

### Attendance

#### Members of the Pensions Committee

Cllr Milkinderpal Jaspal (Chair)  
Cllr Clare Simm (Vice-Chair)  
Cllr Stephen Simkins  
Cllr Keith Inston  
Cllr Phil Page  
Cllr John Reynolds  
Cllr Paul Singh  
Cllr Muhammad Afzal (Birmingham City Council)  
Cllr Sandra Hevican (Sandwell MBC)  
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)  
Martin Clift (Trade Union Observer Representative)

#### Employees

Rachel Brothwood	Director of Pensions - West Midlands Pension Fund
Jill Davys	Assistant Director - Investments and Finance – West Midlands Pension Fund
Tom Davies	Head of Investments – West Midlands Pension Fund
Rachel Howe	Head of Governance and Corporate Services - West Midlands Pension Fund
Claire Nye	Director of Finance – City of Wolverhampton Council
Amy Regler	Head of Operations – West Midlands Pension Fund
Lauren Pote	Governance Support Officer – West Midlands Pension Fund
Hayley Reid	Senior Auditor – City of Wolverhampton Council
Peter Farrow	Head of Audit – City of Wolverhampton Council
Simon Taylor	Head of Pensions - West Midlands Pension Fund
Kirsty Tuffin	Democratic Services Officer – City of Wolverhampton Council

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## 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 Harman Banger, Councillor Jasbinder Dehar and Malcolm Cantello, Trade Union Representative.

2 **Notification of substitute members**

No notification of substitutes were received.

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

There were no declarations of interest.

4 **Minutes of the Previous Meeting**

That the minutes from the previous meeting held on 21 January 2020 be approved as a correct record and signed by the Chair.

5 **Matters arising**

The Chair advised that due to the Covid-19 pandemic it had been necessary to cancel the March Pensions Committee meeting. The timing, unfortunately, had coincided with the end of the financial year when the Fund had a number of items which required approval by 31 March 2020.

These included:

- Approval of the 2020 - 2021 budget which was fundamental to the continued operation of the Fund and linked to that approval of the Fund's 2020 - 2025 Service Plan. Within the Service Plan officers had identified challenges from both the external wider LGPS and investment industry, together with responses to internal factors and stakeholder feedback, which shaped the way the Fund developed and enhanced services for customers.
- Accounting policies, the basis on which the Fund reported its annual report and accounts and provided independent assurance to stakeholders that the financial statements provided a true and fair view of the Fund's financial position and transactions for the period in question and that those statements had been prepared in accordance with generally accepted accounting practice.
- A number of statutory policies that included, the Funding Strategy Statement, the Investment Strategy Statement and the Strategic Investment Allocation Benchmark.

Cllr Jaspal advised that in line with the Committee's Urgent Decision powers, the Committee Chair, Cllr Simkins at that time, and himself, in the role of Vice Chair, engaged in consultation with officers regarding the use of the urgent decision powers. Collectively, it was determined their use had been necessary. In order to keep all members of the Pensions Committee informed with regards to the urgent decisions being taken reports relating to the urgent decisions had been published in advance to afford all members the opportunity to view and comment if required. No comments were received, and the recommendations outlined in those reports had been approved.

6 **Pensions Committee Annual Governance Report**

Rachel Howe, Head of Governance and Corporate Services, presented the Annual Governance Report seeking approval for annual governance matters of the Pensions Committee that ensured effective due diligence in decision making through regular review of delegated powers, terms of reference and the continued engagement of the Fund's stakeholders on its decision-making body.

Resolved:

1. That it be agreed that the revised Terms of Reference for the Pensions Committee be approved.
2. That it be agreed that the revised delegations from the Committee, to the Director of Pensions be approved.
3. That it be agreed to defer of the appointment of district members to the Committee until September 2020 be approved.
4. That it be agreed that the re-appointment of the Trade Union representatives onto the Committee for the Municipal Year 2020-2021 be confirmed:
  - Martin Clift and Ian Smith – Unite
  - Malcolm Cantello – Unison
5. That the following dates and times of meetings of the Pensions Committee be confirmed:  
Pensions Committee – 10:00 am  
30 September 2020  
9 December 2020  
24 March 2021
6. That it be agreed that the Training Policy developed for members of the Fund's governing bodies be approved.

#### 7 **Local Pensions Board Annual Report**

Rachel Howe, Head of Governance and Corporate Services, presented the report on the work undertaken by the Local Pensions Board during 2019-2020 which had been produced in consultation with the Local Pension Board Chair, Joe McCormick. The Committee noted that production of the annual report was a legislative requirement.

Resolved:

1. That the Local Pensions Board Annual Report be noted.

#### 8 **Statement of Accounts 2019-2020**

Jill Davys, Assistant Director, Investments and Finance presented the statement of accounts 2019-2020 report which provided an update on the progress in the finalisation of the Fund's draft statement of accounts for the year ending 31 March 2020.

The Assistant Director noted that this year's statement of accounts incorporates West Midlands Integrated Transport Authority (WMITA) Pension Fund and the Fund's information within a single statement, due to their merger with the Fund. An Annual Report would be prepared to include the finalised version of the Statement of Accounts and be presented to the September meeting of the Pensions Committee.

Resolved:

1. That the delegation of authority to the Chair and Vice Chair of Pensions Committee be approved:
  - a. To approve the Statement of Accounts once finalised and certified by the Section 151 officer; and
  - b. To approve the final publication of the Fund's 2019-2020 Annual Report and Accounts following audit in July, consideration of audit opinion and approval of the draft by Pensions Committee in September 2020.

2. That the draft Statement of Accounts for West Midlands Pension Fund (incorporating the merger with the West Midlands ITA Pension Fund (WMITA Pension Fund) would be finalised and be subject to audit by the Fund's external auditors, Grant Thornton, with the final version and audit opinion due to be reported to the Committee in September 2020 be noted.
3. That the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 had extended the statutory accounting deadlines for completion of draft and final Statement of Accounts be noted.

9 **Budget Monitoring and Quarterly Accounts to 31 March 2020**

Jill Davys, Assistant Director, Investments and Finance presented the report on the out-turn for the year against operating budgets as at the 2019/20 year-end.

Resolved:

1. That the quarterly accounts for the period ending 31 March 2020 be noted.
2. That the Fund out-turn for 2019/20 against the operating budget for the year, the underspend in Fund management costs and higher investment management costs over the year be noted.

10 **Annual Report 2019 - 2020 and Internal Audit Plan 2020 - 2021**

Peter Farrow, Head of Audit Services, presented the report on the outcome of the work programme for internal audit for 2019-2020 and the outline work programme for internal audit during 2020-2021.

The Committee were advised that for 2019-2020 six audit reviews had taken place, none of which had been rated 'limited' (red), three had been rated 'satisfactory' and three 'substantial', which resulted in an unqualified audit opinion from Internal Audit. The Head of Audit Services confirmed that all recommendations had been accepted and were being taken forward by the Fund's Senior Management Team. The Head of Audit Services also highlighted the Internal Audit Plan 2020-2021 which had been developed in conjunction with Fund Officers.

Resolved:

1. That the internal audit report for 2019 – 2020 be noted.
2. That the internal audit plan for 2020 – 2021 be noted.

11 **Legal and Compliance Update**

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

The Committee were advised that in line with the assurance framework the report provided an update on the risk management of the Fund and that actions taken to manage and mitigate risk were effective in supporting the Fund's response to emerging issues and changing environment.

Resolved:

1. That the risk movements as reported and monitored through the year from April 2019 – March 2020 be noted.
2. That the latest strategic risk-register and areas being closely monitored in the current environment be noted.

3. That the compliance monitoring activity undertaken during the quarter be noted.

## 12 **Investment Risk and Assurance Framework**

Jill Davys, Assistant Director, Investments and Finance presented the report on the Fund's investment governance structure, how the Fund would undertake management and monitoring of the Fund's investment arrangements, including reporting to the Committee who oversee those arrangements.

The Committee were advised that the investment risk and assurance framework formed part of the Fund's wider control framework and showed commitment to the fully integrated approach to the managing of investment risks.

Resolved:

1. That the Fund's Investment Risk and Assurance Framework be approved.

## 13 **Quarterly Investment Report to 31 March 2020**

Tom Davies, Head of Investments, presented the report on the range of investment issues for consideration by the Committee, primarily the market and investment background and the performance of assets owned by the Fund.

The Head of Investments noted the recovery of the investment markets throughout April – June 2020, highlighting that this report covered the period to 31 March 2020. The Head of Investments further detailed the variety of movements between asset classes within the Fund and the potentially significant impact of lagged valuations on some of the Fund's illiquid assets at this time, with performance highlights presented. Following questions raised the Committee were advised that it had been too early to assess long term affects from Covid-19 on the property sector but the Fund had been in regular dialogue with investment advisers and managers, noting the situation would continue to be monitored.

Resolved:

1. That the global market and investment update paper prepared by the Fund's Investment Consultant, Redington be noted.
2. That the Asset Allocation and Performance Reporting for the West Midlands Pension Fund (WMPF) be noted.
3. That the Asset Allocation and Performance Reporting for the West Midlands Integrated Transport Authority Pension Fund (WMITAPF), and that it would be the last time this element appears in this format following the merger of the WMITAPF with the Main WMPF, be noted.

## 14 **Responsible Investment**

Jill Davys, Assistant Director Investments and Finance presented the report on the work undertaken in relation to responsible investment activities since the January 2020 Pensions Committee meeting.

The Assistant Director noted the development of the engagement themes for 2020-23 and the work undertaken by the Fund on responsible investment in the last six months, highlighting key areas of engagement and delivery of outcomes.

The Committee recognised the momentum of change in corporate response to Climate Change, following global investor initiatives such as Climate Action 100+ and noted the ongoing dialogue with those interested in the variety of engagements supported by the Fund's Responsible Investment Framework, including action on modern slavery.

Cllr Reynolds commented on the Fund's engagement with Rio Tinto and requested follow up on this issue, Cllr Reynolds also welcomed the Fund's work on modern slavery, noting that the Fund had become a signatory on the Modern Slavery Project.

Cllr Simm highlighted correspondence received from Palestine Solidarity Campaign and requested that the issues raised regarding Palestine and the West Bank were taken forward. The Assistant Director, Jill Davys confirmed that the Fund had received correspondence following a recent Supreme Court ruling and were responding to all letters in consultation with the Chair and in line with the Fund's responsible investment framework.

Cllr Simkins commented on the importance of the Fund's work in relation to tax and executive pay, noting the importance of protecting the Fund's members. Cllr B Singh raised questions regarding bio-fuel, carbon emissions and deforestation requesting that these issues be considered in the Fund's wider engagement activity. Rachel Brothwood, Director of Pensions confirmed that an update on engagement activities concerning deforestation would be provided at the September Committee meeting.

The Chair highlighted that company commentary was changing, in particular with regards to energy companies and recognised that engagement was effective.

Resolved:

1. That the Fund's updated Responsible Investment Framework (Appendix A), incorporating; Engagement themes for 2020-23 be approved.
2. That the Fund's voting and engagement activity for the six months ending 31 March 2020 be noted.
3. That the issues discussed by LAPFF are set out in the Quarterly Engagement Reports which are available on the LAPFF website be noted:  
<http://www.lapfforum.org/publications/qrtlyengagement-reports/>.
4. That the issues discussed in the LGPS Central Quarterly Stewardship Reports which are available on the LGPS Central website be noted:  
<https://www.lgpscentral.co.uk/wpcontent/uploads/2020/05/LGPS-Central-QSR-Q4-2019-20.pdf>
5. That the Reporting completed by the Fund as signatory to the UN Principles for Responsible Investment be noted.

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### **Pensions Administration Report to 31 March 2020**

Amy Regler, Head of Operations, presented the report on routine operational work undertaken by the pension's administration service areas during the period 1 October 2019 to 31 March 2020.

The committee were advised that within section 13.1 of the report, the total annual pensions in payment should read as £551.3 million. Following questions regarding death notification figures, the Head of Operations and the Director of Pensions

confirmed there had been a rise in death notifications and that an initial spike in notifications had reduced towards more normal levels in recent weeks.

Resolved:

1. That the write-offs detailed in section 14 of this report be approved.
2. That the Administering Authority Discretions Policy for 2020 be approved.
3. 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.
4. That the pensions administration activity and that performance targets were met across the key benefit operations processes during the reporting period be noted.
5. That the impact of Covid-19 on the workload volumes for pension administration be noted.
6. That the update on the progress of the Fund's Digital Transformation Programme be noted.

16 **Customer Engagement Update**

Simon Taylor, Head of Pensions, presented the report on the Fund's customer engagement activity, in the short-term primarily based around the Covid-19 outbreak and the support available from the Fund, to include assurance of continued service delivery highlighting the focus of customer contact had been linked to the providing additional support during the pandemic.

Resolved:

1. That the proposed postponement to review and potential revision of the Pensions Administration Strategy (PAS) and the associated consultation be approved.
2. That the engagement activity and customer support provided aligned to the Covid-19 restrictions be noted.
3. That the high-level overview of planned activity and changes made to the annual Customer Engagement Plan be noted.

17 **Data Management**

Rachel Howe, Head of Governance and Corporate Services, presented the report on the Fund's Data Management Strategy and provided an update on the work of the Fund in delivering good data management in line with statutory requirements.

Resolved:

1. That the Data Management Strategy, updated for 2020 be adopted.
2. That the ongoing work of the Fund to manage, monitor and effect good data management be noted.

18 **Business Performance and Service Plan Update**

Rachel Howe, Head of Governance and Corporate Services, presented the report on how the Fund delivering the priorities set out in the 2019-2024 Service Plan and provided an update on the Fund's performance as measured by its Key Performance Indicators.

Resolved:

1. That the performance of the Fund in working to deliver its corporate priorities as outlined in the 2019 – 2024 Service Plan be noted.
2. That the Fund's KPIs for year-end performance together with a year on year overview be noted.

19 **Exemption 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.

20 **Fund Response to Covid-19**

Rachel Howe, Head of Governance and Corporate Services, presented the report on the Fund's response to the current global pandemic.

The Committee were provided with assurance regarding the Fund's service delivery and were informed that pension benefits had been paid when due. Steps were being taken to ensure the ongoing protection of the Fund's employees in the preparation for re-opening office space. Recognition and thanks were given for the work of the Fund's employees from the Head of Governance and Corporate Services and members of the Committee.

Resolved:

1. That the steps taken by the Fund to protect employees, mitigate impact and maintain service delivery during the current global health crisis be noted.
2. That the national picture across pensions and the LGPS in responding to the crisis be noted.
3. That the steps being taken to review the current office environment and assess the potential for colleagues to return to the office be noted.

21 **Completion of 2019 Valuation**

Simon Taylor, Head of Pensions, presented the report on the finalised 2019 actuarial valuation and a summary of the national position and associated reviews.

Resolved:

1. That the finalisation of the 2019 actuarial valuation and the associated Actuarial Rates and Adjustment certificate signed 31 March 2020 be noted.
2. That the ongoing activity to oversee changes in employer funding arrangements and wider review of outcomes of the 2019 actuarial valuation be noted.

22 **Investment Strategy and Activity update**

Tom Davies, Head of Investments, presented the report on the investment strategy and activity in the WMPF and WMITA Pension Fund over the last quarter and provided an update on the product development plan for LGPS Central Ltd investment sub-funds, to support implementation of the Fund investment strategy through investment pooling. Due diligence and review was currently being undertaken to assess arrangements for the transition of Fund assets.

Cllr J Reynolds noted his appreciation for the work done by the Fund regarding the re-classification of liquid and illiquid assets and requested further information on the Fund's illiquid assets in future reports.

Resolved:

1. That the Delegation to the Director of Pensions and Assistant Director, Investments and Finance to agree the arrangements for the transition of Fund assets to LGPS Central Ltd Multi-Asset Credit (MAC) sub-fund as appropriate be re-confirmed.
2. That the update on investment strategies for the main Pension Fund and the WMITA Pension Fund be noted.
3. That the Highlights of recent activity within the Pension Fund be noted.

23 **Annual Report on the Investment Advisory Panel and the Investment and Funding Strategy Panel for WMITA Pension Fund**

Jill Davys, Assistant Director Investments and Finance presented the report on the activities of the Investment Advisory Panel (IAP) and the WMITAPF Strategy Panel (Investment and Funding) during 2019/2020.

The Committee were advised that the Fund had regularly corresponded with both panels via Microsoft Teams. Feedback from the Panels on the challenges faced and actions taken had been received and both Panels had felt the actions taken by the Fund had been appropriate.

It was noted that following the merger of the Funds, the WMITAPF Strategy Panel has been disbanded, with the IAP continuing to oversee implementation of investment strategy across the merged Fund and report back to the Pension Committee.

Resolved:

1. That the work of the Investment Advisory Panel and the WMITAPF Strategy Panel (Investment and Funding) for 2019/2020 be noted.

24 **LGPS Update**

Rachel Brothwood, Director of Pensions, presented the report on the Shareholder resolutions and business in relation to the investment pool operator company LGPS Central Limited, following postponement of the Shareholder and Company meetings due in February 2020, at which the Company's Strategic Business Plan and budget for 2020-2021 were to be presented by the Board for Shareholder approval.

The Committee discussed the progress made with investment pooling and requested a further report.

The Director of Pensions noted that the Chief Executive had been due to attend the Pensions Committee meeting in March 2020 and would be invited to the September meeting.

Resolved:

1. That the Director of Pension's update on Shareholder business relating to LGPS Central Limited be noted.

25

**Fund Structure Update**

Rachel Brothwood, Director of Pensions, presented the report on the staffing developments and requirements to support the Fund service delivery.

The Committee were advised that the key changes since the structure was last reported to Committee in June 2019 had been beneficial for the Fund and proposed areas for further development and recruitment to support delivery of the Service Plan 2020-2025, allowed for within the budget approved for 2020/2021.

Resolved:

1. That the pension fund service structure at as February 2020, together with changes implemented over 2019/2020, following review in 2019 be noted.
2. That the proposed areas of review in 2020/2021, to reflect future service requirements and recruitment experience during 2019/2020 be noted.
3. That the roles undertaken by the Senior Management Team be noted.
4. That the arrangements the Fund would be facilitating in support of the LGPS Central investment pool Partner Fund support office be noted.