website: [West Midlands Pension Fund - Stewardship \(wmpfonline.com\)](https://www.wmpfonline.com)
2. That the Pensions Committee notes the Fund's Voting Principles, which have been finalised and published on the Fund's website following the draft version that was presented at the March Pensions Committee meeting: - [West Midlands Pension Fund - Voting Globally \(wmpfonline.com\)](https://www.wmpfonline.com)

3. That the Pensions Committee notes the Fund's engagement and voting activity for the three months ending 31 March 2022 [Appendices A and B].
4. That the Pensions Committee notes the issues discussed by LAPFF are set out in the Quarterly Engagement Report, which is available on the LAPFF website: [LAPFF-QER-2022-Q1.pdf \(lapfforum.org\)](#)
5. That the Pensions Committee notes the voting and engagement activity of LGPS Central, as set out in the Quarterly Stewardship Report, available on the LGPS Central website: [LGPSC-Stewardship-Update-Q4-2021-2022.pdf \(lgpscentral.co.uk\)](#)
6. That the Pensions Committee notes the research and engagement activity undertaken by EOS at Federated Hermes as set out in the Quarterly Engagement Report, which is available on the EOS website: [EOS Public Engagement Report \(hermes-investment.com\)](#)

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**

Shiventa Sivanesan, Assistant Director – Investment Management and Stewardship, presented the report on the 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 of Sub Funds.
2. That the Pensions Committee notes the product development and planned transactions to the LGPS Central Pool.

17 **Annual Report on the Investment Advisory Panel**

Rachel Brothwood, Director of Pensions, presented the report summarising changes to the independent panel members during the year and their appraisal of the progress made by the Fund in its implementation of investment strategy over the last year, noting in particular, the Officers' achievements in developing the Fund's Climate Strategy and Stewardship in the context of resource constraints.

The Committee noted the increasing governance burden and need for the Fund's investment programme to be prioritised and targeted, with some plans reappraised, in response to the changing economic and market environment.

Resolved:

That the Pensions Committee notes the report of the Investment Advisory Panel for 2022.

18 **CEM Benchmarking**

Amy Regler, Head of Operations and Shiventa Sivanesan, Assistant Director – Investment Management and Stewardship, presented the report and summarised the

outcomes of the benchmarking exercises undertaken in relation to 2020/21 for the delivery of Fund's Pension Administration and Investment Management.

Resolved:

That the Pensions Committee notes the results and key outcomes of the benchmarking exercises undertaken for 2020/21 for the Fund's Pension Administration Services and Investment Management.

19

Fund Structure Update

Rachel Brothwood, Director of Pensions, presented the report on the staffing developments and requirements to support the Fund's service delivery. The report highlighted the development of the Fund employee base over 2021/22 together with future initiatives planned to support delivery of the Fund's Corporate Plan 2022 - 2027, approved in March 2022.

Resolved:

1. That the Pensions Committee approves the delegation of the Chair and Vice Chair of the Committee to finalise arrangements to establish a Special Appointments Panel to support in the appointment of Assistant Director, Investment Strategy to the Pension Fund.
2. That the Pensions Committee notes the Pensions Fund service structure at as May 2022, together with recruitment over 2021/ 22.
3. That the Pensions Committee notes the recruitment planned over 2022/23, to develop the capacity to meet the needs of the service and noting vacant posts carried forward.
4. That the Pensions Committee notes the roles undertaken by the Senior Management Team.

20

2022 Actuarial Valuation

Simon Taylor, Assistant Director (Pensions), presented the report on the matters relevant to the triennial review of the Funding Strategy Statement over 2022/23 and delivery of the 2022 Actuarial Valuation.

Resolved:

1. That the Pensions Committee notes the associated update on progress with the 2022 Actuarial Valuation for the Fund.
2. That the Pensions Committee notes the update on the Associated Employer Covenant Review in the context of the Fund's Integrated Risk Management Framework.

21

Cyber Annual Update

Amy Regler, Head of Operations, presented the report on the development of the Fund's approach to the management of cyber risk, confirmed the programme of testing and assurance in place and presented the updated strategy document for approval.

Resolved:

1. That the Pensions Committee approves the Fund's updated Cyber Security Strategy document for 2022/23.
2. That the Pensions Committee notes the work undertaken in 2021/22 by the City of Wolverhampton Council as the Fund's Information Technology Service Provider.

[NOT PROTECTIVELY MARKED]

3. That the Pensions Committee notes the work undertaken by the Fund to enhance its cyber security programme.