

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 Rose Martin (Walsall Metropolitan Borough Council)
Cllr Councillor Alan Taylor (Dudley MBC)
Cllr Joe Tildesley (Solihull Metropolitan Borough Council)
Martin Clift (Trade Union Observer Representative)
Ian Smith (Trade Union Observer Representative)

Employees

Rachel Brothwood	Director of Pensions - West Midlands Pension Fund
Tom Davies	Head of Investments – West Midlands Pension Fund
Jill Davys	Assistant Director - Investments and Finance – West Midlands Pension Fund
Peter Farrow	Head of Audit – City of Wolverhampton Council
Rachel Howe	Head of Governance and Corporate Services - West Midlands Pension Fund
Jaswinder Kaur (Host)	Democratic Services Manager
Amanda MacDonald	Client Lead Auditor – City of Wolverhampton Council
Claire Nye	Director of Finance – City of Wolverhampton Council
Amy Regler	Head of Operations – West Midlands Pension Fund
Jennifer Pearce	Senior Auditor – City of Wolverhampton Council
Lauren Pote	Governance Support Officer – West Midlands Pension Fund
Hayley Reid	Governance and Regulatory Manager – West Midlands Pension Fund
Darshan Singh	Head of Finance – West Midlands Pension Fund
Simon Taylor	Head of Pensions - West Midlands Pension Fund
Kirsty Tuffin	Democratic Services Officer – City of Wolverhampton Council

In attendance

Grant Patterson	External Audit Representative - Grant Thornton
David Rowley	External Audit Representative - Grant Thornton
Mike Weston	LGPS Central Ltd (Present for Item 20)
John Burns	LGPS Central Ltd (Present for Item 20)
Callum Campbell	LGPS Central Ltd (Present for Item 20)

Part 1 – items open to the press and public

Item No. *Title*

- 1 **Apologies for absence (if any)**
Apologies were received from Malcolm Cantello, Trade Union Representative, Councillor Jasbinder Dehar, Councillor Sandra Hevican, Councillor Bally Singh and Councillor Harman Banger.
- 2 **Declarations of interests (if any)**
There were no declarations of interest.
- 3 **Minutes of the Previous Meeting**
That the minutes of the previous meeting held on 17 June 2020 be approved as a correct record and signed by the Chair, subject to Ian Smith, Trade Union Representative, being added to the attendee list.
- 4 **Matters arising**
There were no matters arising from the minutes of the previous meeting.
- 5 **Annual Report and Accounts 2019-2020**
Darshan Singh, Head of Finance, and Grant Patterson, representative from Grant Thornton, presented the Audit Findings Report noting the deadline for publication as 1 December 2020.

Grant Patterson, External Audit Representative – Grant Thornton, informed the Committee that following submission of the draft accounts in June there had been no adjustments required that would have a significant impact upon the financial position of the Fund and that he was anticipating the Audit report would be unqualified following final checks being completed. He thanked officers for their support in completing the audit,

Resolved:

1. That the draft Annual Report for the year ending 31 March 2020 be approved.
2. That the approval of the 2019/20 Statement of Accounts, certified by the Administering Authorities Section 151 officer and published on 22 June 2020 be noted.
3. That the Grant Thornton's Audit Findings Report for West Midlands Pension Fund (WMPF) be noted.
4. That it be noted under the delegations agreed, the Management Representations letter to Grant Thornton was expected to be signed during October 2020 by the Chair and the Director of Pensions on behalf of the Fund be noted.
5. That the development of the draft Annual Report with final publication to be approved by the Chair and Vice Chair, in line with the delegation agreed by the Committee in June 2020 be noted.

6 **Budget Monitoring 2020/2021 and Quarterly Accounts June 2020**

Darshan Singh, Head of Finance, presented the report on the forecast out-turn against operating budget for 2020/21 and the quarterly accounts to 30 June 2020, showing an estimated Fund value of £17.4bn.

The Committee were advised that the £2.4billion increase in the Fund value had been as a result of the recovery in the investment markets since March 2020.

In response to a question from the Committee, Darshan Singh noted that the change in investment costs reported was linked to the Fund's investment strategy review, where changes agreed within the Investment Strategy Statement, to support risk management, were now being implemented.

Cllr John Reynolds requested that in the next finance report data be converted into visual aids to compare the last four quarters of Fund performance.

Resolved:

1. That the quarterly accounts for the period ending 30 June 2020 which estimate the value of West Midlands Pension Fund at this date to be £17.4 billion, an increase of £2.1 billion since 31 March 2020 be noted.
2. That the West Midlands Pension Fund forecast out-turn for the year against operating budgets as at the end of June 2020 is an overspend of £5.6m primarily attributable to increased estimates for investment management costs on implementation of changes to the investment strategy be noted.

7 **Quarterly Investment Report to 30 June 2020**

Tom Davies, Assistant Director, Investment Strategy, presented the Quarterly Investment Report for consideration by the Committee, noting the impact of lagged returns on the quarterly reporting and actions taken by the Fund in response to ongoing volatility and uncertainty in market values linked to Covid, Brexit and the US election.

The response to questions, the Assistant Director confirmed the Fund had been working with its property manager and tenants where required to monitor the financial impact of the pandemic, noting income streams have proved relatively resilient to date.

Resolved:

1. That the global market and investment update paper prepared by the Fund's Investment Consultant, Redington Ltd be noted.
2. That the Asset Allocation and Performance Reporting for the West Midlands Pension Fund (WMPF), Main Fund and Admitted Body Sub Funds be noted.

8 **Responsible Investment Activities**

Jill Davys, Assistant Director, Investment Partnerships, presented the report on the work undertaken in relation to responsible investment activities since the Pensions Committee meeting in June 2020.

The Committee were advised that following a high-level annual review, the West Midlands Pension Fund Voting Principles and the Climate Change Framework and Strategy, had been updated to reflect the Fund's principles on voting and engagement activity, and the activity expected from companies in which the Fund invests to evidence their delivery and commitment to the Fund's principles. The Assistant Director confirmed the results of the Fund's 2020 PRI assessment where the Fund had been awarded an A or A+ in every module.

Correspondence received by Fund Officers and Committee members regarding responsible investment and response to climate change was acknowledged noting that an updated statement, setting out the Fund's policy and action on engagement and investment strategy would be placed on the Fund's website with direct responses issued to those individuals who had contacted the Fund.

Committee members engaged in discussion on issues contained within the Climate Change Framework, as invited to do by the Chair, noting the importance of the Fund's evidence-based approach, work to continue to evolve and enhance investment strategy for example, through consideration of growth in renewable energies and ongoing focus on engagement themes covering human rights and sustainable food systems. It was noted that the response to climate change requires a wider social and behavioural change to influence demand and the ongoing importance of engaging with policy makers and other investors to drive change.

Resolved:

1. That the updated Voting Principles 2020, included as appendix A be approved.
2. That the updated Climate Change Framework and Strategy, included as appendix B be approved.
3. That the Fund's voting and engagement activity for the three months ending 30 June 2020 be noted.
4. That the issues discussed by LAPFF are set out in the Quarterly Engagement Report
5. That the issues discussed in the LGPS Central Quarterly Stewardship Report be noted:
6. That the Fund's Principles for Responsible Investment Assessment Outcome be noted.

9

Governance and Assurance

Rachel Howe, Head of Governance, presented the report on the work of the Fund to deliver a well governed scheme noting the movement in risks for the quarter and the statutory delivery of Annual Benefit Statement by 31 August deadline.

In response to a question raised by Cllr Reynolds, Rachel Howe, Head of Governance and Corporate Services noted the increased awareness of pension scams at a national level and the work being undertaken by the Fund to support members' queries on this issue.

Resolved:

1. That the latest strategic risk-register and areas being closely monitored in the current environment be noted.
2. That the compliance monitoring activity undertaken during the quarter be noted.

3. That the Fund's Key Performance Indicators and the action taken to support service delivery be noted.

10 **Amended Internal Audit Plan 2020 – 2021**

Amanda MacDonald, Client Lead Auditor, presented the report on the revised work programme for internal audit for 2020 – 2021.

The Committee were advised that the Internal Audit Plan had been reviewed to refocus priorities in response to the Covid pandemic and that the results from internal audit reports would be reported to the Committee in due course.

Resolved:

1. That the amended internal audit report for 2020 – 2021 be noted.
2. That it be agreed that a report would be brought to a future Pension Committee meeting to provide an update on the amended internal audit plan.

11 **Pensions Administration Report to 30 June 2020**

Amy Regler, Head of Operations, presented the report on the routine operational work undertaken by the pension's administration service areas during the period 1 April to 30 June 2020.

The Committee were advised that due to the increase in notifications from employers and the transition to working from home, the KPI for the notification of estimated benefits had not been met. However, volumes had returned back to normal and KPI's had been achieved in July and August 2020.

The Committee were advised of the progress made with the Digital Transformation Programme. A test run of the new employer hub portal had been completed, with the aim to launch the new portal by the end of the year 2020. The portal provides employers with data enquiries via their web portal account which would assist with any necessary training that could be required. The portal should also support employer queries regarding pension members information.

Ian Smith raised a concern about notifications to the Fund on change of local authority contractual arrangements which trigger change of admitted body employer. Officers agreed to investigate and respond to the concern.

Resolved:

1. That the write-offs detailed in section 14 of this report be approved.
2. 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.
3. That the impact of COVID19 on the workload volumes for pension administration be noted.
4. That the update on the progress of the Fund's Digital Transformation Programme be noted.

12 **Customer Engagement Update**

Simon Taylor, Assistant Director, Pensions, presented the report on the Fund's customer engagement activity from 1 April 2020 to 30 June 2020 and discussed future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy which was presented to the Committee for approval.

The Committee were advised that as a result of covid-19, customer engagement had switched from face-to-face interactions to a digital approach. The change has received a respond to date with good take up from members and employers to online meetings, presentations and one to one sessions.

Resolved:

1. That the updated Customer Engagement Strategy 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.

13 **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.

14 **Response to Covid-19**

Rachel Howe, Head of Governance, presented the report on the Fund's response to the current global pandemic and the steps being taken to mitigate service delivery impact together with the proposals for transitioning employees back to Mander House in compliance with Government Guidance.

Resolved:

1. That the steps taken by the Fund in response to the Covid-19 pandemic and the ongoing assessment of service delivery impact be noted.

15 **Employer Covenant Monitoring**

Simon Taylor, Assistant Director, Pensions, presented the report on the review of the in-house monitoring framework and the individual cases arising from the ongoing monitoring process. The Assistant Director-Pensions also highlighted the engagement undertaken with employers in response to the pandemic and referred to the pending legislative changes regarding employer funding.

Resolved:

1. That the revised employer watch list, to take into account 2018/19 financial information and 2019 actuarial valuation outcomes be noted.
2. That the Employer Affordability framework and policy in appendix B be noted.
3. That the employer/sectoral updates within section 5 be noted.
4. That the overview of legislative change with particular relevance to employer covenant be noted.

16 **Procurement Programme**

Amy Regler, Head of Operations, presented the report on upcoming programme of work to procure key systems and professional services/advisors.

Resolved:

1. That it be agreed that the delegation of approval regarding the final selection of suppliers for pensions administration and investment systems to the Director of Pensions in consultation with the Chair and Vice Chair of Pensions Committee.
2. That the programme of procurement activities currently being undertaken by the Fund, which will see the review and appointment of a number of key providers and advisers to the Fund over the next 12 months be noted.

17 **McCloud**

Amy Regler, Head of Operations, presented the report on the proposed remedy to benefits members have built up with the Local Government Pension Scheme (LGPS) following the McCloud ruling and noted the now deemed unlawful discrimination caused by the protections put in place when the Scheme was reformed in April 2014. The report also provided an overview of the Fund's initial project planning approach to implementation, pending the outcome of the consultation.

Resolved:

1. That the release of the consultation on the proposed remedy to address the age discrimination inherent within the transitional protections that were adopted by the public service schemes in 2014 and 2015 be noted.
2. That the potential scale of administration work which will be required to implement the proposed remedy be noted.

18 **Investment Strategy and Activity Update**

Tom Davies, Assistant Director – Investments, presented the report on investment strategy and activity in the West Midlands Pension Fund and Admitted Body Sub Funds over the quarter ending 30 June 2020

Resolved:

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

19 **LGPS Central pool - Shareholder update and report to MHCLG**

Rachel Brothwood, Director of Pensions, presented the report on matters considered and presented to Shareholders at the Company's AGM on 8 September 2020, providing an overview of the LGPS Central pooling progress reported to MHCLG.

Resolved:

1. That the Director of Pension's update on Shareholder business relating to LGPS Central Limited be noted.
2. That the pool update report submitted to MHCLG in September 2020 be noted.
3. That the work underway to inform development of the 2021/22 business plan be noted.

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LGPS Central Ltd Update

Mike Weston, Chief Executive Officer (CEO) of LGPS Central Ltd, provided an overview of the progress of pooling and proposed fund launches for 2020.

Resolved:

1. That the presentation from LGPS Central Ltd included at appendix A be noted.