

Pensions Board

Minutes - 23 January 2018

Attendance

Members of the Pensions Board

Employer representatives

Paul Johnson
Caroline Jones
Joe McCormick
Cllr Sandra Samuels OBE
Mike Sutton (Chair)

Member representatives

Cllr Hazel Malcolm
Annette King (Vice-Chair)
Adrian Turner

Employees

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| Rachel Brothwood | Director of Pensions - West Midlands Pension Fund |
| Jill Davys | Assistant Director - Investments and Finance– West Midlands Pension Fund |
| Dereck Francis | Democratic Services Officer |
| Rachel Howe | Head of Governance - West Midlands Pension Fund |
| Simon Taylor | Head of Client and Funding Management - 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 Sharon Campion, Lee Nash and Jan Britton.

The Vice-Chair, Annette King, notified the Board that this would be her last meeting as she would shortly be ending her employment with Birmingham City Council and would vacate her position as GMB member representative on the Board.
- 2 Declarations of interests (if any)**
There were no declarations of interests.
- 3 Minutes of the previous meeting - 5 July 2017**
Resolved:
That the minutes of the meeting held on 5 July 2017 be approved as a correct record and signed by the Chair.

4 **Matters arising**

With reference to Minute 14 (Internal Audit report 2018/2019), Councillor Sandra Samuels OBE asked whether consideration had been given to income generation opportunities from the Fund's officers delivering training. Rachel Brothwood, Director of Pensions reported that at this stage the Fund was not charging scheme employers for delivering training and member events and currently there were no plans to do so. The position would be kept under review. However, where the Fund offered its services to other Pension Funds charges would and are being made.

5 **Pension Board Appointments 2018/2019**

Rachel Howe, Head of Governance presented the report on arrangements for seeking nominations onto the Pensions Board for 2018/2019. A slight amendment to the Pension Board appointments process was also proposed to clarify that the alphabetical rotation for vacating seats only applied to those appointed to the Board when it was first formed in 2015.

Resolved:

1. That the members in seats to be vacated for nomination onto the Board for 2018/2019 are Caroline Jones (employer representative) and Annette King (member representative).
2. That an Appointments Panel comprising the Chair, Councillor Hazel Malcolm, Councillor Sandra Samuels OBE, a member representative (to be confirmed in place of the Vice-Chair who is standing down) and the Director of Pensions (or her nominee) be convened to receive *employer representative* nominations for the year 2018/2019.
3. That the member representatives on the Board be contacted and invited to agree the additional member representative to serve on the Appointments Panel.
4. That the appropriate union for the vacant member seat be approached to confirm their nomination for member representative on the Board
5. That the following amendment to the Pension Board Appointments Process be approved:

'For members appointed or re-nominated since 2017, their nomination term will run from the year of their appointment.'

6 **Regulatory Update Report 2018**

Rachel Howe, Head of Governance highlighted the key points from the regulatory update report on the Local Government Pension Scheme (LGPS) and how the Fund was proposing to manage these.

Adrian Turner asked whether the Fund could do more to promote the 50/50 scheme to LGPS members. The Head of Governance reported that the Scheme Advisory Board was considering this question. The 50/50 scheme was included in the Fund's presentation to new members. The option of the 50/50 scheme was also included within the Fund's letters to any LGPS member considering opting out of the pensions scheme. Rachel Brothwood, Director of Pensions added that the Fund would review its communications to members on the benefits of the 50/50 scheme and would continue to consider the findings and outcome of the work of the Scheme Advisory Board.

Resolved:

1. That the Fund's draft General Data Protection Regulations (GDPR) policy be received and noted.
2. That the Board provide their quarterly training hours to the Trustee Management Officer.
3. That the top ten risks for West Midlands Pension Fund be noted.
4. That the improved performance in the Fund's Key performance Indicators be noted.
5. That the work of the Fund in preparation for GDPR be noted.
6. That the update on the work of the Scheme Advisory Board and the Pensions Regulator be noted.
7. That the Markets in Financial Instruments Directive II (MiFID II) classification update be noted.

7 **Pension Board Workplan 2018/2019**

Rachel Howe, Head of Governance presented for comment and approval the Local Pension Board workplan for the forthcoming Municipal Year. The Board's training record for 2017/2018 was also presented and the Board's views were sought on training needs for 2018/2019.

Referring to the workplan, Councillor Sandra Samuels OBE asked whether there was merit in Trustees being designated as 'policy champions' to undertake work on the review of statutory and discretionary policies of the Fund. Other Trustees supported the suggestion and the Chair asked that the list of statutory and discretionary policies of the Fund be circulated to the Board members to set their name against the policies they would wish to champion.

On behalf of District Council Finance Officers, Paul Johnson asked whether the action to 'issue accounting disclosure for employers' in the Customer Engagement Plan 2018 could be brought forward to April. He also queried whether the Customer Feedback Policy related to members or employers. Rachel Brothwood, Director of Pensions reported that its primary focus was on members but the policy covered both. In order to avoid confusion, the wording within the policy would be reviewed. A separate procedure existed for managing employer complaints. Simon Taylor, Head of Client and Funding Management briefly reported on that procedure.

The Chair asked whether the Board's training programme was appropriate for its size. The Head of Governance reported that the training programme was drafted using the Chartered Institute of Public Finance and Accountancy (CIPFA) guidelines together with the topics included in the TPR toolkit.

In response to a question the Head of Governance stated that she was unaware of the specifics of other Local Pension Boards' training and development plans but that research would be undertaken on their open reports to determine whether similar topics were being considered by Partner Funds' Local Pension Board.

In response to Councillor Sandra Samuels OBE, regarding a matrix to identify whether there are any gaps in the Board's training, the Head of Governance reported that a training needs analysis would be presented to the meeting on 4 July 2018. The Director added that the training areas previously covered by the Board would also be included in the report.

Jo McCormick asked whether the Fund's officers could issue the Board with guided reading on topics. The Director of Pensions reported that the Fund could look to expand upon a media roundup.

The Director also reported that the Board's training hours record was a half year update and that Board Members were required to undertake 22 hours training a year. She encouraged Board Members to continue to log the hours for reading in preparation for meetings and training sessions etc and asked that Board Members provide the Trustee Management Officer with a copy of their certificate of completion for the Pensions Regulator's Trustee Toolkit.

Resolved:

1. That the proposed workplan of the Board for the period 2018/19 be approved
2. That the Board undertake the Pension Regulator's Trustee Toolkit and record its completion with the Trustee Management Officer.
3. That the training record for the Local Pensions Board for the year to date be noted.
4. That the work on the Fund's statutory and operational policies to date be noted.
5. That the list of statutory and discretionary policies of the Fund be circulated to the Board members to set their name against the policies they would wish to champion.

8

Customer Engagement Update

Simon Taylor, Head of Client and Funding Management reported on the salient points from the update report of the Fund's customer engagement activity to date, in line with its Customer Engagement Strategy.

Councillor Hazel Malcolm asked how the Fund responded to feedback it received. The Head of Client and Funding Management reported that reference to actions taken in response to feedback was delivered in reporting to employers at the Mid-Year Review and the Annual General Meeting. Engagement was also undertaken through the Fund's Employer Peer Group.

Referring to the Fund's new member pensions portal, Jo McCormick asked how employers could find out how many of their employees had registered for the web portal facility in order to promote it to those yet to register for the portal. The Head of Client and Funding Management advised that an anonymised list could be provided.

On behalf of Finance Managers, Paul Johnson reported that the introduction of charging employers for inaccurate or poor data had not been well received. The Fund would need to be sure of its case when levying a charge to avoid unsettling relationships between the Fund and employers. The Head of Client and Funding Management noted that a charging structure had been in place since 2015 and this was outlined in the Fund Pension Administration Strategy, which was last reviewed and updated in 2017 following consultation with employers. He noted that given the numbers involved it was not possible to contact each employer prior to issue but committed to greater engagement up front with employers as a whole ahead of the same review next year.

The Board discussed a question from Councillor Sandra Samuels OBE regarding whether there was anything the Fund could do to introduce the subject of pensions on the agenda or curriculum at schools. Jill Davys, Assistant Director, Investments

and Finance reported that contact could be made with the Fund's Investment Managers some of whom are known to have who delivered financial education sessions in schools.

Resolved:

1. That the engagement activity to date and plans for future engagement on the horizon be noted.
2. That Fund officers use the resources it could reach out to, including some of the financial institutions, and encourage support in getting the issue of pension planning on the agenda or curriculum at schools.

9 **Data Quality Quarterly report**

Rachel Howe, Head of Governance updated the Board on the work of the Fund in the area of data quality and to provide it with assurance for the action the Fund was talking with employers to improve data.

Responding to questions on the provision of employer dashboards, Rachel Brothwood, Director of Pensions and the Head of Governance reported that the dashboards would in time be sent to all scheme employers following a pilot and a series of engagement with the Fund's Employer Peer Group. A data validation toolkit available to assist employers in reviewing and improving the data issued to the Fund prior to submission. The Pensions Administration Strategy (PAS) also contained details of the standards expected from employers to enable employer performance monitoring and improved data quality. Consideration would be given to extracting, in a user-friendly format, the key measures for employer payroll and finance teams to further assist self-assessment. The Board also suggested that the information be turned into a health check for employers and that it would be useful if the employer dashboard could include a RAG (red, amber, green) rating.

Resolved:

1. That the action taken by the Fund in line with the Pension Administration Strategy following review of the 2017 annual return and performance against set standards be noted
2. That the progress of monthly submissions and the impact on data quality this has had for the Fund be noted
3. That the next steps for engagement and continued improvement be noted.
4. That a guide to the key measures the Fund looked at for data quality be produced and circulated to employers.

10 **Investment Pooling update**

Jill Davys, Assistant Director, Investments and Finance outlined the key points from the progress report on the implementation of LGPS Central in response to Government legislation requiring Local Government Pension Scheme (LGPS) Funds to pool investments.

Councillor Sandra Samuels OBE asked whether there was anything the Board should be aware of in terms of its roles and responsibilities with the introduction of investment pooling and LGPS Central. The Assistant Director undertook submit a report to the next meeting on how investment pooling was progressing in order to give the Board assurance that the Fund's expectations from LGPS Central are on track to be delivered. Rachel Howe, Head of Governance also agreed to present a report on the governance structure for investment pooling. Rachel Brothwood, Director of Pensions reported that the role of the Board would not change with the

introduction of LGPS Central. There was, however, an additional requirement for oversight of 'how LGPS Central was facilitating delivery of the Fund's Investment Strategy Statement and wider core objectives such as cost transparency.

The Chair asked whether there would be risks to the Fund regarding the talent pipeline and recruiting good talent to replace staff transferring to LGPS Central. The Assistant Director reported that the recruitment to positions at LGPS Central was progressing well. The Fund would also be recruiting to ensure both pool and Fund has sufficient and appropriately skilled resource. The Fund expected a lot of support and engagement from LGPS Central in terms of future training events for all Partner Funds.

Resolved:

That the progress to date with the implementation of LGPS Central in response to Government legislation requiring LGPS Funds to pool investments be noted.