

Attendance

Members of the Pensions Committee

Cllr Lorna McGregor (Vice-Chair)
Cllr Peter Bilson
Cllr Ian Brookfield
Cllr Keith Inston
Cllr Jasbir Jaspal
Cllr Phil Page
Cllr Paul Singh
Cllr Tersaim Singh
Cllr Wendy Thompson
Cllr Mohammed Arif (Walsall MBC)
Cllr Damian Gannon (Coventry City Council)
Cllr Sandra Hevican (Sandwell MBC)
Cllr Sandra Sandison (Solihull MBC)
Cllr David Sparks (Dudley MBC)

Trade Union observers:

Malcolm Cantello
Martin Clift
Victor Silvester
Ian Smith

Employees

Mark Chaloner	Assistant Director, Investments
Geik Drever	Strategic Director of Pensions
David Kane	Head of Finance
Dereck Francis	Democratic Support Officer
Simon Taylor	Acting Head of Pensions Administration
Rachel Brothwood	Assistant Director, Actuarial and Pensions
Mark Taylor	Director of Finance, s151 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 Bert Turner (Chair) (City of Wolverhampton Council) and Cllr Mohammad Afzal (Birmingham City Council).

2 **Notification of substitute members**

No notifications of substitutes were received for the meeting.

3 **Vice-Chair of the Committee**

Cllr Lorna McGregor informed the Committee that she would be stepping down as Vice Chair of the Committee at the end of the meeting.

The Committee considered the election of a Vice Chair and the appointment of a Councillor to fill the vacancy on the Investment Advisory Sub Committee occasioned by Cllr McGregor's resignation.

Resolved:

1. That Cllr Jasbir Jaspal be elected Vice-Chair of the Committee with effect from the end of the meeting to the end of the Municipal Year 2015/16.
2. That Cllr Ian Brookfield be appointed to fill the vacancy on the Investment Advisory Sub Committee arising from Cllr Lorna McGregor's resignation of Vice Chair.

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

No declarations of interests were made.

5 **Minutes**

(a) Pensions Committee – 17 and 24 June 2015

Resolved:

1. That 'Mike Cantello (Union)' be corrected to 'Malcolm Cantello (Unison)' in minute no. 16 of the meeting held on 24 June and Barnett Waddington be corrected to 'Barnett Waddingham' in minute no. 5 of the meeting held on 17 June 2015.
2. That subject to the (1) above, the minutes of the meetings held on 17 and 24 June 2015 be approved as a correct record and signed by the Chair of the meeting.

(b) Investment Advisory Sub Committee – 24 June 2015

Resolved:

That the minutes of the meeting held on 24 June 2015 be approved as a correct record and signed by the Chair.

6 **Matters arising**

With reference to minute no. 6 Geik Drever, Strategic Director of Pensions reported that the Pensions Board had appointed Cllr Sandra Samuels and Stephen Simkins as its Chair and Vice Chair respectively. Cllr Samuels was an employer representative on the Board and Cllr Simkins was a member representative on the Board.

On this item Malcolm Cantello (Unison) queried the appointment of a Vice-Chair to the Board given that the Regulations only require the appointment of a Chair. The Strategic Director of Pensions reported that the Governance Review Working Group had agreed that a Vice-Chair should be appointed. It was also reported that the appointment was a matter for the Pensions Board.

7 **Local Government Pension Scheme (LGPS) Reform Update 2015**

The Chair (Cllr Lorna McGregor) asked the Committee to endorse the position on discussions with other funds on pooling for investments and to agree to contributing towards costs of any data collection and project development.

Geik Drever, Strategic Director of Pensions presented the report which provided an update on the reforms of the Local Government Pension Schemes over the last 12 months from Central Government and those anticipated in the next six to 12 months. She particularly drew to the Committee's attention and provided an update on the now interim national Scheme Advisory Board (SAB) and its work programme; discussions taking place with other funds on pooling for investments; a session on 16 October 2015 involving Chairs of Pensions Committees, the Local Government Association, the Department for Communities and Local Government and the Treasury Department to discuss pooling

Cllr Damian Gannon queried whether the KPMG report on the LGPS options for separation of lead authority from pension fund had been shelved and whether the background research on separation options referred to in SAB work programme would be presented to the Secretary of State. The Strategic Director of Pensions advised that the KPMG work had been completed but that the SAB were not proposing to take any action on the KPMG report. She understood that the research work on separation would not be submitted to the Secretary of State but undertook to confirm the position from the minutes of the SAB meeting.

Cllr Peter Bilson commented that the issue of separation was work in progress and the Committee would need to keep a watching brief on the SAB produces. Also the Committee would need to ensure that the West Midlands pensions Fund was not disenfranchised when responding to the national agenda.

The Strategic Director of Pensions informed the Committee that the SAB would not determine the policy arrangements. She added that she had been briefing the Chair on the discussions and action taking place.

Resolved:

1. That discussions with other funds on pooling for investments and the Fund contributing to costs of any data collection and project development be endorsed.
2. That the contents of the report be noted.

8 **SIAB Annual Review**

The Committee was invited to review the Fund's investment strategy and to consider changes to the Strategic Investment Allocation Benchmark (SIAB).

Graeme Johnson from Hymans Robertson delivered a presentation on the investment strategy. This year's review focussed on benchmarks and performance targets.

During the ensuing discussion Graeme Johnson responded to the Committee's questions on the benchmarking and performance targets.

Resolved:

1. That the following benchmark changes be approved:
 - a. For private equity, to the FTSE All World plus 2% per annum (from the FTSE All World).
 - b. For emerging market debt, to a 50/50 combination of the JP Morgan EMBI Global Diversified index and the JP Morgan GBI EM Global Diversified index (from the JP Morgan EMBI Global Diversified index).
 - c. For indirect property, to CPI plus 6% per annum (from the IPD UK annual property benchmark).
 - d. For real assets and infrastructure, to CPI plus 4% per annum (from one month £ LIBOR).
 - e. For absolute return, to one month LIBOR plus 3% per annum for insurance linked and 4% per annum from special opportunities (from one month £ LIBOR).
2. That the SIAB allocation to cash be increased to 2% from 1% with a corresponding decrease in the allocation to conventional gilts from 3% to 2%.
3. That the annual SIAB review by Hymans Robertson be noted.

9

West Midlands Pensions Fund Statement of Investment Principles

Cllr Peter Bilson referred to correspondence he and other members on the Committee had received from two Local Government Pensions Scheme members asking the Committee not to approve the Statement of Investment Principles (SIP) in its present form. He asked that a response be sent to scheme members on behalf of the Committee.

Mark Chaloner, Assistant Director, Investments presented the report on the Pension Fund's SIP.

Cllr Mohammed Arif voiced his concerns at the potential harm short selling could do to good companies and people. He queried whether the Fund had an ethical investment policy and whether this was the right time to bring in a Human Rights Charter in terms of the Fund's investments. He added that the Committee should consider ethical investment and the companies that the Fund invests in who had atrocious human rights records. He also reported on the receipt of emails from PGPS members.

In response to questions, the Assistant Director, Investments reported that the Fund had a meaningful, responsible investment policy predicated on engagement with companies. This had been reported on to previous meetings of the Committee, an example of which was the Fund's engagement on National Express. On the point of Human Rights, the Assistant Director, Investments reported that the Fund expected companies to comply with United Nations requirements.

Cllr Ian Brookfield agreed that the Fund had a responsible investment policy but he added that the Committee could not forget that the Fund also needed to ensure that it paid scheme members' their pensions, it was therefore a fine balancing act.

Geik Drever, Strategic Director of Pensions echoed comments made that the Fund's engagement policy was the best way forward. The Fund believed that it was more powerful when engaged in collaborative arrangements rather than acting alone.

Malcolm Cantello (Unison) queried whether section 8 of the SIP meant that some parts of the policy were not spelled out and whether the Fund's Investment Managers adopted responsible investment. The Assistant Director, Investments confirmed that responsible investment decisions were considered both in the selection and oversight of investments and external investment managers.

Resolved:

1. That the Fund's Statement of Investment Principles be approved.
2. That a written response be forwarded to the two LGPS members.

10 **West Midlands Integrated Transport Authority Pension Fund's Statement of Investment Principles**

The Committee was asked to approve the West Midlands Integrated Transport Authority (WMITA) Pension Fund's Statement of Investment Principles (SIP).

Resolved:

That the WMITA Pension Fund's Statement of Investment Principles be approved.

11 **West Midlands Integrated Transport Authority - Appointment of Investment Adviser**

The Committee considered the appointment of an investment adviser to the West Midlands Integrated Transport Authority (WMITA) Pension Fund.

Resolved:

That the appointment of Hymans Robertson as the investment adviser to the WMITA Pension Fund be approved.

12 **Annual Report and Accounts 2014/15**

David Kane, Head of Finance presented the audited annual report for the year ending 31 March 2015 for approval and publication on the Fund's website.

David Wallace and Aniquah Syed from the Fund's external auditors PricewaterhouseCoopers (PwC), took the Committee through the key findings from their draft annual audit report.

Cllr Ian Brookfield requested further information from PwC on their comment in the report regarding membership. David Wallace informed the Committee that providers have been working with employers to get the membership statistics right. More frequent checks would be undertaken in future.

Malcolm Cantello (Unison) pointed out that the schematic on page 179 of the accounts was incorrect and that a reference to Secretary of State on page 181 should also be corrected to 'Communities and Local Government'.

Resolved:

1. That the Annual Report for the year ending 31 March 2015, and its publication on the Fund's website following completion of the external audit be approved.
2. That PwC's draft annual audit report be noted.

13 **Accounting Policies 2015/16**

David Kane, Head of Finance asked the Committee to endorse the accounting policies to be used in preparing the Funds' accounts for the 2015/16 financial year. The policies were based on CIPFA standards and were unchanged from last year's policies.

Resolved:

That the Funds' accounting policies for the 2015/16 financial year be endorsed.

14 **Service Plan Monitoring 2015/16 - Quarter Two and Quarterly Accounts June 2015**

David Kane, Head of Finance presented the report on performance against key performance indicators (KPIs) and the forecast outturn for the year against operating budgets as at the end of the second quarter.

In response to the Committee's comments and concerns about staffing and recruitment and whether there have been any considerations regarding the salary scales, Geik Drever, Strategic Director of Pensions reported on the challenges the Fund faced in attracting new employees. She explained that the Fund wanted to develop its own staff in house as well as attract new employees but that there was a need to increase the salary scales of some posts. Discussions were ongoing with Human Resources and the City Council's Managing Director was sympathetic to the Fund's position. She thanked the Committee for its support in allowing her to recruit but the challenge was in finding the right person.

Malcolm Cantello (Unison) commented that Birmingham City Council paid a 'golden hello' to recruit social workers and that it was important the Fund had its establishment up to the right number. The Strategic Director of Pensions added that HR would be looking at ways to try and accommodate what the Fund was seeking to achieve.

Malcolm Cantello (Unison) also commented that Members would be keen to see the figure for investment costs per member reduced now that this information was disclosed/ highlighted.

Resolved:

1. That performance against the Fund's key performance indicators as at the end of the second quarter be noted.
2. That the forecast outturn against operating budgets as at the end of the second quarter, which is an under spend of £1.9 million be noted.

3. That the quarterly accounts for the period ending 30 June 2015, which show that the value of the Fund at this date was £11.3 billion, a decrease of £179.7 million from 31 March 2015 be noted.

15 **Risk and Compliance Monitoring 1 April 2015 - 30 June 2015**

The Committee received a report on the Fund's risk register, together with feedback on the quarterly compliance monitoring programme. The Committee was requested to approve reporting on risks to Committee going forward and to approve the Fund's policy for reporting breaches of the law to The Pensions Regulator.

Malcolm Cantello (Unison) asked that a trend column be included in future monitoring reports.

Resolved:

1. That the risk register for West Midlands Pension Fund be noted.
2. That the proposal for reporting on risks to Committee going forward be approved.
3. That it be noted that no significant compliance issues have arisen during the quarter.
4. That the Fund's policy for reporting breaches of the law to The Pensions Regulator be approved.

16 **Pensions Administration Report from 1 April to 30 June 2015**

The Committee received a report on work undertaken by the pensions administration service during the period 1 April 2015 – 30 June 2015 for both the West Midlands Pension Fund (the Main Fund) and the West Midlands Integrated Transport Association Pension Fund (the WMITA Fund).

Cllr Ian Brookfield commented that it was unacceptable that some employers were not providing the Fund with annual return information to enable it to produce annual benefit statements for some of its active members by the statutory deadline. Rachel Brothwood, Assistant Director, Actuarial and Pensions commented that under these circumstances the Fund would write to the individual explaining that because it had not received the necessary information from the individual's employer the Fund was unable to provide them with an annual benefits statement

Resolved:

1. That the write-offs detailed in section 8.0 of this report be approved.
2. That the applications approved by the Strategic Director of Pensions and the Chair of Pensions Committee for admission to the West Midlands Pension Fund be noted.
3. 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.

4. That progress made with employer annual returns, the provision of annual benefit statements and the associated breach report to the Pensions Regulator (tPR) be noted.
5. That future activity with regards to data quality and pensions taxation be noted.

17

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 April to 30 June 2015.

Cllr Mohammed Arif asked that the member in Coventry be informed of the action the Fund had taken on the Israeli-Palestinian related research and engagement programme. The officers undertook to provide response.

Resolved:

1. That the Fund's voting and Local Authority Pension Fund Forum's (LAPFF's) engagement activity for the three months ending 30 June 2015, including Appendix 1 to the report be noted.
2. That it be noted that the issues discussed by LAPFF are set in the Quarterly Engagement Report which is available on their website: <http://www.lapfforum.org/Publications/engagement>
3. That the update on the Israeli-Palestinian related research and engagement program be noted.
4. That the Fossil Fuel Divestment Campaign being launched in September 2015 be noted