

Attendance

Members of the Pensions Committee

Cllr Milkinderpal Jaspal (Chair)
Cllr Craig Collingswood
Cllr Carol Hyatt
Cllr Paul Singh
Cllr Tersaim Singh

Trade Union Observers

Malcom Cantello (Unison)

Employees

Rachel Brothwood
Rachel Howe

Simon Taylor
Amy Regler
Shiventa Sivanesan

Christopher Manning
Hayley Reid
Laura Parker-Marsden
Holly Slater

Director of Pensions - West Midlands Pension Fund
Head of Governance and Corporate Services - West Midlands Pension Fund
Assistant Director, Pensions
Head of Operations
Assistant Director – Investment Management and Stewardship
Head of Finance
Regulatory Governance Manager
Governance Support Officer
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 Angus Lees, Councillor Michael Gough, Councillor Peter Allen, Councillor Ray Goodwin, Councillor Andrew Randle, Councillor Paul Appleby, Councillor Bally Singh, Councillor Paul Sweet, Councillor Phil Page, Ian Smith, Martin Clift and Claire Nye - Director of Finance.
- 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 held on 21 September 2022 be approved as a correct record.

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 using the Urgent Decision Process.

4 **Matters arising**

There were no matters arising.

5 **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 Committee were advised that the Fund had completed its 2022 Climate related Financial Disclosures (TCFD) report, marking the sixth year that the Fund had disclosed its climate related risk. The report details progress made in relation to managing climate related risks and opportunities in line with targets set by the Fund.

The Assistant Director – Investment Management and Stewardship also highlighted the Fund's Responsible Investment Framework which had been reviewed and updated and required approval.

It was noted that the Fund had provided its disclosures on developing climate targets to the Institutional Investors Group on Climate Change (IIGCC) as part of its Net Zero Asset Owner commitment and this would be published on the IIGCC website in due course.

The Assistant Director confirmed that the Fund has responded to a consultation by the Department of Levelling Up, Housing and Communities, in relation to mandatory reporting on the assessment, management and monitoring of climate related risks. A copy of the consultation had been circulated to the Committee.

In response to a question raised by Councillor Hyatt regarding the engagement of companies in relation to their climate ambitions and plans, the Assistant Director – Investment Management and Stewardship acknowledged the importance of testing the credibility of companies' plans and advised that engagement had increased, with some subsequent improvements being noted. Further, it was noted that the Fund would continue to engage with the companies and that escalation would be considered where required.

In response to a question raised by Councillor Collingswood in relation to the engagement process and progress with company engagement where they held operation in the Occupied Palestinian Territories, the Assistant Director – Investment Management and Stewardship advised the Committee that whilst progress has been made in some dialogue there was more to be done. It was noted that engagement in relation to the concerns raised on this matter was a continual and gradual process on which appropriate progress checks would take place over time.

A further question was raised with regards to the Fund's commitment to being Net Zero and whether it was consistent with local authorities within the area. The Assistant Director – Investment Management and Stewardship advised that the commitments made by the Fund were consistent with those emerging across the broader pensions industry.

Resolved:

1. That the publication of the Fund's 2022 Taskforce for Climate-related Financial Disclosure (TCFD) Report [Appendix A] be approved.
2. That the Fund's 2022 Responsible Investment Framework [Appendix B] be approved.
3. That the Fund's engagement and voting activity for the three months ending 30 September 2022 [Appendices C and D] be noted.
4. That the issues discussed by the Local Authority Pension Fund Forum (LAPFF) are set out in the Quarterly Engagement Report, which is available on the LAPFF website: [LAPFF-QER-2022-Q3-Final.pdf \(lapfforum.org\)](https://www.lapfforum.org/LAPFF-QER-2022-Q3-Final.pdf), be noted.
5. That the voting and engagement activity of the Local Government Pension Scheme (LGPS) Central, as set out in the Quarterly Stewardship Report, available on the LGPS Central website: [LGPSC-Stewardship-Update-Q2-2022-2023.pdf \(lgpscentral.co.uk\)](https://www.lgpscentral.co.uk/LGPSC-Stewardship-Update-Q2-2022-2023.pdf), be noted.
6. That the research and engagement activity undertaken by EOS at Federated Hermes as set out in the Public Engagement Report, which is available on the EOS website: [EOS Public Engagement Report \(hermes-investment.com\)](https://www.hermes-investment.com/EOS-Public-Engagement-Report), be noted.

6 Pensions Administration Report from 1 July to 30 September 2022

Amy Regler, Head of Operations, presented the report on the routine operational work undertaken by the Pensions Administration Service areas from 1 July to 30 September 2022.

The Head of Operations advised the Committee of an overall decrease in outstanding casework, due to focused work to reduce and clear outstanding work being undertaken in preparation for the move to the new pensions administration system.

It was noted that there were four instances where the Fund did not achieve Key Performance Indicators (KPI's) during the period, due to waiting upon third parties and an increase in volumes of work. However, it was also noted that the Fund's overall KPI performance for the year to date was approximately at the 90% rate.

The Head of Operations advised the Committee on the progress and outcomes made in relation to the Fund's overseas existence verification exercise.

In response to a question raised by Councillor Collingswood regarding the 17 applications for admitted body status received by the Fund and the criteria for vetting those applications, the Head of Operations provided an overview of the process. The Assistant Director- Pensions further provided details on the covenant assessments undertaken in respect of applications received.

Resolved:

1. That the 17 applications for admission from employers into the Fund as detailed in section 9 and Appendix E of this report be approved.
2. That the performance and workloads of the key pension administration functions be noted.
3. That the development of the Fund's membership and participating employers be noted.
4. That the outcomes of the Fund's deferred overseas existence exercise be noted.

7 **Customer Engagement Update**

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

It was noted that since the report had been drafted the Fund had issued pensions newsletters to approximately 130,000 members and that pensions savings statements had also been issued, prior to the statutory deadline.

The Assistant Director highlighted the Fund's Annual General Meeting (AGM) which took place on 6 December, noting that positive feedback had been received from attendees. It was also noted that the Fund was recently featured in a case study in the Local Government Chronicle on retirement planning, a copy of which would be circulated to members after the meeting.

Councillor Hyatt complimented the Fund on the effectiveness of the newsletters that are distributed to members and advised that positive feedback had been received from Fund members.

Resolved:

1. That the engagement activity and informed service development be noted.

8 **Compliance and Assurance**

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

The Head of Governance, Risk and Assurance advised the Committee that the risk register provides a forward-looking view, capturing the potential for impact on the Fund's service delivery. It was noted that the Fund continues to anticipate the potential impact created by the current economic environment whilst awaiting the publication of statutory guidance and regulations.

In relation to the Fund's KPI's, from a governance and assurance perspective it was noted there were no concerns identified with the Fund's overall delivery of service areas. In addition, no concerns were identified with regards to data management. However, the Committee were advised that the Fund had seen an increase in personal data requests.

It was noted that the Fund's Annual Report and Accounts had been published on the Fund's website ahead of the statutory deadline of 1 December 2022. It was further noted that the Fund's accounts would be certified by the external auditor at the same time as the City of Wolverhampton's accounts and that, as reported previously to the Committee, certification had been delayed pending the introduction of a Statutory Instrument in respect of infrastructure assets that was due to take effect on the 25 December 2022.

In response to a question raised by Malcom Cantello, Trade Union Representative, regarding member complaints, the Head of Governance, Risk and Assurance advised the Committee that, due to the complexity of the regulations, complaints received were requiring a longer investigation which, coupled with resourcing impacts on the Customer Services team, had resulted in a slight dip in performance

on response times in the most recent quarter but each case continued to be fully investigated and reviewed prior to response.

In response to a question raised by Councillor Collingswood regarding the current economic environment and the potential impact on member behaviour, the Head of Governance, Risk and Assurance advised that whilst the Fund had not seen an impact on member behaviour, the Fund's Member Services team continue to engage with members regarding their pensions and the options available to them in the context of rising cost of living pressures. It was also noted that potential for movement in Fund membership numbers and participation rates (including the 50:50 scheme option) was considered as part of the Fund's actuarial valuation. Simon Taylor, Assistant Director – Pensions, advised the Committee that the Fund's opt-out rates were low and would continue to be monitored.

In response to a further question from Councillor Collingswood regarding the Fund's cyber risk rating, the Head of Governance, Risk and Assurance explained that the risk rating was driven by the Fund's annual cyber assurance exercise which had just been completed and had not identified any significant concerns.

Resolved:

1. That the latest Strategic Risk Register and areas being closely monitored in the current environment be noted.
2. That the Fund's Key Performance Indicators (KPI) and action taken to support service delivery be noted.
3. That the compliance monitoring activity undertaken during the quarter be noted.
4. That the Fund's Annual Report and Accounts which have been published on the Fund's website in accordance with the statutory deadline of 1 December 2022 be noted.

9 **Delivering Our Corporate Plan**

Rachel Brothwood, Executive Director of Pensions, presented the report on Delivering Our Corporate Plan.

The Executive Director of Pensions advised the Committee that the Fund has a five-year rolling plan which is reviewed and updated annually, this year the Corporate Plan was approved in March 2022 and featured seven key themes which were identified as essential to achieving the Fund's goals and ambitions. The Executive Director of Pensions provided a summary of the report highlighting achievements throughout the year and insight towards the focal points for the remainder of the year.

In response to a question raised by Councillor Paul Singh relating to the Fund's Graduate Management Programme and "growing your own" employees, the Executive Director of Pensions advised that the Fund's Graduate Management and Trainee programmes had been incredibly successful and that the Fund continued to see success at bringing people into the organisation, with the next phase of these programmes which would include development into management and leadership positions was currently being reviewed.

Resolved:

1. That the work undertaken by the Fund to work towards the goals and ambitions outlined in the Corporate Plan 2022 – 2027 be noted.

10

Budget Monitoring 2022/23 and Quarterly Accounts to 30 September 2022

Chris Manning, Head of Finance, presented the report on the yearend forecast at the end of quarter ended 30 September 2022 and provided an update on the value of net assets of the Fund at the quarter ended 30 September 2022.

The Head of Finance outlined the net position of the Fund, highlighting forecasted operational savings on employee costs of £583,000.

It was noted that the value of the Fund's net assets had fallen slightly which was reflective of the current economic climate.

In relation to a question raised by Councillor Collingswood around investment management expenses, the Head of Finance explained that work had been conducted by the Fund over recent years regarding the capturing and reporting of investment fees, and that the Fund is monitoring this to refine how it budgets and forecasts for these in future years.

Resolved:

1. That the value of the net assets of the West Midlands Pension Fund at the end of quarter ended 30 September 2022 was £19.0 billion be noted.
2. That as at the 30 September 2022, West Midlands Pension Fund forecasts an underspend of £6.3m at year end attributable to £5.7m forecast underspend on investment management expenses offset by £0.6m forecast underspend on operational costs, primarily related to lower employee costs be noted.

11

Quarterly Investment Report to 30 September 2022

Shiventa Sivanesan, Assistant Director – Investment Management and Stewardship, presented the report on developments in investment markets, asset allocation and investment performance over the latest quarter in relation to the West Midlands Pension Fund (WMPF) (Main Fund and Admitted Body Separate Funds).

The Assistant Director – Investment Management and Stewardship advised that as per the previous quarter the third quarter 2022 continued to be a challenging market environment for investment markets in general, with the majority of asset classes producing negative returns. There has been significant volatility and downward pressure on the UK gilt market and the value of sterling to the US dollar.

The Fund produced a return of -0.9% over the quarter but did outperform its benchmark by 0.4%. Over the year performance was -4.2% however the Fund outperformed its benchmark by 0.4% and long-term improvements have been positive.

The Assistant Director – Investment Management and Stewardship advised the Committee that the overall performance was reflective of the broader market environment and conditions.

In response to a question from Malcolm Cantello, Trade Union Representative, in relation to the proportion of investments in equity falling short of the final Investment Strategy Statement (ISS) target (62%), the Assistant Director – Investment Management and Stewardship explained that this was related to private market commitments that had been made earlier in the year. At present there is an

overweight in equity allocation expected to fund those market commitments over time.

In response to a question raised by Councillor Hyatt regarding the emerging market portfolio, the Assistant Director- Investment Management and Stewardship advised that the Fund's allocation in this area is actively managed and had underperformed its benchmark, as a result the Fund was undertaking both further due diligence and reviewing its allocations to this area.

A further question was raised by the Chair in relation to any potential concerns with the Fund holding cash for a length of time. The Assistant Director- Investment Management and Stewardship explained that the Fund has seen an increase in yields available in the cash market given the increase in interest rates and continued to review position in context of investment cashflow requirements and strategic asset allocation.

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.

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 investment strategy and activity in the Main Fund and Admitted Body Separate Funds over the quarter.

Resolved:

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, including the two Admitted Body Sub Funds (ABSFs) be noted.
2. That the headline results of the 2022 actuarial valuation be noted.
3. That the proposed changes to the Funding Strategy Statement be noted.
4. That the consultation undertaken and planned activity over the forthcoming quarter be noted.

15

Pension Administration System Transition

Amy Regler, Head of Operations, presented the report and delivered a presentation to Committee members providing an update on the Pension Administration System Transition.

Resolved:

1. That the progress with the transition of the pension administration system to the Fund's new software supplier which is on schedule to complete Q2 2023 be noted.
2. That the project governance and active management of associated risks and change for Fund customer and employees be noted.