



Pensions Committee

Minutes - 18 March 2015

Attendance

Members of the Pensions Committee

Cllr Bert Turner (Chair)
Cllr Peter Bilson
Cllr Ian Brookfield
Cllr Val Evans
Cllr Jasbir Jaspal
Cllr Sandra Samuels
Cllr Paul Singh
Cllr Tersaim Singh
Cllr Muhammad Afzal (Birmingham City Council)
Cllr Mohammed Arif (Walsall MBC)
Cllr Rachel Harris (Dudley MBC)
Cllr Alan Rebeiro (Solihull MBC)

Trade Union observers

Mr Malcolm Cantello (Unison)
Mr Martin Clift (Unite)
Mr Victor Silvester (Unite)
Mr Ian Smith (Unite)

Employees

Mark Chaloner	Assistant Director- Investments
Geik Drever	Strategic Director - Pension Fund
Rachel Howe	Head of Governance - West Midlands Pension Fund
David Kane	Fund Accountant
Mark Taylor	Director of Finance (s151 Officer)
Dereck Francis	Democratic Support Officer

Part 1 – items open to the press and public

- | <i>Item No.</i> | <i>Title</i> |
|-----------------|---|
| 1 | Apologies for absence (if any)
Apologies for absence were submitted on behalf of Cllrs Lorna McGregor and Zahid Shah (Wolverhampton City Council); Cllr Sandra Hevican (Sandwell MBC). |
| 2 | Notification of substitute members (if any)
No notification of substitutes were received for the meeting. |
| 3 | Declarations of interests (if any)
No declarations of interests were made. |
| 4 | Minutes of the previous meetings
(a) Pensions Committee – 10 December, 2014
Malcolm Cantello (Unison) requested that Minute 19 (Responsible investment activities) be amended to reflect the Committee's discussion regarding certain |

investee companies allegedly profiting from violations of international laws by Israel in Palestine.

Resolved:

1. That the attendance details for the meeting be corrected by:
 - i. Deleting the name Malcolm Cantello (Trade Union Representative) from the list of members of the Pensions Committee present.
 - ii. Adding Cllr Philip Page (Wolverhampton) and Cllr Sandra Hevican (Sandwell) to the list of members of the Pensions Committee present
 - iii. Amending the designation of David Kane to 'Head of Finance'
2. That subject to resolution 1 above, the minutes of the meeting held on 10 December 2014 be approved as a correct record and signed by the Chair.

(b) Investment Advisory Sub Committee – 10 December 2014

Resolved:

That the minutes of the Investment Advisory Sub Committee held on 10 December 2014, as amended by the Sub Committee at its meeting earlier in the day, be approved.

5 Matters arising

There were no matters arising from the minutes of the previous Pensions Committee and Investment Advisory Sub Committee meetings held on 10 December 2014.

6 Pension Administration report 1 October to 31 December 2014

Geik Drever, Strategic Director of Pensions, presented a report on work undertaken by the Pensions Administration Services during the period 1 October to 31 December 2014.

Resolved:

1. That the applications approved by the Strategic Director of Pensions, the Chair and Vice Chair of Pensions Committee for admission to the West Midlands Pension Fund be noted.
2. That the pension administration activity of the Fund for the quarter to 31 December 2014 be noted.

7 Pension Administration Strategy

Geik Drever, Strategic Director of Pensions, presented a revised Pensions Administration Strategy (PAS). The last version of the Fund's PAS was published in 2013. Given a number of regulatory Fund policy and governance changes, it had been necessary for the Fund to revise the strategy and publish a revised version with effect from 1 April 2015.

Resolved:

That the adoption of a revised Pensions Administration Strategy with effect from 1 April 2015 be noted.

8 **Funding update**

Geik Drever, Strategic Director of Pensions, outlined the salient points of a report that updated the Committee on the funding position of the Fund since the 2013 actuarial valuation.

Resolved:

1. That the Fund's investment performance and the associated movement since 31 March 2014 be noted.
2. That the updated funding position as at 31 December 2014 be noted.
3. That the next steps for de-risking options, data cleansing and employer engagement, be approved, with the first de-risking option to be progressed to be that of cash flow for orphan liabilities.

9 **Service plan monitoring 2014/15 quarter three**

David Kane, Head of Finance, presented a report that updated the Committee on performance against key performance indicators (KPIs) and the forecast outturn for the year against operating budgets as at the end of the third quarter. He informed the Committee that the position on performance was good and that the budget forecaste outturn was currently favourable with a £892,000 underspend projected.

Malcolm Cantello (Unison), queried current performance on the annual benefits statement KPI. In response Geik Drever, Strategic Director of Pensions, reported that it was a data quality issue that prevented the Fund from meeting its ABS target, and that the Pensions Service was seeking to resolve in partnership with the participating employers. She hoped that the employers could provide the information. She also corrected the RAG ratings for KPI 8 'Clean Audit Report' that performance should be Green.

Resolved:

1. That the performance against the Fund's key performance indicators as at the end of the third quarter be noted.
2. That the forecast outturn against operating budgets as at the end of the third quarter, (an under spend of £892,000) be noted.

10 **Service plan 2015- 2020**

David Kane, Head of Finance, presented the report seeking the Committee's approval of the Service Plan 2015-2020, which included the operating budget for 2015/16, and medium term financial plan for the five years up to and including 2019/20. In doing so he highlighted the key drivers of change that would impact on the Fund over the medium term and the significant activities that had taken place.

Malcolm Cantello (Unison) suggested that in terms of the key drivers of change that would impact on the Fund over the medium term, the greater use and potential benefits of internal investment should be added to the list of eight drivers identified in the Service Plan. Geik Drever, Strategic Director of Pensions, replied that this would be highlighted in the Plan.

The Head of Finance and the Strategic Director of Pensions responded to a further question from Malcolm Cantello about miscellaneous income in the proposed 2015/16 operating budget and the charge to the Integrated Transport Authority Fund.

The Strategic Director of Pensions also responded to Cllr Sandra Samuels mentioning that the national Budget would not impact on the provision in the budget for service development activities. She confirmed that the provision was for developments that included Guaranteed Minimum Pension reconciliation with HMRC, wider data quality work, and the implications for administration of pensions freedoms introduced by the Chancellor of the Exchequer's 2014 Budget Statement.

Resolved:

That the Service Plan 2015-2020 (with the additional key drivers of change and greater use of internal investment management), including the operating budget for 2015/16 and the medium term financial plan for the period to 2019/20, be approved.

11 **Compliance monitoring 1 October - 31 December 2014**

Geik Drever, Strategic Director of Pensions presented a quarterly update on the Fund's compliance monitoring programme.

Resolved:

That it be noted that no compliance issues had arisen in this period.

12 **Pension Services - risk register review**

Rachel Howe, Head of Governance presented a report that advised the Committee that the Fund's risk register would undergo a full review to ensure that it was comprehensive enough that all risks which required monitoring would be reviewed effectively and so be fit for purpose, but without being overly bureaucratic and cumbersome. The revised risk register would be presented to the June Committee.

Resolved:

1. That the top ten risks for West Midlands Pension Fund be noted.
2. That it be noted that the full revised risk register would be presented to the Committee in June 2015.

13 **Information Governance**

Rachel Howe, Head of Governance presented a report on a number of Fund information governance issues. She updated the Committee that the Fund were still in talks with the Information Commissioner's Office regarding the need to register separately from the City Council but that this report sought approval for registration should this be required.

Malcolm Cantello (Unison) reported that under the financial regulations no one employee could hold more than two information governance key roles and the Head of Governance was listed as holding three key roles. Geik Drever, Strategic Director of Pensions, undertook to make an appropriate change if required.

Resolved:

1. That the registration of the Fund as Data Controller, with the Information Commissioner's Office be approved.
2. That the terms of reference for the Information Governance Working Party and associated definitions, roles and responsibilities, as well as the proposed appointments to those roles be approved.
3. That the Information Governance Policy be approved.
4. That authority be delegated to the Strategic Director of Pensions to implement the required changes.

14 **Trustee and Pensions Board member training**

Rachel Howe, Head of Governance, presented a report on proposals for how the Fund would deliver training for Trustees and Pensions Board members to support them in their duty to undertake training and development. She corrected an omission at paragraph 2.4 of the report that should have read that the Trustees had achieved a total of '459' hours training.

Geik Drever, Strategic Director of Pensions also reported that a property tour for members and observers would take place on 7 to 9 July 2015. A trustee training event would be arranged for the Committee on the tour. Details would be circulated in due course.

Resolved:

1. That the Trustee and Pension Board Member training matrix for the year 2015/16 be approved.
2. That the training timetable and dates for structured training throughout 2015/16 be noted.

15 **Governance Reform 2014 - implementing the Pension Board**

The Committee considered a report seeking approval to a number of proposals relating to implementing the Pensions Board.

Cllr Tersaim Singh sought clarity on the number of employer and member representatives on the Board. Rachel Howe, Head of Governance informed the Committee that the final regulations governing this area had changed since the last report to the Committee. Two Wolverhampton elected councillors would move from the Pensions Committee to the Pensions Board as previously reported but that these two councillors would now sit one as a member representative and one as an employer representative. Their ability to be independent was removed in the final regulations.

The Committee was also advised that four Trade Union (TU) observers (one representing pensioners) are to be appointed on an annual basis to sit on both the Pensions Committee and Investment Advisory Sub-Committee. Cllr Ian Brookfield suggested with the number of changes and to retain some continuity and experience the current TU observers' tenure be extended for a year 2015/16.

On the appointment of TU representatives to sit on Pensions Committee and Investment Advisory Sub-Committee the next municipal year, it was moved by Cllr Brookfield that the current representatives remain for the next municipal year 2015/16. This was seconded by Cllr Bert Turner.

Resolved:

1. That the existing four trade union observer representatives on the Pensions Committee remain on the Committee for the next municipal year pending a review of the process for the appointment of trade union representatives on the Pensions Committee for the 2016/17 municipal year.
2. That the Joint Consultative Forum be formally closed from 31 March 2015.
3. That the revised Governance Statement 2015 be approved.
4. That the appointment of Chris West, Executive Director of Resources at Coventry City Council, as the fifth employer representative be noted.
5. That the proposal to seek nominations from Full Council for two Wolverhampton Councillors to sit on the Pension Board from June 2015 be noted.
6. That the process for seeking trade union representatives (once of which would represent our pensioners interests) to pension committee for the next municipal year be noted.

16

Governance Reform 2014, delegation of Integrated Transport Authority

Geik Drever, Strategic Director of Pensions, sought the Committee's approval to the final proposals of the governance reform after 1 April 2015 and acceptance of the delegation from West Midlands Integrated Transport Authority (WMITA) to manage and administer the WMITA pension fund after June 2015.

Malcolm Cantello (Unison) sought confirmation as to whether the delegation would mean there would be a joint Pensions Board serving both Funds. The Strategic Director of Pensions confirmed that following the delegation from the ITA the local Pension Board created by the WMPF would become a joint board assisting both Funds. From discussions with the Department for Culture and Local Government (DCLG) no problems were foreseen in having the WMPF local Pensions Board acting as a joint Pensions Board for both ITA and WMPF. However, informal approval was required from the DCLG and thereafter the arrangements would be made to establish a joint Board.

Resolved:

1. That it be approved that as of the new Municipal Year, the Pensions Committee of the West Midlands Pension Fund receive the delegation to oversee the management, administration and review of all financial matters of the WMITA Pension Fund.
2. That responsibility be delegated to the Strategic Director of Pensions to oversee the implementation of the delegation.

3. That it be noted that the West Midlands Integrated Transport Authority (WMITA) has delegated under S101 of the Local Government Act 1972, the administration and management of the WMITA Pension Fund to the West Midlands Pension Fund (WMPF) Pensions Committee.

- 17 **Fiduciary duty in the Local Government Pension Scheme - Counsel's opinion**
Geik Drever, Strategic Director of Pensions, presented Counsel's opinion on where the liability for payment of the scheme would rest, what would happen should schemes run out of money; and whether the EU Institutions for Occupational Retirement Provision Directive 2003 (IORP 1) applied to the LGPS scheme.

Resolved:

That the contents of the report be noted.

- 18 **Assurance Framework supporting the Annual Governance Statement March 2015**

Geik Drever, Strategic Director of Pensions, presented an updated Assurance Framework that had been revised in accordance with the Fund's 2015 – 2020 Service Plan to ensure the Fund was in a good position to meet the objectives set.

Resolved:

That the updated assurance framework be noted.

- 19 **Responsible investment activities October to December 2014**

Mark Chaloner, Assistant Director- Investments, presented a report on the work undertaken by the Investment team regarding their responsible investment activities between the period 1 October to 31 December 2014. In doing so he commented on the activity on engagements through partnerships

Malcolm Cantello (Unison) asked that his comments in the minutes be cross referenced with the section on certain companies allegedly profiting from violation of international laws by Israel in Palestine. It was noted that research and engagement on this issue had commenced and that a further report would be made to the Pensions Committee on its findings.

Cllr Mohammed Arif referred to an email the Chair had received from Mr S Cardy. He suggested that Mr Cardy be provided with the information on what had been done to keep him updated. Geik Drever, Strategic Director of Pensions undertook to arrange for a letter to be sent to Mr Cardy.

Resolved:

1. That the Fund's voting and LAPFF's engagement activity for the three months ending 31 December 2014, including Appendix 1 be noted.
2. That the positive engagement outcome from the BP and Royal Dutch Shell shareholder resolution submissions be noted.
3. That the issues discussed by the Local Authority Pension Fund Forum (LAPFF) in the Quarterly Engagement Report which is available on their website: <http://www.lapfforum.org/Publications/engagement> be noted.

4. That updates on the Fund's response to the cluster munition and Israeli-Palestinian campaigns and the National Express shareholder resolution/engagement respectively be noted.
5. That the Fund's collaborative engagement work with other pension funds regarding fund manager monitoring, culminating in the recently launched *Guide to Responsible Investment Reporting in Public Equity*, January 2015 (Appendix 2) be noted.

20

Ending of contracting out - Guaranteed Minimum Pension reconciliation

Geik Drever, Strategic Director of Pensions, presented an information report on activity underway to scope and understand the work involved in the reconciliation of Guaranteed Minimum Pension (GMP) records held by HMRC and the associated risks of not completing this project.

Malcolm Cantello (Unison) sought to clarify that the effects of the reconciliation work was not just on active members. The Strategic Director of Pensions reported that it primarily affected active members but would also include pensioners and deferred members. She undertook to check and report back.

In response to a question about the introduction of the single tier state pension from April 2016 and National Insurance contributions, the Strategic Director of Pensions confirmed that employer and employee NI contributions would increase.

Resolved:

That the activity underway to scope and understand the work involved in the reconciliation of GMP records held by HMRC and the associated risks of not completing this project be noted.

21

Advisers review

Geik Drever, Strategic Director of Pensions, presented a report on the status and review of the advisory services to the Fund.

In response to the Committee's question on the underspend on staffing the Strategic Director of Pensions reported that the Fund was trying to recruit but it had proved difficult in getting the right calibre of people.

Resolved:

1. That the appointment of two external independent investment advisers to the Investment Advisory Panel be noted.
2. That the retirement of the Fund's longstanding property consultant be noted.
3. That the current tender for the procurement of actuarial services be noted.

22

Local Government Pension Scheme 2014 update

Geik Drever, Strategic Director of Pensions presented an update on the progress made on the implementation of the Local Government Pensions Scheme (LGPS) 2014.

Noting the delays relating to software issues, Cllr Sandra Samuels asked whether the contract with the provider contained penalty clauses and if so whether it was time to activate them. Geik Drever, Strategic Director of Pensions agreed to look into the matter.

Resolved:

That the activity and progress to date of the implementation of the Local Government Pension Scheme (LGPS) 2014 be noted.