



Pensions Committee

Minutes - 10 December 2014

Attendance

Members of the Pensions Committee

Cllr Muhammad Afzal (Birmingham City Council)
Cllr Mohammed Arif (Walsall MBC)
Cllr Peter Bilson
Cllr Ian Brookfield
Malcolm Cantello (Trade Union Representatives)
Cllr Val Evans
Cllr Rachel Harris (Dudley MBC)
Cllr Jasbir Jaspal
Cllr Alan Rebeiro (Solihull MBC)
Cllr Zahid Shah
Cllr Paul Singh
Cllr Tersaim Singh
Cllr Bert Turner (Chair)

Trade Union observers

Malcolm Cantello (Unison)

Employees

Mark Chaloner	Assistant Director, Investments
Carl Craney	Democratic Support Officer
Geik Drever	Strategic Director - Pension Fund
Peter Farrow	Head of Audit
Rachel Howe	Head of Governance - West Midlands Pension Fund
David Kane	Fund Accountant
Amanda MacDonald	Client Lead Auditor
Jennifer Pearce	Senior Auditor

Part 1 – items open to the press and public

Item No. *Title*

- 1 Apologies for absence (if any)**
Apologies for absence had been received from Cllr Steve Eling (Sandwell MBC), Cllr Damian Gannon (Coventry City Council), Cllr Mrs Sandra Samuels (Wolverhampton City Council), Martin Clift (UNITE), Victor Silvester (UNITE) and Ian Smith (UNITE).
- 2 Notification of Substitute Members (if any)**
Cllr Sandra Hevican attended the meeting as a Substitute Member for Cllr Steve Eling (Sandwell MBC).

Chair's Announcement

The Chair, Cllr Bert Turner announced that the Fund had been awarded the Local Government Chronicle Investment Award, Skills and Knowledge category in

recognition of the exceptional training programme delivered to its Trustees. The award was on display at the meeting.

3 **Declarations of interests (if any)**

No declarations of interest were made in relation to items under consideration at the meeting.

4 **Minutes**

(a) Pensions Committee – 24 September 2014

Resolved:

That the minutes of the Pensions Committee held on 24 September 2014 be confirmed as a correct record and signed by the Chair.

(b) Investment Advisory Sub Committee – 24 September 2014

Resolved:

That the minutes of the Investment Advisory Sub Committee held on 24 September 2014 be received and the acts, proceedings and recommendations contained therein be adopted subject to the following amendments made by the Investment Advisory Committee at its meeting held on 10 December 2014:

Minute No 10

- The deletion of “a) A decrease in the allocation to UK equities from 8% to 10% of assets” and the substitution therefor of “a) A decrease in the allocation to UK equities from 10% to 8% of assets”
- The deletion of “b) An increase in the allocation to global equities from 10% to 8%” and the substitution therefor of “b) An increase in the allocation to global equities from 8% to 10%”.

5 **Matters arising**

(a) Pensions Committee – 24 September 2014

There were no matters arising from the minutes of the Pensions Committee held on 24 September 2014.

(b) Investment Advisory Sub Committee – 24 September 2014

There were no matters arising from the minutes of the Investment Advisory Sub Committee held on 24 September 2014.

6 **Pensions administration report**

Geik Drever presented a report on the work undertaken by the Pensions Administration Services during the period 1 July 2014 – 30 September 2014.

With reference to Section 8 of the report (Write off policy decisions), Malcolm Cantello queried the difference between paragraphs 8.1 and 8.2. Geik Drever explained that the cases detailed in paragraph 8.2 related to historic issues.

With reference to paragraph 10.7.5, Cllr Alan Rebeiro questioned the reference to “appropriate advice”. Geik Drever explained that it would be the responsibility of the Fund to ensure that appropriate independent advice had been received either via the Citizens Advice Bureaux (CAB) or the Pensions Administration Service (TPAS) but it

would not be the role of the Fund to provide such advice. Government guidance on the exact role of the Fund was still awaited.

Resolved:

1. That the amendment to the write off policy as detailed in Section 8 of the report and the associated write-offs on that basis be approved;
2. that the applications approved by the Director of Pensions, the Chair and Vice Chair of the Pensions Committee for admission to the West Midlands Pension Fund as detailed in Section 6 of the report be noted;
3. That the pension administration activity of the Fund for the quarter ended 30 September 2014 be noted;
4. That the potential implications of the Freedom and Choice in Pensions on the Fund be noted;
5. That the potential implication of LGPS 2014 and mandatory projects upon resourcing levels be noted.

7 Annual report and accounts 2013/14 - update

Geik Drever presented a report which updated the Committee on the completion and publication of the Fund's annual report and accounts for 2013/14 including the addenda required by updated CIPFA guidance.

Resolved:

1. That the audit opinion on the annual report and statement of accounts being formally signed on 30 September 2014 and that this was an unqualified opinion be noted;
2. That the publication of the statement of accounts on 30 September 2014 in line with the statutory deadline and the publication of the annual report on 7 November 2014, ahead of the statutory deadline of 1 December 2014 be noted;
3. That the addendum to the annual report, as required by the updated CIPFA guidance, be noted.

8 Internal Audit annual report

Peter Farrow presented the annual Internal Audit Report 2013/14. He drew to the attention of the Committee that the Fund had received the highest ranked opinion it was possible to receive.

Resolved:

That the contents of the annual Internal Audit report 2013/14 be noted.

9 Compliance monitoring

Rachel Howe presented the quarterly update on the compliance monitoring programme ("the programme") which highlighted any issues that had arisen or had been identified.

Resolved:

That the report be received and noted as no compliance issues had arisen in the period.

10 Service plan monitoring

Geik Drever presented a report which updated the Committee on performance against key performance indicators (KPI's) and the forecast outturn for the year

against operating budgets as at the end of the second quarter. She reminded the Committee that the KPI's and operating budgets had been approved on 26 March 2014 as part of the Service Plan 2014 – 2019.

Cllr Mohammed Arif questioned the Miscellaneous Income. Geik Drever explained that this related to recharges and work undertaken for the Integrated Transport Authority (ITA) Pension Fund.

Resolved:

1. That the performance against the Fund's key performance indicators as at the end of the second quarter be noted;
2. That the forecast outturn against operating budgets as at the end of the second quarter, an underspend of £274,000 be noted.

11 **Local Government Pension Scheme (LGPS) 2014 - update**

Geik Drever presented a report which provided the Committee with an update on the progress to date of the implementation of the LGPS 2014.

Resolved:

- That the activity and progress to date of the implementation of the LGPS 2014 be noted.

12 **Active ownership activities - 1 July 2014 - 30 September 2014**

Mark Chaloner presented a report which informed the Committee of the work undertaken by the Investment team regarding their voting and engagement activities, collectively referred to as "active ownership" activities, between 1 June 2014 to 30 September 2014.

Cllr Ian Brookfield enquired whether the Investment Team simply followed the advice of Pensions Investment Research Company (PIRC) on voting matters. Mark Chaloner responded that the Fund had its own UK voting policy executed by PIRC on its behalf and that for overseas markets the Fund adopted the advice of PIRC within agreed parameters.

Resolved:

1. That the Fund's voting and Local Authority Pension Fund Forum's (LAPFF's) engagement activity for the three months ending 30 September 2014 (including Appendix 1) be noted;
2. That the issues discussed by the Local Authority Pension Fund Forum (LAPFF) in the Quarterly Engagement Report (available on the website: <http://www.lapfforum.org/Publications/engagement>) be noted.

13 **Strategic Investment Allocation Benchmark (SIAB) - review**

Mark Chaloner presented a report which reviewed a statement of investment beliefs and plans for the Fund's listed equities portfolio. Prior to the meeting, there had been trustee training from the Investments Team on the proposed changes for the listed equalities portfolio.

Mr Malcolm Cantello queried whether there was a cost associated with the creation of an Investment Strategy Panel. Mark Chaloner confirmed this to be the case but explained that the costs would be budgeted for.

Resolved:

1. That the statement of investment beliefs detailed in Appendix A to the report be approved;
2. That a decrease in the allocation to UK equities to 8% from 10% of assets and a corresponding increase in the allocation to global equities to 10% from 8% be approved;
3. That a move to fixed weight allocations within the overseas equities allocation (which remain at 30 %) with four 7.5% allocations to each of North America, Europe ex UK, Pacific / Japan (3.75% each) and emerging markets, as recommended by Hymans Robertson at the 24 September 2014 Investment Advisory Sub Committee be approved;
4. That the proposed timing for the planned changes to the listed equities portfolio and the proposed creation of an Investment Strategy Panel (ISP) be noted with a progress report to be submitted to the next meeting.

14

Governance Reform 2014 - update

Rachel Howe presented a report on the final proposals of the governance reform after 1 April 2015 for recommendation for adoption by Council. She reported that the final Regulations would not be received until 2015 but an assurance had been received from the Department for Communities and Local Government (DCLG) that the final Regulations would not be markedly different from those issued in draft form. The draft Policies would need to be compiled once the final Regulations had been received.

Mr Malcolm Cantello referred to Section 10.8.2 of the appendix to the report insofar as it referred to the composition of the quorum of the Pensions Board. Rachel Howe confirmed that the quorum would be set at seven members. Mr Malcolm Cantello queried whether this would include additional representatives from member representatives. Geik Drever confirmed this to be the case and referred the Committee to paragraph 10.8.2.7 and the requirement for persons appointed to make themselves available to attend meetings and that the failure to attend three or more events (to include meetings and training) would result in the member being asked to leave the Board and a replacement sought from the nominating body unless there were exceptional reasons for their failure to attend (with such reasons being considered by the Pensions Board).

Cllr Tersaim Singh enquired as to the responsibility for the undertaking of a scrutiny function. Rachel Howe explained that the Pensions Board would not have a scrutiny function and that in the absence of the final Regulations it was not possible to respond to the question. She advised that the Work Plan for the Pensions Board would be produced on a national basis. Geik Drever commented that the Fund was required to establish a Pensions Board and then to review how successfully it worked.

Cllr Phil Page enquired as to whether members of Wolverhampton City Council would be required to declare an interest at the Council meeting when the amendments to the City Council's Constitution were considered given that some members were currently members of the Pensions Committee. Carl Craney advised that this would not be necessary given that the Pensions Board had yet to be established.

Geik Drever reported on discussions with the Treasurer to the West Midlands Integrated Transport Authority (WMITA) with a view to the duties, roles and responsibilities for management of WMITA Pension Fund being delegated to this Committee.

Resolved:

That Council be recommended to approve:

1. That the final Terms of Reference for the Pensions Committee after April 2015 as detailed in the report be approved;
2. That the final Terms of Reference for the Pension Board after April 2015 as detailed in the report be approved;
3. That the commencement date of the changes be in line with the next Municipal Year (2015/16);
4. That the employer representatives from the working party be appointed as employer representatives on the Pension Board;
5. That the process for the recruitment of Pension Board member representatives as detailed in the report be approved.

15 **Information Governance**

Rachel Howe presented a report which outlined proposals to register the Fund as a Data Controller under the Data Protection Act with effect from 1 April 2015.

Resolved:

That the contents of the report be noted.

16 **Appointment of a representative to a Special Appointments Committee**

Geik Drever presented a report which invited the Committee to support the Fund establishing a post of an Assistant Director Actuarial and Pensions and to nominate members to serve on the Special appointments Committee alongside the Chair and Vice Chair of the Committee and the Deputy Leader of Wolverhampton City Council.

Resolved:

1. That the proposal of the Fund establishing a post of Assistant Director Actuarial and Pensions be approved;
2. That a Special Appointments Committee be established comprising the Chair and Vice Chair of the Committee (Cllrs Bert Turner and Lorna McGregor), the Deputy Leader of Wolverhampton City Council (Cllr Peter Bilson) together with Cllrs Paul Singh and Tersaim Singh (Wolverhampton City Council) and Cllr Rachel Harris (Dudley MBC) and Cllr Mohammed Arif (Walsall MBC).

17 **Exclusion of the public and press**

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 item(s) of business as they involve the likely disclosure of exempt information falling within the paragraphs of Schedule 12A of the Act set out below:

<i>Item No.</i>	<i>Title</i>	<i>Applicable paragraph</i>
18	Investment portfolio valuation	3
19	Responsible investment activities	3

Part 2 – exempt items, closed to the public and press

18 Investment portfolio valuation

Details of the Investment portfolio valuation between as at 30 September 2014 were made available for inspection. Geik Drever suggested that, in future and in order to reduce printing costs, members and observers would be invited into the Fund's offices to review this information if they so wished.

Resolved:

1. That the Investment portfolio valuation as at 30 September 2014 be received and any matters arising therefrom be referred to the Director of Pensions;
2. That in future, no further copies of the report be printed but members and officers be invited into the Fund's offices to review the information if they so wished.

19 Responsible investment activities

Mark Chaloner presented a revised report which informed the Committee of the engagement work undertaken by the Investment Team regarding responsible investment activities between the period 1 July 2014 to 30 September 2014.

In discussion, the Committee agreed to adhere to the Fund's engagement policy and to not adopt the exclusion of companies on purely ethical criteria as a matter of policy.

There was also a discussion regarding National Express's North American operations and a proposed way forward.

Resolved:

1. That the Director of Pensions seek to obtain details of the contents of the proposed Notice of Motion to be submitted at the Annual General Meeting of National Express;
2. That the contents be circulated to members of the Committee with a request that they indicate whether they wish to support counter signing the Notice of Motion on behalf of the Fund;
3. That the Director of Pensions determine the way forward dependent upon on a simple majority of responses received by a date identified at the time of circulation of the details of the contents of the proposed Notice of Motion;
4. That the Fund advise the correspondents in relation to the Fund's position on the Israel and Palestine conflict and on armaments companies;
5. That the response to the correspondents detailed in 4. above be circulated to all members of the Committee;
6. That the Pensions Investment Research Company (PIRC) be approached to research and engage on the Fund's behalf with the companies allegedly involved in the Israel – Palestine conflict.