

Attendance

Members of the Pensions Committee

Cllr Stephen Simkins (Chair)
Cllr Milkinderpal Jaspal (Vice-Chair)
Cllr Harman Banger
Cllr Jasbinder Dehar
Cllr Keith Inston
Cllr Phil Page
Cllr John Reynolds
Cllr Paul Singh
Cllr Muhammad Afzal (Birmingham City Council)
Cllr Rose Martin (Walsall Metropolitan Borough Council)
Cllr Bally Singh (Coventry City Council)
Cllr Councillor Alan Taylor (Dudley MBC)
Cllr Joe Tildesley (Solihull Metropolitan Borough Council)
Malcolm Cantello (Trade union Observer Representative)
Martin Clift (Trade Union Observer Representative)
Ian Smith (Trade Union Observer Representative)

Employees

Rachel Brothwood	Director of Pensions - West Midlands Pension Fund
Jill Davys	Assistant Director - Investments and Finance
Rachel Howe	Head of Governance and Corporate Services - West Midlands Pension Fund
Claire Nye	Director of Finance
Lauren Pote	Governance Support Officer
Hayley Reid	Regulatory Governance Manager
Kirsty Tuffin	Democratic Services Officer

Part 1 – items open to the press and public

Item No. *Title*

- 1 Apologies for absence (if any)**
Apologies for absence were received from Councillor Sandra Hevican and Councillor Jane Stevenson.
- 2 Notification of substitute members**
No notification of substitutes were received.
- 3 Declarations of interests (if any)**
The Chair declared an interest as he had been a member of the Scrutiny Board of West Midlands Combined Authority.

Cllr Harman Banger declared an interest as he is a member of the West Midlands Combined Authority Investment Board.

4 **Minutes of the previous meeting -**

That the minutes from the previous meeting held on 25 September 2019 be approved as a correct record and signed by the Chair.

5 **Matters arising**

With reference to minute six, Rachel Brothwood, Director of Pensions, advised the group that dialogue with the Fund and Council's auditor would be fed back to the Public Sector Audit Appointments (PSAA) who set the audit fee scale for local government bodies. It was agreed that a letter would be circulated from the Chair to the PSAA raising the Committee's concerns that the external audit fees for the provision of letters of assurance on the Pension Fund's audit were excessive. A reasonable response time would also be included in the letter.

Resolved:

1. That the update regarding minute Six be noted.
2. That it be agreed that a letter to the PSAA from the Chair be sent raising the Committee's concerns with regards to external audit fees.

6 **Quarterly Investment Report to 30 September 2019**

Jill Davys, Assistant Director – Investments and Finance, presented the Quarterly Investment Report to 20 September 2019 which provided an update on the global market and investment update for the Fund, the quarterly Asset Allocation and Performance Reporting for the West Midlands Pension Fund and the West Midlands Integrated Transport Authority Pension Fund.

In response to a question raised by Malcolm Cantello, Unison Observer, it was agreed that a breakdown of cash would be provided to the Committee at their next meeting as part of the quarterly investment report.

In response to a question from Cllr Singh, on the risk management of the Fund's assets and the potential for recession Rachel Brothwood, Director of Pensions advised that recession had no direct impact on LGPS benefits, as the Fund is a defined benefit scheme with the pension benefits for members being set in Regulation. Regarding investment risk management, the Director confirmed that a training session was being arranged for Committee and was due to take place in March 2020.

Resolved:

1. That the global market and investment update paper prepared by the Fund's Investment Consultant, Redington be noted.
2. That the Quarterly Asset Allocation and Performance Reporting for the West Midlands Pension Fund be noted.
3. That the Quarterly Asset Allocation and Performance Reporting for the West Midlands Integrated Transport Authority Pension Fund be noted.

7 **Responsible Investment**

Jill Davys, Assistant Director – Investments and Finance, presented the report on responsible investment activities for the quarter ending 30 September 2019.

In presenting the report, the Assistant Director, Investments and Finance noted there had been positive engagement with a number of companies during the quarter in line with the Fund's approach to Responsible Investment.

The Committee were advised that an updated FRC code had come into effect from 1 January 2020, the updated code represents a new best practice stewardship standard for both asset owners and asset managers. The Assistant Director informed Committee that the Fund would be working to review and update the Fund's stewardship code compliance statement during 2020, ahead of transition to the new standard which focuses more on outcomes and reporting. A more detailed review of the Code and work to meet its requirements would be provided at the next Pensions Committee meeting.

In response to questions from the Committee, the Assistant Director Investments and Finance confirmed that following research undertaken the Fund was satisfied that its continued investments in Hanwha subsidiary companies did not breach the principles contained within its Responsible Investment Framework and that the situation would continue to be monitored.

Resolved:

1. That the Fund's voting and LAPFF's engagement activity for the three months ending 30 September 2019 be noted.
2. The issues discussed by LAPFF are set out in the Quarterly Engagement Report which is available on the LAPFF website:
<http://www.lapfforum.org/publications/qrtlyengagement-reports/> be noted.
3. The issues discussed in the LGPS Central Quarterly Stewardship Report which is available on the LGPS Central website:
<https://www.lgpscentral.co.uk/wpcontent/uploads/2019/03/LGPS-Central-Quarterly-Stewardship-Report-Thirdquarter.pdf> be noted.
4. The new Stewardship Code which is currently under review by officers of the Fund with a view to updating its compliance statement be noted.
5. Additional information in respect of Hanwha holdings be noted.

8 **Legal and Compliance Update**

Rachel Howe, Head of Governance and Corporate Services, presented the update on the work of the Fund to deliver a well governed scheme.

In presenting the Risk Register, the Head of Governance confirmed that discussions were underway with the Chair and Vice-Chair of Committee to further build on the risk management reporting and the presentation of risks to Committee.

Resolved:

1. That the update on the Fund's annual General Data Protection Regulation (GDPR) assurance work be noted.
2. That the quarterly risk register, including the movement of risks and the actions taken to mitigate any impact be noted.
3. That the quarterly compliance monitoring be noted.

4. That the update on emerging changes within the Regulatory Environment applicable to Local Government Pension Scheme's (LGPS) and the wider pensions industry be noted.

9 **Business Performance Update**

Rachel Howe, Head of Governance and Corporate Services, presented the report, which included an update on the key performance indicators for the period ending September 2019, an update on the Fund's digital transformation programme and highlighted the initial considerations for preparing the Fund's Service Plan 2020-2025.

In response to a question raised by Malcom Cantello, Unison Observer, the Head of Governance confirmed that since writing the report the percentage production for Active Benefit Statements (ABS) had increased to 95% and that the Fund continued to undertake detailed data analysis and engagement with Fund employers to identify and where possible, rectify data queries that had prevented the production of a benefit statement.

Discussions were held around the Fund's telephone service including response times for answering telephone calls and checks on the accuracy of information provided.

Resolved:

1. That the Key Performance Indicators for the period up to September 2019 be noted.
2. That the update on the Fund's Digital Transformation Programme be noted.
3. That the Fund's initial considerations in the development of its Service Plan 2020-2025 be noted.

10 **Budget Monitoring 2019-2020 and Quarterly Accounts September 2019**

Jill Davys, Assistant Director – Investments and Finance, presented the report on the update on the forecast out-turn for the year against operating budgets and quarterly accounts as at the end of September 2019.

In response to questions raised by Malcom Cantello, Unison Observer, regarding the Funds cashflow it was agreed that a statement monitoring how the Fund's cashflow is broken down would be provided to Committee.

Resolved:

1. That the quarterly accounts for the period ending 30 September 2019 be noted.
2. That the West Midlands Pension Fund forecast out-turn for the year against operating budgets as at the end of September 2019 is an underspend of £0.85m primarily attributable to posts in the process of being recruited to, service development activities in the pipeline and reduced forecasts for investment manager costs be noted.

11 **Management of Overpayments and Member Tracing**

Simon Taylor, Head of Pensions, presented the report on the work undertaken by the Fund in seeking to improve the quality of data held in relation to deferred members and mortality screening. The report also provided an update on the selection of a new provider for these services.

The group were advised that a pilot project for tracing missing addresses for deferred members had been undertaken. The pilot had been successful with over half of cases traced in first assessment. Following the success of this pilot the Fund has developed a deferred member tracing programme targeting regular checks on member contact information ahead of their anticipated retirement date or 5 year refund deadline payment date.

Simon Taylor, Head of Pensions also advised that the Fund had seen an 89% increase in the number of deceased member identifications following the first exchange of data with the new supplier.

Resolved:

1. That the Fund's process for managing overpayments of pension and the appointment of a new supplier for mortality screening and deferred address verification and tracing be noted.

12 **Pensions Administration Report from 1 July to 30 September 2019**

Simon Taylor, Head of Pensions, presented the Pensions Administration report for the period 1 July to 30 September 2019 for both the Main Fund and the WMITA Fund.

The Committee were advised that following the merger of the WMITA and Main Fund, future reports would present data collectively and not separately as in this current version.

Resolved:

1. That the applications approved by the Director of Pensions and the Chair or Vice-Chair of Pensions Committee for admission to the West Midlands Pension Fund be noted.
2. The pensions administration activity for both the Main Fund and the WMITA Fund, that performance targets were met across the key benefit operations processes during the reporting period be noted.
3. That it be agreed that the write-offs detailed in section 10 of the report be approved.

13 **Data Management**

Rachel Howe, Head of Governance and Corporate Services, presented an update on the work of the Fund in delivering improved data quality in line with the Pension Regulator's Code of Practice.

In presenting the report, the Head of Governance noted the increase in data quality seen across monthly submissions received from employers on a year-on-year comparator.

In response to a question from Committee, the Head of Governance confirmed that continued engagement with Fund employers regarding data quality was being undertaken in line with the Fund's Employer Engagement Roadmap.

Further discussions were held regarding the issue of ABS production, The Director of Pensions informed the Committee that the Fund had self-reported to the Pensions Regulator with regards to ABS production and that a summary of this report and the response from TPR would be issued to the Committee prior to the next meeting. Further questions were raised regarding escalation processes for employers that did

not submit correct / timely information, Committee were informed that requirements for the submission of data and escalation procedures were contained in the Fund's Pensions Administration Statement (PAS) and the Fund would be considering its ability to use the PAS once all analysis had been undertaken in relation to employer performance and its impact on 2019 statements.

Resolved:

1. That the work of the Fund in delivering its Data Management Strategy and the steps being taken to monitor and drive Data Quality across the Fund be noted.

14 **Customer Engagement Update**

Simon Taylor, Head of Pensions, presented an update of the Fund's customer engagement activity from 1 July 2019 to 30 September 2019, in line with its Customer Engagement Strategy.

Resolved:

1. That the engagement activity and informed service development be noted.

15 **Pension Investment and Administration Benchmarking**

Rachel Brothwood, Director of Pensions, presented the outcomes of the benchmarking exercises undertaken in relation to 2018-2019 for both the delivery of Fund's Investment and Pension Administration Services.

The Committee were advised that the Fund's peer groups for benchmarking comprised of comparable LGPS and non-LGPS schemes, based upon the scheme size, membership mix and the availability of data, with investment benchmarking undertaken at a global level.

The Committee were informed the benchmarking exercises had demonstrated that the Fund continue to provide a value for money service across pension administration and investments.

Resolved:

1. That the initial results and key outcomes of the benchmarking exercises undertaken for 2018-2019 for both the Fund's Investment and Pension Administration Services be noted.

16 **Fund Merger**

Rachel Brothwood, Director of Pensions, presented an update on the merger of the West Midlands Pension Fund with WMITA Fund following the outcome of the formal consultation published in October 2019. The report also provided an overview of the next steps required to effect the merger meeting the requirements of the Regulations and the associated Secretary of State Direction.

Malcolm Cantello, Unison Observer asked whether previous investment strategies approved for the WMITA Fund would still be applicable. Rachel Brothwood, the Director of Pensions confirmed previous strategies were still applicable and that moving forward funding and investment strategy statements would have separate appendices for former WMITA Pension Fund assets and liabilities. Committee were informed that the merger would not result in any fundamental change to the Fund's risks and there would be no changes to member benefits.

Resolved:

1. That the outcome of the Public consultation on the West Midlands Fund Merger with associated Regulations effective from 8 November 2019 be noted.
2. That the receipt of the Secretary of State's Direction on the Establishment of Admitted Body Funds be noted.
3. That the programme of activity underway to effect Merger and meet the requirements of the Direction be noted.

17 **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.

18 **2019 Valuation Update**

Simon Taylor, Head of Pensions, presented an update on the 2019 actuarial valuation and outline of proposed changes to the funding strategy statement (FSS), under consultation with Fund employers.

Resolved:

1. That the report and the associated update on progress with the 2019 actuarial valuation of both the Main Fund and the employers of the former WMITA Pension Fund be noted.
2. That the update on the associated employer covenant review in the context of the Fund's Integrated Risk Management Framework be noted.
3. That the headline results of the 2019 actuarial valuation be noted.
4. That the Proposed changes to the funding strategy statement be noted.
5. That the Consultation undertaken to date be noted.

19 **Investment Strategy and Activity Update**

Jill Davys, Assistant Director – Investments and Finance, presented an update on the investment strategy and activity in the West Midlands Pension Fund (WMPF) and the WMITA Fund over the quarter.

The Director of Pensions, Rachel Brothwood informed the Committee that the Fund's approach to climate change had been highly commended by IPE at their annual awards in the Climate Related Risk Management category.

Resolved:

1. That the update on investment strategies for the main Pension Fund and the WMITA Pension Fund be noted.
2. That the highlights of recent activity within the Pension Fund be noted.

20 **LGPS Central Shareholder Update**

Rachel Brothwood, Director of Pensions, presented the LGPS Central Shareholder Update report.

Rachel Brothwood, Director of Pensions advised that the CEO had now confirmed on behalf of the Company Board that the necessary changes required to comply with the FCA Senior Manager Compliance Regime (SMRC) applicable to LGPS Central Limited had been implemented. It was noted that the Chair and Vice Chair of the

Committee would be attending the Joint Committee meeting in Stafford on 14 February 2020.

Resolved:

1. That the Director of Pension's update on Shareholder business relating to LGPS Central Limited and work ongoing to review the 2020-2021 Strategic Business Plan and Budget ahead of the Company meeting in February 2020 be noted.

21

Guaranteed Minimum Pension Reconciliation

Simon Taylor, Head of Pensions, presented the report on GMP Reconciliation.

Resolved:

1. That the appointment of ITM to undertake stage 3 of Guaranteed Minimum Pension (GMP) Reconciliation be approved.
2. That the delegation of authority to the Director of Pensions in consultation with the Chair or Vice Chair of Pensions Committee to agree an approach for special cases arising from under or over payment where specialist legal advice may be required be approved.
3. That the action taken by the Fund on GMP reconciliation be noted.