

Pensions Committee

Minutes - 9 December 2015

Attendance

Members of the Pensions Committee

Cllr Peter Bilson
Cllr Dr Michael Hardacre
Cllr Jasbir Jaspal (Vice-Chair)(in the Chair)
Cllr Paul Singh
Cllr Tersaim Singh
Cllr Wendy Thompson

District members:

Cllr Mohammed Arif (Walsall MBC)
Cllr Muhammad Afzal (Birmingham City Council)
Cllr Damian Gannon (Coventry City Council)
Cllr Angela Sandison (Solihull MBC)

Trade Union observers:

Malcolm Cantello (Trade Union Representatives)
Martin Clift (Trade Union Representatives)
Victor Silvester (Trade Union Representatives)
Ian Smith (Trade Union Representatives)

Employees:

Mark Chaloner	Assistant Director, Investments
Geik Drever	Strategic Director - Pension Fund
Rachel Howe	Head of Governance - West Midlands Pension Fund
David Kane	Head of Finance
Dereck Francis	Democratic Support Officer
Rachel Brothwood	Assistant Director, Actuarial and Pensions
Mark Taylor	Director of Finance, s151 Officer

Part 1 – items open to the press and public

Item No. *Title*

1 **Election of Chair.**
Resolved:

That Cllr Jasbir Jaspal be elected Chair of the Pensions Committee for the remainder of the 2015/16 Municipal Year.

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

Apologies for absence were submitted on behalf of Cllrs Keith Inston and Ian Brookfield (City of Wolverhampton Council), Cllr Sandra Hevican (Sandwell Metropolitan Borough Council) and Cllr David Sparks (Dudley Metropolitan Borough Council).

3 **Notification of substitute members**

No notification of substitutes were received for the meeting.

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

No declarations of interests were made.

5 **Minutes**

(a) Pensions Committee – 23 September 2015

Resolved:

That the minutes of the meeting of the Pensions Committee held on 23 September 2015 be approved as a correct record and signed by the Chair.

(b) Investment Advisory Sub Committee – 23 September 2015

Resolved:

That the minutes of the Investment Advisory Sub Committee held on 23 September 2015 be approved as a correct record and signed by the Chair.

6 **Matters arising**

With reference to the minutes of the Pensions Committee Geik Drever, Strategic Director of Pensions reported that:

- Regarding minute no. 7 (Local Government Pension Scheme Reform Update 2015), the KPMG report on options for the separation of lead authority from pension fund had not been published; and that the formal appointment to the Chair for the national Scheme Advisory Board by the Secretary of State had yet to be made. The Committee would be updated once more information was known.
- On minute no. 8 (SIAB Annual Review), the outperformance target for the Fund had been revised to 0.5% per annum over the three year rolling period, above the customised benchmark (having been 1.0% per annum). This had been reflected in the Fund's latest Statement of Investment Principles.
- On to minute no. 9 (West Midlands Pensions Fund Statement of Investment Principles), a response had been forwarded to the two LGPS members who had written to the Committee regarding the Statement of Investment Principles.
- Regarding minute no. 15 (Risk and Compliance Monitoring), an appendix to item 11 on today's agenda had been recirculated and now included a trend column in accordance with the Committee's request made at the last meeting.

- On minute no. 17 (Responsible Investment Activities), correspondence had been exchanged with the member in Coventry on the action taken on the Israel-Palestinian related research. The Chair of the Committee, Cllr Jasbir Jaspal had since agreed to meet him and a letter of invitation would be sent to him shortly.

7 **Pensions administration - proposed expansion**

Geik Drever, Strategic Director of Pensions updated the Committee on the review of the pensions administration undertaken by the Fund. It was proposed to expand the current Pension team by 20 new posts, a net increase of nine, to meet increasing workload and respond to regulatory changes. The structure would result in an increase in total staff costs of £280,000, equivalent to £1 per member of the Fund.

During the ensuing discussion and in response to questions from the Committee the Strategic Director of Pensions advised that the proposals related to the Pensions administration side of the Fund and do not address the staffing and recruitment issues within the Investment side of the Fund previously reported upon. She also reported that she was in consultation with the city Council's Human Resources team regarding the staffing of the investment side of the Fund. Rachel Brothwood, Assistant Director, Actuarial and Pensions added that the Fund also wanted to evolve its skill sets and change the way it worked to become more efficient. It would be looking to use electronic self-service solutions to manage more of its enquiries/requests for service.

Malcolm Cantello (Unison) welcomed the creation of the new posts. He asked about the net effect of the proposal on costs per member of the Fund and about the recruitment arrangements. The Strategic Director of Pensions reported that the full cost of the staffing changes would be charged to the Fund but could be met from the existing budget. She explained that last year the cost per member was at £18.70. It was the aspiration of the Fund to keep the cost below £20. The costs of creating the additional administrative capacity now were less than those which would be incurred correcting issues which could emerge in future if things go wrong. She also went on to explain the process for recruiting to the administrative posts, HR been consulted and involved throughout the process.

Cllr Peter Bilson asked that in future when reports on changes to the Fund's establishment are presented to the Committee an officer from HR be in attendance to explain the rationale behind the proposal.

Resolved:

That the contents of the report be noted and the additional staff cost pertaining to these changes be agreed.

8 **Internal dispute resolution process**

Rachel Brothwood, Assistant Director, Actuarial and Pensions presented the report on an overview of the work the Fund was undertaking to ensure, in line with the requirements of the Pension Regulator's Code of Practice, that it had a robust and transparent Internal Dispute Resolution Procedure.

Following the review work the Fund's internal dispute resolution process had been revised. A further report would be submitted to the Committee in June 2016 seeking approval to the new process that would by that stage have been road tested with a couple of the Fund's larger employers.

Resolved:

That the review and proposed changes to the Fund's Internal Dispute Resolution Process as required by the Pensions Act 1995 and operated in line with the Pensions Regulator's Code of Practice be approved.

9 **Pensions administration report from 1 July to 30 September 2015**

Rachel Brothwood, Assistant Director, Actuarial and Pensions highlighted the main points of the report on work undertaken by the pensions administration service during the period 1 July to 30 September 2015 for both the Main Fund and the West Midlands Integrated Transport Authority (WMITA) Fund.

Malcolm Cantello (Unison) welcomed the increase in the number of scheme members. Referring to the changing work profile in the public sector, particularly the shift in the percentage of full-time employees to part-time employees, he queried the effect on the income to the Fund from more of its members being part-time employees. The Assistant Director, Actuarial and Pensions reported that the Fund would not necessarily have sight of employee working hours information going forward, as this data is not routinely collected for the new CARE Scheme. The Fund could not maintain that type of information going forward as there were no distinguishing hours only actual salary earned.

Resolved:

1. That the write-offs of pensions payments detailed in section 8.0 of the report be approved.
2. That the applications approved by the Strategic Director of Pensions and the Chair or Vice Chair of Pensions Committee for admission to the West Midlands Pension Fund be noted.
3. That the pensions administration activity for both the West Midlands Pension Fund (the Main Fund) and the West Midlands Integrated Transport Authority Fund (the WMITA Fund) be noted.

10 **Pensions administration - data quality**

Rachel Brothwood, Assistant Director, Actuarial and Pensions presented the report on an overview of how the Fund measured data against legislative record keeping requirements and the expectations of the Pensions Regulator. The report also summarised plans in place to make improvements to data and the data review process. The Committee was informed that there were no areas for material concern for the data the Fund holds going forward and that the Fund was pleased with the progress to date on engagement with employees. However it was acknowledged that there was still work to do and that the Fund was reliant upon employers working alongside to improve data quality.

Resolved:

That the on-going review of data and the actions being taken to ensure the completeness and quality of data held by the Fund be noted.

11 **Risk and compliance monitoring 1 July to 30 September 2015**

Rachel Howe, Head of Governance. West Midlands Pensions Fund presented the report on the Fund's top ten risks, feedback on the quarterly compliance monitoring programme, the Fund's compliance with the Pensions Regulator's code of practice and the Scheme Advisory Board's key performance indicators.

Resolved:

1. That the top ten risks for West Midlands Pension Fund be noted.
2. That it be noted that no significant compliance issues had arisen during the quarter.
3. That the Fund's compliance with The Pensions Regulator's code of practice be noted.
4. That the Fund's compliance with the Scheme Advisory Board's key performance indicators be noted.

12 **Service plan monitoring 2015/16 and quarterly accounts September 2015**

David Kane, Head of Finance presented the report which covered an update on performance against key performance indicators (KPIs), the forecast outturn for the year against operating budgets as at the end of September 2015; and the quarterly accounts for the period ending 30 September 2015.

Malcolm Cantello (Unison) queried whether the figure of £20.66 for total administration, oversight and governance cost per member should be increased by £1 as per the earlier discussion at item 7 on the agenda, and the reason for the drop in miscellaneous income. The Head of Finance informed the Committee that the cost of the additional administrative staff had been incorporated in the £20.66 figure and that the variance in miscellaneous income related to rechargeable actuarial fees.

Resolved:

1. That performance against the Fund's key performance indicators as at the end of September 2015 be noted.
2. That the forecast outturn against operating budgets as at the end of September 2015, which is an under spend of £1.8 million be noted.
3. That it be noted that the quarterly accounts for the period ending 30 September 2015, show that:
 - a. the value of West Midlands Pension Fund at this date was £11.0 billion, a decrease of £484.8 million from 31 March 2015;
 - b. the value of West Midlands Integrated Transport Authority (ITA) Pension Fund at this date was £460.4 million, a decrease of £14.5 million from 31 March 2015.

13 **Responsible investment activities**

Mark Chaloner, Assistant Director Pensions highlighted the main points of the report on the work undertaken by the Investment team regarding their responsible investment activities between the period 1 July to 30 September 2015. In doing so he

confirmed that correspondence had been exchanged with a member of the Wolverhampton Palestine Solidarity Campaign on the action taken on the Israel-Palestinian related research and that arrangements would be made for the Chair to meet with him. A report on the outcome would be included in the report to the next meeting.

Malcolm Cantello (Unison) referred to National Express, and particularly the length of time the situation had been under discussion and the Company's responses to date and he asked whether Local Authority Pension Fund Forum's (LAPFF) had discussed anything specific in terms of its further engagement on National Express. Geik Drever, Strategic Director of Pensions reported that LAPFF would be undertaking more engagement with National Express and it was acknowledged that the engagement had not progressed on as quickly as they would like to see.

Cllr Mohammed Arif, referring to the report on Singapore Technologies, commented that by LAPFF raising an issue it had resulted in a positive effect and that good companies would respond to engagement. He went on to ask how much the Fund invested in cigarette and alcohol companies and whether the Fund needed to have a discussion on investment in cigarette and alcohol companies. In response the Assistant Director Investments reported that the Committee had decided engagement rather than exclusion as its policy on ethical investment and that the Fund could take up issues and recommend good practice to companies it invested in. Cllr Arif acknowledged that as long as the Fund could demonstrate that it has done everything possible in terms of its engagement that was all the Fund could do.

Cllr Peter Bilson complimented the Investment Team on the completeness of the report and observed that the appendix on the voting record and engagement summary showed how busy the Team had been.

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 2015, including Appendix 1 to the report be noted.
2. That the issues discussed by LAPFF are set in the Quarterly Engagement Report which is available on their website:
<http://www.lapfforum.org/Publications/engagement> be noted
3. That the update on the aerospace and defence industry campaign and associated press release be noted.
4. That the update on the Israeli-Palestinian engagement program 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.

Part 2 - exempt items, closed to public and press

15 **Employer covenant update**

Rachel Brothwood, Assistant Director, Actuarial and Pensions presented a report on an update on the monitoring of employer covenants by the Fund.

Resolved:

1. That the report and the associated implications be noted.
2. That the tender for the procurement of a covenant adviser be noted.

16 **Local Government Pension Scheme investment pooling**

Geik Drever, Strategic Director of Pensions delivered a presentation on the Government's proposals regarding the pooling of investments in the Local Government Pension Scheme (LGPS); on the implications for the West Midlands Pensions Fund and the West Midlands Integrated Transport Authority Pension Fund; and the approach taken by the Fund towards investment pooling. The Strategic Director of Pensions said that a regionally configured approach to pooling was likely to be progressed and that she would report back in further detail as soon as practicable.

Cllr Peter Bilson welcomed the presentation and asked that as and when we get to submission stage on the way forward a briefing note be circulated to members of the Committee in order to make them aware of the proposal. The Strategic Director of Pensions confirmed that she would circulate communications as soon as the Fund had more information. Subject to the agreement of the Chair she would also call a special meeting at an appropriate time for the Committee to collectively discuss the information.

The Strategic Director of Pensions also responded to the Committee's questions on how investment pooling would affect the forthcoming Actuarial Valuation whether investment pooling would help the Fund with its challenge in recruiting investment staff; and the criteria the Fund had used to determine who it would consult with on investment pooling.

Resolved:

That the approach taken towards Local Government Pension Scheme investment pooling collaboration be endorsed and it be noted that a regionally configured approach was likely to be progressed and that the Strategic Director of Pensions would report back in further detail as soon as practicable.