

Attendance

Members of the Pensions Committee

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

Employees

Rachel Brothwood	Director of Pensions - West Midlands Pension Fund
Claire Nye	Director of Finance – City of Wolverhampton Council
Rachel Howe	Head of Governance, Risk and Assurance
Chris Manning	Head of Finance
Paul Nevin	Assistant Director - Investment Strategy
Shiventa Sivanesan	Assistant Director – Investment Management and Stewardship
Simon Taylor	Assistant Director – Pensions
Hayley Reid	Regulatory Governance Manager
Laura Parker-Marsden	Governance Support Officer
Fabrica Hastings	Democratic Services Officer - City of Wolverhampton Council

Part 1 – items open to the press and public

Item No. *Title*

1 **Apologies for absence (if any)**

Apologies were received from Councillor Tersaim Singh, Councillor Jas Dehar, Councillor Paul Appleby, Councillor Jane Francis, Martin Clift – Unite Union

The Chair advised the Committee that a nomination for the current democratic year had not been received from Walsall Council and requested that this matter was raised with Walsall MBC.

The Chair also noted the non-attendance of a Union Representative and asked that this matter was raised with the relevant Union, noting the value of the contributions from union representatives overall.

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 27 September 2023 be approved as a correct record.

4 **Matters arising**

Rachel Brothwood – Executive Director of Pensions advised members that the Government’s response to the Next Steps on LGPS Investments consultation was published on 22 November 2023 noting that a short briefing on the outcome of the consultation would be provided to the Committee following the meeting.

In response to questions from Malcolm Cantello:

- Simon Taylor – Assistant Director of Pensions confirmed that a further Pensioner Engagement Forum was held on 22 November 2023 and that further dates would be confirmed in due course.
- Rachel Brothwood confirmed that a response to LGPS Central Pool’s annual return to the Department for Levelling Up, Housing and Communities (DLUHC) submitted in September 2023 had not been received.

5 **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).

Overall, Fund’s assets had increased by 0.2% over the quarter, by 4.6% over one year and by 7.2% per annum.

The Committee were advised that equity markets fell generally but rose in sterling terms and the UK market did have positive quarter. Overall, the portfolio’s equity assets fell slightly over the quarter. The performance in other asset classes was mixed with positive performance in private equity and flat performance in infrastructure. Valuations on property fell due to higher interest rates.

The Admitted Body Sub Funds both fell in value over the quarter, it was noted that both sub funds hold mature liability profiles.

The Assistant Director – Investment Strategy further outlined that the Fund were working towards the new target asset allocation set in March 2023 and are comfortable with the positioning of the portfolio. There has been a focus on building high levels of resilience to changing market conditions.

In response to a question raised by Councillor Bally Singh regarding investment performance which had been below benchmark for the quarter, the Assistant Director – Investment Strategy confirmed that, the Fund are focused on the long-term performance and that investment performance was still expected to deliver the level required to meet pension obligations.

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.

6 **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 approve the publication of the Fund's Taskforce for Climate-related Financial Disclosure (TCFD) Report.

The Committee were advised that a draft version of the updated Responsible Investment Framework had been included at Appendix B of the report and that current engagement themes had run from 2019 – 2023, it was noted that the final version of the updated framework would be presented for approval at the meeting in March 2024.

It was noted that the Fund continues to receive and respond to a wide range of requests on topics relating to responsible investment.

In response to a question raised by Councillor Carol Hyatt regarding what more could be done to reduce carbon emissions, the Assistant Director – Investment Management and Stewardship advised that the Fund continues to strive to review their approach to integrating responsible investment noting the forthcoming review of the Fund's climate strategy.

Resolved:

1. That the publication of the Fund's 2023 Taskforce for Climate-related Financial Disclosure (TCFD) Report [Appendix A] be approved.
2. That the updated draft of the Fund's Responsible Investment Framework. A final version of the framework will be sent to Committee for approval in March 2024 [Appendix B] be noted.
3. That the Fund's engagement and voting activity for the three months ending 30th September 2023 [Appendices C and D] be noted.
4. That the issues discussed by LAPFF as set out in the Quarterly Engagement Report, which is available on the LAPFF website: [LAPFF Quarterly Engagement Report](#) for the quarter to 30th September 2023 be noted.
5. That the voting and engagement activity of LGPS Central, as set out in the Quarterly Stewardship Report, which is available on the LGPS Central website: [2023-11 LGPSC QSU v4.pdf \(lgpscentral.co.uk\)](#) be noted.
6. That the research and engagement activity undertaken by EOS at Federated Hermes over the quarter, as set out in the Public Engagement Report, which is available on the EOS website: [EOS Public Engagement Report](#) be noted.

7 **Budget Monitoring and Quarterly Accounts to 30 September 2023**

Christopher Manning, Head of Finance, presented the report to the Pensions Committee on the outturn at the end of the second quarter of the financial year ending 31 March 2024 and provided an update on the value of the net assets of the West Midlands Pension Fund at the end of the same quarter (September 2023).

The Committee was asked to note the current projected underspend of £4.3m split between £2m in relation to operational costs and £2.3m relating to projected external investment management costs.

In response to a question raised by Malcom Cantello, Trade Union Representative regarding the receipt of backdated funding regarding professional fees the Head of Finance advised that the funding had come from central Government to support the additional audit requirements.

Resolved:

1. That the value of the net assets of the West Midlands Pension Fund at the end of the second quarter of the financial year, ended 30 September 2023, was £19.6 billion (£19.5 billion net investment assets) be noted.
2. That as at 30 September 2023, West Midlands Pension Fund forecast an underspend of £4.3 million at the year-end attributable to £2.0 million underspend on operational costs and £2.3 million underspend on investment management costs. Operational underspends primarily relate to employee costs. Forecast investment management expenses reflect that whilst the value of investments remains in line with the original budget, asset movements as part of the implementation of the strategic investment plan are expected to positively impact fees during the initial transition period be noted.

8 **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.

The Committee were advised that the risk register noted ongoing national regulatory change which had the potential to impact the Fund and its customers alongside national oversight and reporting requirements which have the potential to lead to further change outcomes.

The Head of Governance, Risk and Assurance advised that the Fund is undertaking work to develop reporting of Key Performance Indicators in light of current transformational change, noting the need to develop comparator reporting.

It was also noted that there were no concerns related to the Fund's management of information and data and that the Fund's annual report and accounts would be published on the website in accordance with the statutory deadline.

Resolved:

1. That the latest Strategic Risk Register and areas being closely monitored in the current environment be noted.
2. That the compliance monitoring activity undertaken during the quarter be noted.
3. 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 2023 be noted.

9 **Customer Engagement Update**

Simon Taylor, Assistant Director of Pensions presented the report on the Fund's customer engagement activity from 1st July 2023 to 30th September 2023 and to

cover future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy.

The Committee were informed that enhancement of the Fund's website was ongoing and included development of a dedicated system transition page, designed to provide timely updates, further information and signposting of support for customers.

It was noted that the Fund continues to engage regularly with participating employers around the new administration system regarding their roles and responsibilities and the associated performance.

The Assistant Director – Pensions further advised that the Fund saw encouraging uptake and engagement from members and employers on the Fund's self-service platforms.

Newsletters were issued to active and deferred members. Fund roadshows were held across the region during September – October with healthy footfall. Pension savings statements were issued with supporting webinars, to cover pension taxation.

In response to a question raised by Councillor Luke Davies, the Assistant Director of Pensions advised that the Fund were actively working to reduce response times to customer queries, noting that more complex queries were being received which were taking a longer period of time to resolve. It was also noted that the Fund were looking at ways to better engage with members and to signpost information available for self service.

Following questions from Cllr Paul Singh with regards to recruitment and vacancies within the Customer Services Team, the Assistant Director – Pensions confirmed that recruitment was ongoing and that a training programme for new staff members had been prepared.

Resolved:

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

10

Pensions Administration Report to 30 September 2023

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

It was noted that the reporting period covered the go-live of the Fund's new Pension Administration system and therefore elements of content differed from prior reporting periods. It was noted that the volume of case work had increased from prior quarters and processing rates were slightly lower, as processes continue to be refined.

It was noted that the Fund's priority remains member processing with a focus on, retirement quotations and payments including following bereavement.

It was noted that the Fund continued to see a steady influx of new employers but have seen an offset by the slight increase in employer exits during this period.

Resolved:

1. That the delegation to the Chair of the Pensions Committee to approve the revised Internal Dispute Resolution Procedure (IDRP) policy statement

change as detailed in Section 5 of this report following the required documentation review and consultation be approved.

2. That the 5 applications for admission from employers into the Fund as detailed in Section 8 and Appendix A 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 employer base be noted.

11 **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.

12 **Pensions Administration System Transition Update**

Christopher Manning, Head of Finance, presented the report on the ongoing progress in managing the transition of the pension administration system 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.

13 **Funding / Employer Covenant**

Simon Taylor, Assistant Director – Pensions, presented the report on the Funding and Employer Covenant update, noting an improved funding position.

Resolved:

1. That the commentary on the improved funding position, associated considerations and stakeholder engagement be noted.
2. That the update on employer/sectoral developments which may have implications for employer covenant be noted.

14 **Investment Strategy and Activity Update**

Paul Nevin, Assistant Director – Investment Strategy, presented the report on the investment strategy and activity in the West Midlands Pension Fund (WMPF) and Admitted Body Separate Funds over the quarter. The update included information on the tender for the supply of Investment Management Consultancy Services through the National LGPS Framework.

Resolved:

1. That the delegation of approval regarding the final selection of a supplier of Investment Consultancy Services to the Executive Director of Pensions in consultation with the Chair of Pensions Committee be approved.
2. That the update on the implementation of investment strategies for the Main Pension Fund and Admitted Body Separate Funds be noted.
3. That the proposed tender for the supply of Investment Consultancy Services under the National LGPS Framework be noted.

15

Pension Fund Resourcing

Rachel Brothwood, Executive Director of the Pension Fund, presented the report on the Fund's progress with employee recruitment and retention, confirming actions in train to support employee and service resilience. It was noted that in order to deliver its Corporate Plan, the Fund must ensure it is adequately resourced, with appropriate levels of knowledge, to deliver a well governed and high performing LGPS Fund.

Resolved:

1. That the update on Fund recruitment and retention be noted.
2. That the initiatives being undertaken to support employee development and wellbeing be noted.
3. That the development of the Fund's EDI (equality, diversity and inclusion) policy be noted.