

Attendance

Members of the Pensions Committee

Cllr Milkinderpal Jaspal (Chair)
Cllr Olivia Birch (Vice-Chair)
Cllr Paul Appleby
Cllr Craig Collingswood
Cllr Carol Hyatt
Cllr Phil Page
Cllr Paul Singh
Cllr Tersaim Singh
Cllr Paul Sweet
Cllr Michael Gough (Solihull Metropolitan Borough Council)
Cllr Angus Lees (Dudley Metropolitan Borough Council)
Cllr Bally Singh (Coventry City Council)

Trade Union Representatives

Martin Clift (Unite)
Ian Smith (Unite)

Employees

Rachel Brothwood	Director of Pensions - West Midlands Pension Fund
Simon Taylor	Assistant Director – Pensions
Shiventa Sivanesan	Assistant Director – Investment Management and Stewardship
Femi Olatunde	Finance Project Consultant
Christopher Manning	Head of Finance
Amy Regler	Head of Operations
Hayley Reid	Regulatory Governance Manager
Laura Parker-Marsden	Governance Support Officer
Holly Slater	Governance Officer
Jaswinder Kaur	Democratic Services Manager
Fabrica Hastings	Democratic Services Officer
David M Rowley	Grant Thornton – V
Grant B Patterson	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 Councillor Peter Allen, Councillor Ray Goodwin and Malcom Cantello – Trade Union Representative.
- 2 Declarations of interests (if any)**
There were no declarations of interest.

3 **Minutes of the previous meeting**

1. Cllr Hyatt requested that the minutes were amended to reflect the question raised on page 6 was regarding the attendance of Trade Union Representatives.
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**

There were no matters arising.

5 **Customer Engagement**

Simon Taylor, Assistant Director - Pensions, presented the report on Fund's customer engagement activity from 1st April 2022 to 30th June 2022 and to cover future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy.

The Assistant Director - Pensions drew the Committee's attention to the Communications Policy and Customer Engagement Strategy which had been reviewed and required approval, summarising the changes in both documents and highlighting the new opportunities for engagement afforded to the Fund by the move to its new premises.

It was noted that the Fund had received reaccreditation of its Customer Services Excellence award, receiving a compliance plus rating and extra recognition for certain areas of delivery.

The Committee were further advised that as a mark of respect to the Queen, all Fund events scheduled from the 12 September - 21 September 2022 had been postponed. The Pensions Awareness Week covered in section 6.4 of the report had now been planned for later in the year.

Resolved:

1. That the Customer Engagement Strategy and Communications Policy as set out in Appendices B and C be approved.
2. That the reaccreditation of the Fund for Customer Service Excellence for 2022 be noted.

6 **Pensions Administration Report from 1 April to 30 June 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 April – 30 June 2022.

The Head of Operations advised the Committee of an increase in outstanding case work, due to the profile of the Fund's membership with a high volume of deferred members attaining their retirement age during the period.

The Head of Operations highlighted two instances where KPI's (the provision of retirement quotes for active and deferred members), had not been achieved during the period. It was noted that the Fund routinely sees an increase in the provision of retirement quotes at this time of year and measures had been put in place to mitigate the impact with an improvement in Fund processing performance compared to the same period during the previous year.

Resolved:

1. That the 13 applications for admission from employers into the Fund as detailed in section 9 and Appendix E of this report be approved.
2. That the write-offs detailed in section 11 of this report be approved.
3. That the performance and workloads of the key pension administration functions be noted.
4. That the Development of the Fund's membership and participating employers be noted.

7 **Compliance and Assurance**

Hayley Reid, Regulatory Governance Manager, presented the report on the work of the Fund to deliver a well governed scheme.

The Regulatory Governance Manager outlined the Conflicts Management policy and the reviewed and updated Debit Recovery policy which had both been included within the report for approval.

The Regulatory Governance Manager noted that the risks included within the Fund's strategic risk register had remained static throughout the quarter. It was noted that both recruitment and resourcing and investment volatility remained high risks and that the Fund continued to await the publication of statutory guidance and regulations over the coming months, noting delays and unforeseen changes in these could further impact on the risk environment.

The Committee were advised of the statutory delivery of the Fund's Annual Benefit Statement, statements had been delivered to 99.6% of eligible deferred members and 90.7.% of eligible active members. All statements had been published on member portals in advance of the 31 August 2022 deadline.

The Regulatory Governance Manager highlighted the LGPS England and Wales: Governance and reporting of climate risks consultation for the Committee which had been included as a background paper to the report.

In a response to a question from Cllr Collingswood with regards to data breaches, the Regulatory Governance Manager advised the Committee that there were no patterns identified in relation to the data breaches detailed in the report and outlined the process for the monitoring and review of data breaches.

Resolved:

1. That the Fund's Conflicts Management policy be approved.
2. That the Fund's Debt Recovery policy be approved.
3. That the latest Strategic Risk Register and areas being closely monitored in the current environment be noted.
4. That the compliance monitoring activity undertaken during the quarter be noted.
5. That the Fund's Key Performance Indicators (KPI) and action taken to support service delivery be noted.
6. That the statutory delivery of the Annual Benefit Statements be noted.

8 **Annual Report and Accounts 2021/22**

Femi Olatunde, Finance Project Consultant, presented the report on the finalisation of the Statement of Accounts and the Annual Report for the year ending 31 March 2022 and the latter's publication on the Fund's website in advance of the statutory deadline of 1 December 2022.

David Rowley, Grant Thornton, presented the Committee with an update on the Annual Report and Accounts 2021-22. He advised the Committee that Grant Thornton had no concerns to report regarding the finalisation of the external audit which was substantially complete. It was noted that at the time of reporting there had not been any control weaknesses identified which required reporting to the Committee.

It was noted that the Committee had approved a delegation to the Chair and Vice-Chair to approve the final statement of accounts upon completion of the external audit.

Resolved:

1. That the delegation of the authority to the Chair and Vice-Chair to approve; the final Statement of Accounts, once the audit is completed in September, and the final publication of the Fund's 2021-2022 Annual Report, as agreed by the Committee in June 2022, be noted.
2. That the update on the Fund's External Audit from Grant Thornton be noted.

9 **Budget Monitoring 2022/23 and Quarterly Accounts 30 June 2022**

Femi Olatunde, Finance Project Consultant, presented the report on the yearend forecast at the end of quarter ended 30 June 2022 and provided an update on the value of the net assets of the WMPF at the end of quarter ended 30 June 2022.

The Finance Project Consultant outlined the net position of the Fund and provided an update on the operating budget of the Fund, it was noted that at the end of June 2022, the net assets of the Fund were £19.4bn.

Resolved:

1. That the value of the net assets of the West Midlands Pension Fund (WMPF) at the end of quarter ended 30 June 2022 was £19.4bn be noted.
2. That, as at the end of June 2022, WMPF forecasts an overspend of £4.5m at yearend attributable to £5.3m forecast overspend on investment management expenses offset by £0.8m forecast underspend on employee costs, be noted.

10 **Quarterly Investment Report to 30 June 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 Separate Funds).

The Assistant Director - Investment Management and Stewardship advised the Committee that the second quarter of 2022 was a challenging market environment with the majority of asset classes producing negative returns. Within this backdrop, the Fund returned -4.9% over the quarter to the end of June 22, outperforming its benchmark by 0.3%. Over the 12-months to the end of June 22, the Fund returned -1.4%, outperforming its benchmark by 0.5%.

In response to a question from Cllr Collingswood the Assistant Director – Investment Management and Stewardship confirmed that performance was largely driven by broader market performance, however, it was noted that the Fund had benefited from the diverse range of assets it holds and allocations to private markets.

In response to a question from Cllr B Singh the Assistant Director – Investment Management and Stewardship confirmed that private equity allocations consisted of a variety of underlying investment funds and performance was specific to individual managers and their strategies.

In response to a question raised by Martin Clift, Trade Union Representative, regarding Investments in the energy sector and engagement with companies with regards to profits and price levels, the Assistant Director – Investment Management and Stewardship confirmed that engagement formed part of the Fund's stewardship activity and was ongoing.

Resolved:

1. That the global market and investment update paper prepared by the Fund's Investment Consultant, Redington be noted.
2. That the Asset Allocation and Performance Reporting for the WMPF, Main Fund and Admitted Body Separate Funds be noted.

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Responsible Investment Activities

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 – Investment Management and Stewardship was pleased to confirm the Financial Reporting Committee (FRC) had confirmed the Fund's continued status, as a signatory to the UK Stewardship Code. Following the Fund's second annual stewardship report submission in April 2022, it was noted that the FRC had acknowledged the improvements made by the Fund since the report was first submitted last year.

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.

The Committee were advised that a number of Company Annual General Meetings had taken place during the quarter and a significant amount of voting activity had taken place in line with the Fund's Voting policy which was highlighted within the report.

It was noted that the Fund continues to receive requests, questions and communications on a range of topics from members of the public and that the Fund continues to review and respond to correspondence, signposting activity and action across a range of investment and engagement activities.

In response to a question raised by Cllr Hyatt regarding the success rate of engagement in relation to voting, the Assistant Director – Investment Management and Stewardship advised that both were powerful tools for investors and that votes can be significant with regards to prompting companies to engage with investors regarding concerns.

In response to a question raised by Cllr B Singh regarding emerging market equity exposure, the Assistant Director – Investment Management and Stewardship advised that investments within emerging markets equity exposure were currently under review, the results of which would be fed back to the Committee once the review had concluded.

Resolved:

1. That the Fund's engagement and voting activity for the three months ending 30 June 2022 [Appendices A and B] be noted.
2. That the Fund has retained its signatory status to the UK Stewardship Code, following submission of its second Annual Stewardship Report to the Financial Reporting Council (FRC) in April 2022 be noted.
3. That the issues discussed by Local Authority Pension Fund Forum (LAPFF) are set out in the Quarterly Engagement Report, which is available on the LAPFF website: [LAPFF-QER-2022-Q2.pdf \(lapffforum.org\)](https://lapffforum.org/LAPFF-QER-2022-Q2.pdf) be noted.
4. That the voting and engagement activity of Local Government Pension Scheme (LGPS) Central, as set out in the Quarterly Stewardship Report, available on the LGPS Central website: [LGPSC-Stewardship-Update-Q1-2022-2023.pdf \(lgpscentral.co.uk\)](https://lgpscentral.co.uk/LGPSC-Stewardship-Update-Q1-2022-2023.pdf) be noted.
5. That 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 \(hermes-investment.com\)](https://hermes-investment.com/EOS-Public-Engagement-Report) be noted.

12 **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.

13 **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 Separate Funds over the quarter.

Resolved:

1. That the update on the development and implementation of investment strategies for the Main Pension Fund and Admitted Body Separate Funds be noted.

14 **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 2022/23 and delivery of the 2022 actuarial valuation.

Resolved:

1. That the report and the associated update on progress with the 2022 actuarial valuation of the Fund be noted.
2. That the wider considerations for assumption setting aligned to the 2022 actuarial valuation be noted.
3. That the update on the associated employer covenant review in the context of the Fund's Integrated Risk Management Framework be noted.

15

Fund recruitment and resourcing

Rachel Brothwood, Executive Director of Pensions, presented the report on the measures being taken to recruit, review and build resilience within the Fund's resource and operational delivery.

Resolved:

1. That the progress with ongoing recruitment activity, including following changes to the Senior Management team be noted.
2. That the continued increase in competition for resource and skills in specialist roles and functions within the Fund, together with the activity underway to review resource plans be noted.
3. That the developing resilience review and action planning underway to mitigate key person risk be noted.

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LGPS Pooling and Shareholder Update

Rachel Brothwood, Executive Director of Pensions, presented the report on the matters to be considered by Shareholders at the LGPS Central Limited Annual General Meeting on 27 September, highlights from the Company's 2022/23 Annual Report and the forward-plan for the development of the Company's 2023/24 business plan and budget.

Resolved:

1. That the Executive Director's update on Shareholder business relating to LGPS Central Limited be noted.
2. That the Annual Report of LGPS Central Limited for 2021/22, published on 1 September 2022, be noted.
3. That the work underway to finalise the LGPS Central pool annual report to the Department for Levelling Up Housing and Communities (DLUHC) and inform discussion on the Company's 2023/24 business plan and budget be noted.