

Pensions Committee

Minutes - 24 June 2015

Attendance

Members of the Pensions Committee

Cllr Bert Turner (Chair)
Cllr Keith Inston
Cllr Jasbir Jaspal
Cllr Phil Page
Cllr Paul Singh
Cllr Tersaim Singh
Cllr Muhammad Afzal (Birmingham City Council)
Cllr Sandra Hevican (Sandwell MBC)
Cllr Damian Gannon (Coventry City Council)

Trade Union observers

Malcolm Cantello (Unison)
Victor Silvester (Unite)

Employees

Mark Chaloner	Assistant Director, Investments
Geik Drever	Strategic Director of Pensions
Rachel Howe	Head of Governance - West Midlands Pension Fund
David Kane	Fund Accountant
Dereck Francis	Democratic Support Officer

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 Cllrs Lorna McGregor, Ian Brookfield and Peter Bilson (Wolverhampton City Council); Cllr Angela Sandison (Solihull Metropolitan Borough Council), Mohammed Arif (Walsall Metropolitan Borough Council), Mr Martin Clift and Mr Ian Smith (Unite)
- 2 Notification of substitute members**
No notification of substitutes were received for the meeting.
- 3 Declarations of interests (if any)**
No declarations of interests were made

4 **Minutes**

(a) Pensions Committee – 18 March 2015

Resolved:

That subject to the attendance details for the meeting be corrected by amending the designation of David Kane to 'Head of Finance', the minutes of the meeting held on 18 March 2015 be approved as a correct record and signed by the Chair.

(b) Investment Advisory Sub Committee – 18 March 2015

Resolved:

That the minutes of the meeting held on 18 March 2015 be approved as a correct record and signed by the Chair.

5 **Matters arising**

With referenced to Minute No 13 of the Pensions Committee (Information Governance), Geik Drever, Strategic Director of Pensions clarified that on advice the Fund would not register itself as a Data Controller with the Information Commissioner as the Fund was part of Wolverhampton City Council's arrangements.

With reference to Minute No. 16 of the Pensions Committee (Governance Reform 2014, delegated of Integrated Transport Authority), the Strategic Director of Pensions reported that the letter of approval had been received from the Department for Communities and Local Government and that the local Pensions Board that the Fund had established would become a joint board for both the ITA and the West Midlands Pensions Funds.

Referring to Minute No. 20 of the Pensions Committee (Ending of contracting out – guaranteed minimum pension) the Strategic Director of Pensions corrected advice given at the last meeting relating to the effects on reconciliation work on members. The Pensioners and deferred members would be dealt with first and the active members would be done in 2016.

6 **Appointment of Sub Committee and Panel and dates of meetings 2015/16**

The Committee was invited to appoint members to the Investment Advisory Sub Committee and to note the dates and times of the Committee, the Advisory Sub Committee and the Pensions Board.

Referring to the Pensions Board, Malcolm Cantello (Unison) reported on the concerns of his trade union colleagues that the two Councillor representatives on the Board do not comply with the Regulations governing membership of Pensions Board and that the designation that the Council was attaching to the two Councillors on the Board was causing confusion. Rachel Howe, Head of Governance explained that the final version of the Regulations made it permissible for councillors to sit on Pensions Board and she went on to explain how the regulations had been changed to permit this.

Referring to the Pension Board meeting on 2 July 2015; the Committee wished to make a nomination to the Pensions Board for it to consider electing Cllrs Sandra Samuels and Stephen Simkins as Chair and Vice-Chair respectively of the Board.

Resolved:

- 1 That the following Members be appointed to the Investment Advisory Sub-Committee for the municipal year 2015/16.

Cllr Bert Turner (Wolverhampton City Council)
Cllr Lorna McGregor (Wolverhampton City Council)
Cllr Jasbir Jaspal (Wolverhampton City Council)
Cllr Tersaim Singh (Wolverhampton City Council)
Cllr Muhammad Afzal (Birmingham City Council)
Cllr Damian Gannon (Coventry City Council)
Cllr Rachel Harris (Dudley Metropolitan Borough Council)
Cllr Sandra Hevican (Sandwell Metropolitan Borough Council)
Cllr Angela Sandison (Solihull Metropolitan Borough Council)
Cllr Mohammed Arif (Walsall Metropolitan Borough Council)
Mr Malcolm Cantello (Unison)
Mr Martin Clift (Unite)
Mr Victor Silvester (Unite)
Mr Ian Smith (Unite)

- 2 That the following dates and times of meetings be confirmed:

- i. Pensions Committee be held on Wednesdays at 1.30 pm on:
23 September 2015
9 December 2015
16. March 2016
- ii. Investment Advisory Sub-Committee to be held on Wednesdays at 10am on:
23 September 2015
9 December 2015
16 March 2016
- iii. Pensions Board to be held on Wednesdays at 2pm on:
2. July 2015
19 January 2016

- 3 That the Chair and Vice-Chair of the Pensions Committee be appointed to serve in the same capacity on the Investment Advisory Sub-Committee for the municipal year 2015/16.

- 4 That Pensions Board be requested to consider electing Cllrs Sandra Samuels and Stephen Simkins as the Chair and Vice Chair respectively of the Board.

7 **Pensions administration report from 1 January to 31 March 2015**

Geik Drever, Strategic Director of Pensions outlined the salient points of a report on the work undertaken by the Pensions Administration Services during the period 1 January to 31 March 2015 for both the West Midlands Pension Fund (the Main Fund) and the West Midlands Integrated Transport Authority Pension Fund (the WMITA Fund).

During the ensuing discussion Cllr Phil Page referred to his experience using the web portal facility and asked if it would be made easier for Councillors to get access to information rather than going through the process of making direct contact with Pensions Service employees. Rachel Howe, Head of Governance undertook to take the comment on board and see what part of the portal he was experiencing the difficulty.

In response to questions from the Committee, the Strategic Director of Pensions reported that additional staff would not be required for the workflow statistics concerning the WMITA Fund as the Pensions Service had always undertaken that work. On the question of the correlation between the workflow statistics and employer membership data, she reported that it was more work but not necessarily more members as membership had remained the same. The servicing of the system was the critical issue. Regarding electronic statements, scheme members had been advised that statements would be issued electronically but that a paper copy would be provided on request to the Fund.

Victor Silvester (Unite) reported on the receipt of communications from insurance companies included in the Club Together magazine under the banner of the West Midlands Pensions Fund and asked whether the Fund received any income from this. The Strategic Director of Pensions reported that the Funds did not receive an income from this. She went on to explain how Club Together forward a magazine to the Fund which it then distributed, with the Fund paying half the postage.

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 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.

8 **Constitution of the West Midlands Pensions Fund**

The Committee received a report on the Constitution for the West Midlands Pension Fund. The document outlined how the Fund operated, responsibility for functions, the roles of committees and officers together with the rights of Fund members.

Cllr Phil Page requested that any amendments made to the Constitution by the Strategic Director for Pensions under the proposed delegation be reported back to the next available meeting for the Committee to sanction the Director's action.

Resolved:

1. That the Constitution for the West Midlands Pension Fund be agreed and accepted.

2. That authority be delegated to the Strategic Director of Pensions to amend the Constitution in light of operational and legislative changes and any amendments so made be reported to the next available meeting of the Committee for ratification.

9 **Policy review 2015**

Rachel Howe, Head of Governance, presented for approval policies which detailed how the Fund proposed to manage and operate certain areas of its business.

Malcolm Cantello (Unison) queried whether approval of the Pension Board Member Conduct Review Policy was a matter for the Pensions Board. The Head of Governance reported that the Scheme Manager, 'Wolverhampton City Council' had delegated the matter to the Pensions Committee. In response to a further comment she also undertook to include within the West Midlands Pension Fund Customer Feedback Policy an appropriate reference(s) to the involvement of the Pensions Regulator within the Fund's complaints process.

Resolved:

1. That the Pension Board Member Conduct Review Policy be agreed and approved.
2. That the Employee Travel Policy be agreed and approved.
3. That subject to the inclusion where appropriate of the involvement of the Pensions Regulator in the Fund's complaints process, the Customer Feedback Policy be approved.
4. That the Customer Feedback Policy be agreed and approved.
5. That the Communications Strategy Statement be agreed and approved
6. That the Internal Dispute Resolution Procedure be agreed and approved
7. That it be noted that there are no changes to the Administering Authority Policy Statement.
8. That it be noted that there are no changes to the Funding Strategy Statement.

10 **Trustee training 2014/2015**

Rachel Howe, Head of Governance presented a report which summarised the trustee training activity for the year ended 31 March 2015. 865 hours training had been achieved during the year.

Geik Drever, Strategic Director of Pensions, thanked the Trustees for their commitment to the training and looked forward to their continuing commitment to the training programme in the current financial year. She also added that there would be five hours of training on the forthcoming property tour.

The Committee was also informed that there would be an induction for new Trustees on 22 July. There would also be a workshop on 'risk' at 3pm on 22 July at Mander House. An invitation to the training sessions was extended to all Trustees.

Resolved:

That the summary of trustee training activity in the year ending 31 March 2015 be noted.

5 Risk and compliance monitoring 1 January to 31 March 2015

Rachel Howe, Head of Governance presented a report on a revised risk register, feedback on the quarterly compliance monitoring program and on a changed approach to risk and compliance monitoring. She reported that the risk register was a much more active document. There were no areas of concern within the report.

Resolved:

1. That the risk register for West Midlands Pension Fund be noted.
2. That the changed approach to risk and compliance monitoring be noted.
3. That it be noted that no significant compliance issues have arisen during the quarter.

17 Draft annual report and accounts 2014/15

David Kane, Head of Finance, presented the Fund's draft annual report and statement of accounts for the year ending 31 March 2015. The report also set out the outturn against operating budgets and performance against key performance indicators (KPIs) for the year. In doing so the Head of Finance reported that Wolverhampton City Council's Section 151 Officer had approved the accounts which would be externally audited by PricewaterhouseCoopers during July/August. The final version of the annual report and accounts would be reported back to the Committee in September. He also informed the Committee that it had been a good year for the Fund and he highlighted some of the particular successes. A number of changes had been made to the annual report and accounts since the publication of the report, including correcting typographical errors, none of which affected the bottom line within the accounts. An annotated version containing the changes was available at the meeting. The Head of Finance also reported on a correction to the actual and benchmark for key performance indicator 5 within the annual report.

In response to questions regarding underspends against the operating budget for 2014/15 the Head of Finance explained that underspends would remain with the Fund. The larger areas of underspend, such as Investment Management Fees would be recurring savings. Regarding staffing vacancies he reported that the underspend reflected the difficult position the Fund had in recruiting. He did not anticipate that this underspend would remain. The Strategic Director of Pensions confirmed the problems and challenges the Fund had in recruiting. She would be in discussions matter with the Council's HR section about the situation and was revising the Pension Service's structure as well. She indicated she would come back to the Committee on the service's structure at the end of the year. She also commented on the main reason for the variance in savings against the operating budgets.

The Strategic Director Pensions also tabled a proposed press release on the Fund and its investment performance to be issued the following day.

During the discussion Malcolm Cantello (Unison) sought clarity on a figure within the Management and Financial Performance section of the Annual Report. He also indicated that he would go through some of the changes made to the report and accounts with Head of Finance.

Resolved:

1. That the draft annual report and accounts for the year ending 31 March 2015 be approved.
2. The outturn against operating budgets, which is an under spend of £3.7 million, and performance for the year against the Fund's key performance indicators be noted.
3. That it be noted that the draft accounts have been certified by the Section 151 Officer as required by regulations;
4. That it be noted that the draft annual report and accounts would now be subject to audit by the Fund's external auditors, PricewaterhouseCoopers, with the final version, including their audit opinion, to be reported to the Committee in September 2015.
5. That the press release be approved.

13 **Service plan monitoring 2015/16 quarter one**

David Kane, Head of Finance, presented an update report on the Fund's performance against key performance indicators and the forecast outturn for the year against operating budgets as at the end of the first quarter of 2015/16. He reported that the quarter one performance was good with a few exceptions. He also drew the Committee's attention to a forecasted underspend of £310,000 compared with the funds operating budgets as at the end of the first quarter. The estimated saving had arisen primarily on staffing budgets due to a number of posts being held vacant, or in the process of being recruited to during the year to date.

Resolved:

1. That performance against the Fund's key performance indicators as at the end of the first quarter be noted.
2. That the forecast outturn against operating budgets as at the end of the first quarter, which is an under spend of £310,000 be noted.

14 **Annual Internal Audit report 2014/15**

Internal Audit presented the Fund's Annual Internal Audit Report 2014/15. The report formed part of the Fund's assurance framework. Internal Audit were able to provide reasonable assurance that the Fund had adequate and effective governance, risk management and internal control processes.

Internal Audit also informed the Committee that all issues identified during the internal audit work period 2014/15 had been discussed with the Fund's management and recommendations agreed. It wished to record its thanks to the Fund for its cooperation throughout the year.

Resolved:

That the contents of the Annual Internal Audit Report 2014/15 be noted.

15 **Annual Internal Audit plan 2015/16**

Internal Audit presented the Fund's Annual Internal Audit Plan for 2015/16. The plan had been prepared in consultation with the Fund's Senior Management Team.

Resolved:

That the contents of the Annual Internal Audit Plan 2015/16 be noted.

16 **Responsible investment activities**

Mark Chaloner, Assistant Director of Investments outlined the salient points of the report on work undertaken by the Investment Team regarding their responsible investment activities between the period 1 January to 31 March 2015.

Mike Cantello (Union) thanked the officers for the work they had done on this area. Referring to the update within the report on National Express's North American operations, he commented that the discussions had gone on for some years. Whilst the shareholder resolution had not been passed he felt that it was useful to have put forward the Fund's views. He also said that he hoped the Fund would get an appropriate response from the Company next year. Referring to the 'Israel Palestinian campaign', he suggested that an update on the latest position be forwarded to the individual concerned who had previously been in correspondence with the Committee on the matter. The Assistant Director of Investments undertook to write an update letter to the individual concerned.

Resolved:

1. That the Fund's voting and LAPFF's engagement activity for the three months ending 31 March 2015, including Appendix 1 be noted.
2. 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.
3. That the updates on the National Express and BP shareholder resolutions as well as the Israeli-Palestinian related research and engagement program respectively be noted.

17 **Responsible investment framework**

Mark Chaloner, Assistant Director of Investments presented for approval the Funds Responsible Investment Framework which replaced the Socially Responsible Investment Statement.

Resolved:

1. That the Fund's new Responsible Investment Framework, which replaces the current Socially Responsible Investment Statement be approved.
2. That it be noted that the Fund's Statement of Investment Principles had been amended throughout the year to reflect Committee's decisions and that it would be finally submitted for approval at the next meeting.

3. That it be noted that the Corporate Governance and Socially Responsible Investment section of the Fund's Statement of Investment Principles would be replaced by key elements of Responsible Investment Framework.

18 **Investment policy and performance report 2014/15**

Mark Chaloner, Assistant Director of Investments outlined the salient points of the report of the Fund's investment policy and investment returns for the year to March 2015. In response to a question from Malcolm Cantello (Unison), he explained why the Fund was holding more cash than it would normally.

Resolved:

That the Fund's investment policy and investment returns for the year to 31 March 2015 be noted.