

Attendance

Members of the Pensions Committee

Cllr Milkinderpal Jaspal (Chair)
Cllr Tersaim Singh (Vice-Chair)
Cllr Paul Appleby
Cllr Jane Francis
Cllr Carol Hyatt
Cllr Asha Mattu
Cllr Zee Russell
Cllr Harbinder Singh
Cllr Bally Singh (Coventry City Council)
Cllr Leslie Kaye (Solihull MBC)
Cllr Luke Davies (Sandwell MBC)

Employees

Rachel Brothwood	Executive Director of Pensions
Rachel Howe	Head of Governance Risk and Assurance
Claire Nye	Director of Finance – City of Wolverhampton Council
Paul Nevin	Assistant Director – Investment Strategy
Shiventa Sivanesan	Assistant Director – Investment Management and Stewardship
Simon Taylor	Assistant Director – Pensions
Hayley Reid	Regulatory Governance Manager
Holly Slater	Governance Officer
Laura Parker-Marsden	Governance Support Officer
Fabrica Hastings	Democratic Services Officer
Shelley Humphries	Democratic Services Officer

In attendance

Grant Patterson	Grant Thornton
Keith Chaisewa	Grant Thornton

Part 1 – items open to the press and public

Item No. *Title*

- 1 Apologies for absence (if any)**
Apologies were received from Martin Clift, Ian Smith and Malcom Cantello.
- 2 Declarations of interests (if any)**
There were no declarations of interest.

3 **Minutes of the previous meeting**

That the minutes of the meeting held on 21 June 2023 be approved as a correct record.

4 **Matters arising**

There were no matters arising.

5 **Regulatory Update**

Rachel Howe, Head of Governance, Risk and Assurance, presented the report on the regulatory environment, potential forthcoming changes across the Local Government Pension Scheme (LGPS) and the wider pensions industry.

The Head of Governance, Risk and Assurance highlighted the themes presented in the Investment Pooling Consultation, which is due to close on 2 October 2023, and that the Fund continues to develop its response.

In response to a question raised by Cllr Bally Singh, the Executive Director of Pensions advised there has been increased focus on the role that UK pension funds could play in supporting the UK economy and growth agenda. The Fund will respond to this, specifically within its response to the LGPS Investment Consultation. The Executive Director highlighted that the Fund's primary and fiduciary duty remains to invest the money to generate returns to pay members' pensions over the long-term.

In response to questions raised by Cllr Carol Hyatt, the Executive Director of Pensions advised that there are opportunities and examples of the Fund being at the forefront of investment in these areas, with opportunity to further leverage the expertise which has started to build within LGPS Central Pool.

The Executive Director of Pensions advised the Committee that the Fund's response to the LGPS Consultation would require the consideration of risk, ensuring any action was in keeping with the Fund's wider investment strategy and objectives.

In response to a question raised by Cllr Carol Hyatt, the Executive Director of Pensions confirmed that a small proportion of members would be impacted by the lifetime allowance changes. It was noted that pension fund members could be more widely impacted by delays in review and the implementation of other regulatory changes.

A brief discussion was held around the Economic Activity of Public Bodies Bill and it was confirmed that further updates on this will follow as the Bill progresses through parliament.

Resolved:

1. That the developments within the current regulatory environment in which the Fund operates be noted.

6 **Corporate Plan Monitoring**

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

In response to a question raised by Cllr Paul Appleby, the Head of Governance, Risk and Assurance advised that the Fund had undertaken a roll-out programme to

register members to the new portal and 20,000 members across all memberships were registered within a 6-week period.

In response to a question raised by Cllr Luke Davies, the Head of Governance, Risk and Assurance advised that members have the option to opt out of the portal to receive paper communications, ensuring wide accessibility. The Fund operates a call centre, email, online portal and delivers road show events across the region to support all members in accessing information and guidance on pensions saving.

Resolved:

1. That the work undertaken by the Fund to work towards the goals and ambitions outlined in the Corporate Plan 2023 – 2028 be noted.

7

Risk 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, highlighting the current areas of focus in the management of risk across the Fund.

In response to a query raised by Cllr Paul Appleby, the Head of Governance, Risk and Assurance advised that recruitment and retention was an industry-wide issue. The Fund promotes being an employer of choice to appeal to potential candidates.

In response to a question raised by Cllr Harbinder Singh, the Head of Governance, Risk and Assurance advised that the Fund provides data protection training that is delivered across the employee base on an annual basis including e-learning modules, induction training for all new employees and further bespoke training as required.

In response to a question raised by Cllr Bally Singh, the Executive Director of Pensions outlined how the Governance arrangements of the LGPS Funds are evolving, with future regulation and guidance expected in relation to lead officer responsibility to provide assurance on the resourcing and capability of those responsible for the management the Fund.

In response to a question raised by Cllr Leslie Kaye, the Head of Governance, Risk and Assurance outlined that the Fund has a dedicated People Services team with a focus on organisational development across the Fund, which includes a holistic training package, i.e., soft skills development to support the growth of knowledge across teams.

In response to a query raised by Cllr Leslie Kaye on the timing of the data reported to the Committee, the Executive Director of Pensions confirmed that it would not be possible to report more recent data in all areas due to the process of collating the information, but that the inclusion of more up to date commentary would be considered for the future meetings.

In relation to a question raised by the Chair, the Head of Governance, Risk and Assurance outlined the ongoing support that employees are offered in terms of professional development, which includes regular support from line managers and group training where appropriate.

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 statutory delivery of members' 2023 Annual Benefit Statements be noted.

8 **Annual Report and Accounts 2022-23**

Rachel Brothwood, Executive Director of Pensions and Grant Patterson, Engagement Lead for Grant Thornton, presented the report on the external audit and finalisation of the Statement of Accounts for the year ended 31 March 2023 and the Annual Report for the 2022/23 year.

The Committee were advised that Grant Thornton issued their opinion on the 22 September 2023, following the conclusion of the audit of the administering authority's accounts.

Grant Patterson highlighted the change in the approach to the way audit materiality is determined, to include a specific materiality (7.5% of the Fund account) for the Fund accounts in line with the movement of the sector.

The Committee were advised that no material matters or adjustments had been identified at this stage. Identified risks have also remained unchanged from the previous year.

The Executive Director of Pensions confirmed that she and the Chair of the Committee had signed the letter of representation, in respect of the year end accounts, as part of the process of completing the wider Council accounts for the 2022 year-end.

The statement of accounts for the 2023 year-end is expected to be finalised with the audit findings report issued within the next 4 weeks. The annual report and accounts will be published in line with the statutory deadline for the LGPS on the 1 December 2023.

In response to a question raised by Cllr Leslie Kaye regarding setting lower materiality benchmarks in order to carry out sample testing in finer detail, Grant Patterson advised that the materiality threshold has been reduced for this accounting period and is set at the lower end of the sector.

In response to a question raised by Cllr Bally Singh, it was confirmed that, for the Fund's directly held property, there are independent valuations undertaken, to provide assurance on the listed valuation amount. These valuations are then audited accordingly.

Claire Nye, Director of Finance for CWC, confirmed that the City of Wolverhampton Council's accounts audit is aiming for completion by the end of the calendar year enabling an audit opinion to be issued on both the administering authority and the pension fund's accounts.

Resolved:

1. That the delegation of the authority to the Chair to approve; the final Statement of Accounts, once the audit is completed, and the final publication of the Fund's 2022-23 Annual Report, agreed by the Committee in June 2023 be noted.
2. That the External Audit plan issued by Grant Thornton and previously circulated to the Committee be noted.
3. That an update on the Fund's External Audit from Grant Thornton be noted.

9 **Budget Monitoring and Quarterly Accounts to 30 June 2023**

Rachel Brothwood, Executive Director of Pensions, presented the report on the outturn at the end of the first quarter of the financial year ending 31 March 2024 and to provide an update on the value of the net assets of the Fund at the end of the same quarter (June 2023).

The Committee were advised that the net assets were broadly static over the period and the Fund were forecasting a slight underspend in terms of operational costs. The Fund's net return over the quarter was positive but not significant enough to offset the negative cashflow, as expected for the quarter. Operational forecast spend has reduced slightly, however will continue to be monitored.

Resolved:

1. That the value of the net assets of the West Midlands Pension Fund at the end of the first quarter of the financial year, ended 30 June 2023, was £19.6 billion (£19.5 billion net invested assets) be noted.
2. That as at the 30 June 2023, West Midlands Pension Fund forecast an underspend of £66,000 at the year-end attributable to an underspend on operational costs. Forecast investment management expenses remain in line with the approved budget at this time, reflecting asset values in line with budget assumptions be noted.

10 **Quarterly Investment Report**

Paul Nevin, Assistant Director - Investment Strategy, presented the report on the developments in investment markets, asset allocation and investment performance in relation to the West Midlands Pension Fund (Main Fund and Admitted Body Separate Funds).

The Committee were advised that global equity markets have delivered positive returns over the quarter. The central banks continued to raise interest rates in response to high inflation.

The Fund's overall asset growth had been flat, growing by 0.1% over the quarter however, in the longer-term, the Fund grew 5.7% over the last 3 years and 7.6% over the longer period of 10 years. The Fund underperformed against its benchmarks during the quarter by 1.2%. However, this volatility is expected when assessing quarter by quarter performance. It was flat against the benchmark over the year and has outperformed over a 3-year period.

The admitted body separate funds both fell in value over the quarter, by 3% and 4.5%, due to close matching of liabilities within the asset portfolio. This, however, was expected due to the maturity of the funds.

In response to a question raised by Cllr Bally Singh regarding the Fund's asset allocation, the Assistant Director - Investment Strategy advised that the Fund had

been working over the last quarter on the implementation of the new Investment Strategy Statement which commenced on the 1 July 2023.

Resolved:

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

11

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 asked to note the Fund's voting and engagement statistics and the activity undertaken.

The Committee were advised that over 7,300 members completed the responsible investment member survey, representing a 4% response rate. The Assistant Director – Investment Management and Stewardship expressed thanks to all members who submitted their survey responses and noted that the results of the survey will be used to shape how the Fund responds and reports back to its members and stakeholders around its responsible investment objectives and outcomes in the future.

The Fund retained its signatory status to the UK Stewardship Code in September 2023 and continues to meet the standards required.

In response to a question raised by Cllr Carol Hyatt, the Assistant Director – Investment Management and Stewardship, confirmed that the Fund has a policy of engaging with companies to drive positive change and encouraging companies to engage with responsible investment. Further, the Fund is working with LGPS Central Ltd and LAPFF to promote enhanced transparency of the reporting of those engagements.

Resolved:

1. That the Fund's engagement and voting activity for the three months ending 30th June 2023 [Appendices A and B] be noted.
2. That the issues discussed by Local Authority Pension Fund Forum (LAPFF) set out in the Quarterly Engagement Report, which is available on the [LAPFF website](#) for the quarter be noted.
3. 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](#) for the quarter be noted.
4. That the voting and engagement activity of LGPS Central, as set out in the Quarterly Stewardship Report, is available on the [LGPS Central website](#) for the quarter be noted.

12 **Customer Engagement Update**

Simon Taylor, Assistant Director – Pensions, presented the report on the Fund’s customer engagement activity from 1st April 2023 to 30th June 2023 and covered future planned customer engagement activity in the context of the Fund’s Customer Engagement Strategy.

The Committee were asked to note the member engagement and communication of the Fund, including the satellite support events, the rollout of the new pensions portal and roadshow events across the region.

Contact volumes via the Fund’s member helpline were higher than usual, due to the range of communications issued during the period. Complaint numbers were higher than the previous quarter but remained relatively low against the overall scheme membership.

The Committee were asked to note that the next pensioner engagement forum would be held on the 25 October 2023.

Resolved:

1. That the engagement activity and informed service development.

13 **Pensions Administration Report to 30 June 2023**

Simon Taylor, Assistant Director – Pensions, presented the report on the routine operational work undertaken by the Pensions Administration Service areas during the period 1 April 2023 – 30 June 2023.

The Fund saw a slight increase in outstanding casework due to work being undertaken with employers prior to a required close down of the system to enable the administration system transition. Additionally, more resources across teams were supporting on the testing and implementation of the new system. The Fund expects to see the impact continue as the new system processes are embedded throughout the year.

The Committee were asked to note three KPI’s which did not achieve 90% target for the period, despite this the teams did complete more casework in the same period than the previous year. On average, casework across the three KPI’s was completed within the timescales.

The Committee were asked to approve the 14 applications for admission of employers into the Fund.

Resolved:

1. That the 14 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.

14 **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.

15 **Pensions Administration System Transition Update**

Rachel Brothwood, Executive Director of Pensions, presented a report on the progress of project managing the transition of the pension administration system to the new provider, Equiniti and roll out of the new system, Compendia, following provider appointment in November 2021, an 18-month development phase and transition to the “live” environment as planned over Summer 2023.

Resolved:

1. That the progress made in transition of the Fund’s core services following phased roll-out of the new pension administration system be noted.

16 **Employer Covenant Monitoring**

Simon Taylor, Assistant Director – Pensions, presented a report on the findings of the in-house covenant monitoring framework and the individual cases arising from the ongoing monitoring process.

Resolved:

1. That the revised employer watch list, updated to take into account 2022/23 financial information be approved.
2. That the employer/sectoral developments which may have implications for employer covenant be approved.
3. That the review of the employer exit strategy in the context of the Fund’s integrated risk management be approved.

17 **Investment Strategy and Activity**

Paul Nevin, Assistant Director, Investment Strategy, presented a report on the investment strategy and activity in the West Midlands Pension Fund (WMPF) and Admitted Body Separate Funds over the quarter.

Resolved:

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

18 **LGPS Central Pool - Annual Report to DLUHC and Shareholder Matters**

Rachel Brothwood, Executive Director of Pensions, presented a report on the matters considered by Shareholders at the LGPS Central Limited Annual General Meeting on 26 September, together with highlights from the Company’s 2023/24 Annual Report and 2023 pool progress report to the Department for Levelling Up, Housing and Communities (DLUHC).

Resolved:

1. That the Director’s update on Shareholder business relating to the Local Government Pension Scheme (LGPS) Central Limited be noted.
2. That the Annual Report of LGPS Central Limited for 2022/23 be noted.
3. That the progress of the LGPS Central pool reflected in the pool’s annual report to DLUHC noted.

[NOT PROTECTIVELY MARKED]