

Pensions Board

Minutes - 24 January 2017

Attendance

Members of the Pensions Board

Employer representatives:

Cllr Sandra Samuels (Chair)
Caroline Jones
Joe McCormick
Paul Sheehan
Mike Sutton
Chris West

Member representatives:

Annette King (Vice-Chair)
Cllr Harbans Bagri
Sharon Champion
Adrian Turner

Employees

Rachel Brothwood	Director of Pensions - West Midlands Pension Fund
Dereck Francis	Democratic Services Officer
Rachel Howe	Head of Governance - West Midlands Pension Fund

Part 1 – items open to the press and public

Item No. *Title*

- 1 **Apologies for absence (if any)**
Apologies for absence were submitted on behalf of Paul Sayers, Lee Nash and Geik Drever, Strategic Director of Pensions.
- 2 **Declarations of interests (if any)**
There were no declarations of interests.
- 3 **Minutes of the previous meeting - 5 July 2016**
Resolved:
 1. That minute 8 (Report of the Chair of the Pensions Board) be amended by the substitution of the word "employer" from "employee" in the fourth paragraph to that minute.
 2. That subject to 1 above, the minutes of the meeting held on 5 July 2016 be approved as a correct record and signed by the Chair.

4 **Matters arising**

Cllr Sandra Samuels (Chair) asked for feedback from the Board on the LGPS Central Stakeholder event held in the morning. Adrian Turner said that he felt there was not enough time for questions. He noted that the current governance arrangements did not facilitate Trade Union representation. Rachel Howe, Head of Governance, reported that a letter had been received by Pensions Committee to the Strategic Director of Pensions on this matter and a response had been issued, noting the request for representation.

The Chair asked Adrian Turner to formally write to the Board with his concerns so that these could be considered and raised as appropriate.

Chris West noted that the proposed governance structure made provision for the Administering Authority to have a seat on the stakeholders and Joint Committee of LGPS Central, but that employers were not represented within the investment pool.

Rachel Brothwood, Director of Pensions noted that the views of Trade Unions were through the Administering Authorities Pensions Committee and that the make up of the Joint Committee for LGPS Central was still to be determined. Employers are represented to the Administering Authority through a number of informal and formal forums from employer peer groups to Pension Board and Local Authority representation on Pensions Committee. She went on to say that the engagement the Fund currently receives from both Trade Unions and Employers was important and valued and that such lasting opportunities to reflect both groups would continue going forward.

5 **Pension Board Appointments Process**

Chris West reported that he was tendering his resignation from the Board. He would be leaving the employment of Coventry City Council and would therefore no longer be eligible serve as a representative on the Board.

The Chair reported that she was sorry that Chris West would be leaving the Board. She placed on record her thanks and appreciation to Chris West for his valued contributions to the work of the Board and wished him well.

Rachel Howe, Head of Governance outlined a proposed appointments process for the West Midlands Pension Fund Local Pension Board. From 2017/18 there would be a vacancy for an employer representative and a member representative. A nomination pack had been prepared and would be published on the Fund's website and circulated to the Fund's employers and member groups within the next few weeks.

The Board discussed the pros and cons of using the alphabetical rotation for nominations to the Board rather than a random selection method but agreed there was no right or wrong approach and agreed the alphabetical rotation as a third stage nomination once stage 1 and 2 have provided no vacancies.

Sharon Champion reported that for the nomination of the Trade Union representatives, the nomination pack should go to Unison (who currently hold the seat up for nomination) for them to nominate and not the TUC. Adrian Turner agreed stating the TUC had previously agreed the representation on the Board by agreeing 1 seat per union with 2 going to Unison therefore any vacancies should be managed through the relevant trade union.

Adrian Turner suggested an amendment to paragraph 3.2 of the Appointments Process to include the words “write out to the appropriate Trade Union on an annual basis”.

The Board went on to discuss the role of elected members on the Board, noted one member representative and one employer representative and annual appointment by the Council facilitated 2 of the 4 seats renominated each year. In response to questions raised around the legal requirements to have elected members on the Board, Rachel Howe, Head of Governance advised that under the Regulations it had been provided for but it was not a requirement. City of Wolverhampton councillors could be appointed to the Board but they had to sit as either an employee or employer representative. Rachel Howe also confirmed that the terms of reference for the Board, which include its membership, had been approved by the board working group in 2014 prior to the creation of the Board and that trade union and employer representatives were part of that approval process. It was noted that a number of authorities do have elected councillors on the Local Pension Board but that practice is only starting to emerge and Local Pension Boards report operations for the Pensions Regulator and Shadow Advisory Board review.

In the light of the comments made the Chair suggested that the Unison and TUC Regional Office and the employers be invited to write in with their concerns and thereafter a formal response would be provided.

Resolved:

1. That paragraph 3.2 of the appointments process be amended to read:
“Following the January meeting, the Head of Governance will write out to the appropriate Trade Unions on an annual basis and seek nominations to the Pensions Fund”.
2. That subject to the amendment referred to in 1 above, the appointment process for the West Midlands Pension Fund Local Pension Board be approved.
3. A letter be sent to the Trade Unions informing them how the appointments process onto the Board would be dealt with going forward.
4. That a letter be sent to Unison inviting a nomination for a representative to serve on the Board for 2017/18.

6 **Pension Board Appointments 2017**

The Board was invited to nominate one employer and one employee representative to serve on an Appointments Panel together with the Chair and Vice-Chair of the Board and the Strategic Director of Pensions (or substitute) to consider any nominations received for 2017 and to confirm the seats for nomination to the Board for 2017.

Rachel Brothwood, Director of Pensions reported that a form would be circulated to Board Members to confirm their interests and the skills that they bring to the Board to assist the Appointments Panel consider nominations and the requirement for Pension Board.

Resolved:

1. That an Appointments Panel comprising the Chair and Vice-Chair (Cllr Sandra Samuels and Annette King), Mike Sutton and Adrian Turner and the Strategic Director of Pensions, be convened to receive nominations onto the Board for 2017/18.
2. That nominations to the seat of Chris West (employer representative) and Sharon Campion (Trade Union representative) on the Board for be sought.

7 **Pension Board Workplan 2017/18**

Rachel Howe, Head of Governance presented for review and approval a draft workplan and training plan for the Board for the period 2017/18. Details of the training record for the Board during 2016/17 were also submitted.

Referring to the draft work plan for 2017/18, Paul Sheehan queried whether any of the policy reviews scheduled for July 2017 were more fundamental to the operation of the Fund and whether the list of policies to be reviewed were in the right order of risk. Rachel Brothwood, Director of Pensions advised that a number of the policies were linked and were scheduled based on the timing of the cycle.

Chris West queried whether the funding strategies would be agreed by the time of the Board's review of them. Rachel Brothwood, Director of Pensions reported that the role of the Board was to provide oversight and assurance. Generally the policies would be submitted and agreed by the Pensions Committee prior to the Board reviewing them. The Head of Governance added that the Board could also review the process of the decision making on the policies.

Regarding the attendance and training records for 2016/17, the Director of Pensions asked Board members to contact the Fund if their training /attendance records needed updating. Sharon Campion and Adrian Turner reported on areas within their training logs that needed to be updated.

Resolved:

1. That the proposed workplan of the Board for the period 2017/18 be approved.
2. That the proposed training plan for 2017/18 be approved.
3. That the training record for the Local Pensions Board for the year 2016/2017 be noted.

8 **Compliance Monitoring 2016/17**

Rachel Howe, Head of Governance presented the report which sought to provide the Board with assurance about the Fund's adherence to statutory guidance and legislation.

Resolved:

1. That the work of the Fund in complying with the Pension Regulator's Code of Practice be noted.
2. That the proposed compliance monitoring programme for 2017 be noted.

9 **Communication and Customer Engagement update**

Rachel Howe, Head of Governance outlined the salient points of the report on an update on the work of the Fund in the area of communications during 2015/16 and on the proposed activity for 2017.

Adrian Turner asked whether an officer from the Customer Engagement team could be made available to attend the Unison Branch Annual General Meetings for 2018. Rachel Howe, Head of Governance, asked that he forward the dates.

Sharon Campion and other members of the Board commented that members appreciated the Member Services Roadshows that are conducted throughout the year.

Resolved:

1. That the work of the Fund in improving communications with stakeholders during 2015/2016 be noted.
2. That the work of the Fund to improve continued engagement with stakeholders over the next year be noted.

10

Preparing for the General Data Protection Regulations (GDPR)

Rachel Howe, Head of Governance presented a report on an outline of the project plan to ensure that the Fund is compliant with changes to the General Data Protection Regulations for when they come into force in 2018. The changes to the regulations were necessitated due to technological advances and the availability of personal information being much more widespread.

Rachel Brothwood, Director of Pensions added that this area would be added to the Board's work plan for 2017/18.

Resolved;

That the proposed workplan of the Fund in preparing for the changes to Data Protection Regulation be noted.

11

Data Quality and Employer Performance - Quarterly Update - 1 July to 30 September 2016

Rachel Brothwood, Director of Pensions outlined the salient points of the report on progress being made by the Fund to continue to improve data quality; on the plans in place to make further improvements to data quality; and on the performance of employers against key performance standards as detailed in the Pension Administration Strategy (PAS).

Referring to the financial implications section of the report, the Chair commented that the Fund did not want to impose penalties on employers for late receipt of membership data/ and or data errors. However, the issuing of fines to recover additional costs incurred as a result of the poor employer performance was making a difference.

In response to questions from the Board about late receipt of data or errors in membership data and the implications of this for Fund members, the Director of Pensions advised that four employers had been reported to the Pensions Regulator for their poor performance in providing membership data. Three of the employers had since responded and one had not. One implication of late or inaccurate data for members is that the Fund may be unable to produce an Annual Benefit Statement (ABS). Regarding a query raised on feedback to employers, the Director Pensions reported that the Fund had a good level of engagement with employers on errors identified following annual return submission and would continue to work with them.

Sharon Champion asked whether the Government plans to cap exit payments would have an effect on receiving employee data from employers. The Director of Pensions advised that it could have an impact if restructuring plans advanced (and staff turnover unexpected) and it was a risk that the Fund was aware of.

The Chair asked the Board's view on whether it would like to be notified of the employers who were providing late employee data or inaccurate data and whether it should name the employers. Board members felt that the Fund should continue to encourage the employers to engage and that naming the employers should be a last resort. The question of whether there would be any governance issues from naming an employer was also raised. The Director of Pensions added that once the Fund reported an employer to the Pensions Regulator it would have followed a failing which had not been resolved through engagement and these cases would be reported to Pensions Committee and the Board.

Resolved:

1. That the progress and the actions being taken to continue to improve data quality be noted.
2. That performance of employers against key standards set out in the Pension Administration Strategy (PAS) be noted.

12

2016 Actuarial Valuation Process

Rachel Brothwood, Director of Pensions presented the report on an overview of the 2016 actuarial valuation process to enable the Board to review the 2016 process. Consultations were still ongoing on the actuarial valuation and would run until the end of the month.

Sharon Champion expressed concern that the outcome of the Government Actuary Department (GAD) review of the 2016 actuarial valuation results could trigger Secretary of State (SoS) intervention in the Fund's funding and investment strategy. The Director of Pensions reported that the advice was that this would be a last resort and that the Fund was not expecting to be singled out in the report based on the approach proposed for the 2016 Actuarial Valuation.

Adrian Turner asked for a worst case scenario for the Fund on who would meet an employers' costs if they could not afford their level of contributions over the three years to March 2020. The Director of Pensions reported that the Fund had to balance its responsibility of being able to pay pensions and the employers' ability to make their contributions. The Fund had a strategy as to how this would be managed and it was having a dialogue with employers to manage their pensions contributions over time where the employer had alerted the fund to an issue. The Fund is also talking to employers about alternatives to cash funding to ease short term financial pressures but noting the Fund's exposure to the risks of employer default. If an employer did fail to meet their contributions, the answer to who would meet their costs would depend on whether they had a guarantor. New employer contribution rates take effect from 1 April 2017. Regarding the budgetary arrangements for Academies being set around the academic year, the Fund is being flexible with Academies regarding payment of their contributions.

Chris West commented that organisations who are struggling financially were receiving excellent support from the Fund. It was his understanding that colleges, schools and local authorities could not close the Local Government Pension Scheme to their employees but that this did not apply to TUPE transfer employees. For a lot

of organisations who were struggling, an increase in pension contributions might mean a closure of the scheme to new members.

Sharon Champion reported that she was concerned that the dialogue taking place with employers and the Fund was not being relayed back to employees. The Director of Pensions reported that the Fund could not engage in dialogue with employees about potential changes to their pension arrangements as this was a matter between the employer and employee requiring specialist advice.

Annette King asked about the current position regarding the £95,000 exit cap. The Director of Pensions advised that information and guidance on the matter was awaited. Changes to the Local Government Pension Scheme (LGPS) early retirement terms had been suggested but to date no further details or proposals had been forthcoming.

Resolved:

That the process undertaken by the Fund to deliver the 2016 actuarial valuation for both the West Midlands Pension Fund (Main Fund) and the West Midlands Integrated Transport Fund (WMITA Fund) be noted.