

Attendance

Members of the Pensions Committee

Cllr Milkinder Jaspal (Chair)
Cllr Craig Collingswood (Vice-Chair)
Cllr Stephen Simkins
Cllr Tersaim Singh
Cllr Keith Inston
Cllr Clare Simm - V
Cllr Paul Sweet - V
Cllr Andrew Randle
Cllr Paul Singh
Cllr Alan Taylor (Dudley MBC)
Cllr Peter Allen (Sandwell MBC)
Cllr Vera Waters (Walsall MBC)
Cllr Angela Sandison (Solihull Metropolitan Borough Council) - V
Cllr Phil Davis (Birmingham City Council)

Trade Union observers

Malcom Cantello (Unison)
Martin Clift (Unite)
Ian Smith (Unite) - V
Janice Wadrup (GMB)

Employees

Rachel Brothwood	Director of Pensions - West Midlands Pension Fund
Simon Taylor	Assistant Director - Pensions
Tom Davies	Assistant Director – Investment Strategy
Darshan Singh	Head of Finance
Rachel Howe	Head of Governance and Corporate Services
Amy Regler	Head of Operations
Rachael Lem	Responsible Investment Officer
Hayley Reid	Regulatory Governance Manager
Claire Nye	Director of Finance – Wolverhampton City Council - V
Amanda MacDonald	Client Lead Auditor – Wolverhampton City Council - V

Part 1 – items open to the press and public

Item No. *Title*

- 1 Apologies for absence (if any)**
Apologies were received from, Councillor Philip Page and Martin Clift, Trade Union Representative.
- 2 Notification of substitute members**
None.
- 3 Declarations of interests (if any)**
None.

4 **Minutes of the Previous Meeting**

That the minutes of the previous meeting held on 24 March 2021 be approved as a correct record.

5 **Matters arising**

Malcom Cantello, Trade Union Representative, advised the group as per item 8 of the minutes of the previous meeting, the Committee would require an update on HMRC's consultation regarding an increase in the minimum pension age for pensions tax. Rachel Brothwood, Director of Pensions advised that the Fund had fed into consultation responses and were awaiting a response from MHCLG regarding the LGPS Regulations and whether these would be amended in light of a change in minimum pension age, with further information to be provided to Committee as these emerge.

Malcolm Cantello queried the work on the Guaranteed Minimum Pension reconciliation. The Director of Pensions advised that work was ongoing and that a further report would be provided to Committee when the exercise had been completed. .

6 **Pensions Committee Annual Governance**

Rachel Howe, Head of Governance and Corporate Services, presented the Pensions Committee Annual Governance Report, which aimed to ensure effective due diligence in decision making through regular review of delegated powers, terms of reference and the continued engagement of Fund stakeholders on its governing bodies.

The Committee were advised that the proposed amendments to the terms of reference had been made to reflect recommended changes to statutory guidance and to align with wider constitutional changes in the City of Wolverhampton Council's Constitution, which was presented to Full Council and approved during the Annual General Meeting on 19 May 2021.

Resolved:

1. That the revised Terms of Reference for the Pensions Committee be approved.
2. That the re-appointment of the Unite and Unison Trade Union representatives and the appointment of the GMB representative to the Committee for the municipal year 2021/2022 be confirmed
Martin Clift and Ian Smith – Unite;
Malcolm Cantello – Unison;
Janice Wadrup – GMB.
3. That the revised Training Policy developed for members of the Fund's governing bodies be approved.
4. That the following dates and time of the meetings of the Pensions Committee be noted:
Pensions Committee – 10am
29 September 2021;
15 December 2021;
30 March 2022.

7 Governance and Assurance

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

Following the proposed changes to statutory guidance recommended as outcomes from the LGPS Scheme Advisory Board's Good Governance Review, the Fund had established a Representation Policy and reviewed and updated its Governance and Compliance Statement.

The Committee were advised that the Fund had continued to monitor potential risks, in line with the risk management framework, with focus on the changing regulatory environment and the Fund's ability to recruit and resource to key roles. The report also recommended the establishment of a Special Appointment Committee to support the appointment to the post for Assistant Director, Investment and Stewardship.

Resolved:

1. That the Governance and Compliance Statement be approved.
2. That the Fund's Representation Policy be approved.
3. That the establishment of a Special Appointment Committee to support in the appointment of the Assistant Director of Investment and Stewardship to the Fund be approved.
4. That the latest strategic risk-register and areas being closely monitored in the current environment be noted.
5. That the compliance monitoring activity undertaken during the quarter be noted.
6. The Fund's Key Performance Indicators and action taken to support service delivery be noted.
7. That the updates on potential regulatory changes and statutory guidance emerging from the LGPS and wider pensions industry be noted.

8 Statement of Accounts 2020-2021

Darshan Singh, Head of Finance, presented the report on the draft statement of accounts for the year ending 31 March 2021, together with delegations to finalise and enable publication of the statement of accounts and annual report following committee approval of the draft in September 2021.

The Committee were advised that the Fund's net asset value had increased from £15.3billion, at 31 March 2020 to £18.9 billion at 31 March 2021.

It was also noted that the Fund had continued to take a fully transparent approach to reporting investment costs, with reported costs reflecting an ongoing increase in disclosure by the Fund's investment managers.

Resolved:

1. That the draft Statements of Accounts for the year ending 31 March 2021 be approved.
2. That authority be delegated to the Chair and Vice Chair of Pensions Committee to approve the final Statement of Accounts once the audit is completed in September.

3. That authority be delegated to the Chair and Vice Chair of Pensions Committee to approve the final publication of the Fund's 2020-2021 Annual Report after approval of the draft by Pensions Committee in September 2021.
4. That it be noted, the draft accounts have been certified by the Section 151 Officer as required by regulations.
5. That it be noted, the draft Statement of Accounts (and the Annual Report) for West Midlands Pension Fund will now be subject to audit by the Fund's external auditors, Grant Thornton, with the final version, including audit opinion, to be reported to the Committee in September.
6. That it be noted, the Accounts and Audit (amendment) Regulations 2021 (SI no 2021/263) have extended the statutory accounting deadlines for completion of the draft and final Statement of Accounts for 2020/2021 and 2021/2022.

9 **Pensions Administration Report to 31 March 2021**

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 January 2021 to 31 March 2021. The report provided the Committee with an overview of the activity and performance of the Fund's key functions.

The Committee were advised that following an increase in some pensions processes, volumes had returned back to business as usual levels during the quarter, with target KPI's met during the period 1 January to 31 March 2021.

The Committee were advised that monitoring of write-off's was ongoing and that the Fund had no concerns relating to the level of write-offs.

Resolved:

1. That the 10 applications for admission from employers into the Fund be approved and the 3 cases approved by the Chair be noted.
2. That the write-offs detailed in section 13 of this report be approved.
3. That the 2021 Administering Authority Policy Statement, confirming the discretions policy for the Fund be approved.
4. That the performance and workloads of the key pension administration functions be noted.
5. That the development of the Fund's membership and participating employers be noted.
6. That the ongoing work to improve efficiency and ensure consistency of processing and record keeping be noted.

10 **Customer Engagement Update**

Simon Taylor, Assistant Director of Pensions, presented the report on the Fund's customer engagement activity from 1 January 2021 to 31 March 2021 and to cover future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy.

The report informed the Committee of the ongoing improvement in employer and member engagement, and delivery of services targeting improved outcomes for the Fund's customers.

The Fund continued to promote the pensions portal through the 'Be Pension Smart and Take Control of your benefits' campaign, Retirement Planning Pension Saving and Pensions Scams.

The Committee were advised that the updated Pensions Administration Strategy and the Employer Roadmap were currently under consultation with employers. Delegated approval was sought for the Director of Pensions to agree any changes following close of consultation with the Chair and/or Vice Chair of the Committee.

Committee were also advised that the consultation on the Fund's Funding Strategy Statement had been completed and the Fund were in the process of responding to individual consultation responses, following which the final statement would be published. Following queries in regard to pension scams, the Committee were advised that pension scams were an increasingly prevalent area and that the Fund were working hard to increase awareness among members. The Fund had signed up to the Pensions Regulator Pledge to protect pensions transfers and had enhanced the Fund's review process.

Resolved:

1. That authority be delegated to the Director of Pensions to finalise the 2021 Pensions Administration Strategy and associated Employer Engagement Roadmap in consultation with the Chair and/or Vice Chair of Pensions Committee, following completion of the consultation with participating employers be approved.
2. That the engagement activity and informed service development be noted.
3. That the publication of the Funding Strategy Statement effective 1 June 2021 be noted.
4. That the draft Pensions Administration Strategy and Employer Engagement Roadmap for 2021 be noted.

11 **Annual Report of the Local Pensions Board**

Rachel Howe, Head of Governance and Corporate Services, presented the report on the work undertaken by the Local Pensions Board ("the Board") during the 2020-2021 municipal year prepared in conjunction with the Board's Chair Joe McCormick, highlighting the work of the Board during the year, changes to membership and areas of focus for 2021/22.

The committee were advised that following the annual nomination process, the Board were at full capacity for 2021/22.

Resolved:

1. That the report prepared annually in order to meet the legislative requirement for recording the work of the Local Pensions Board be noted.

12 **Internal Audit Annual Report 2020-2021**

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

The Committee were advised that no significant issues had arisen throughout the year and that recommendations to address weaknesses/improvements had been agreed by management. Based on the work undertaken it was confirmed that internal audit had provided reasonable assurance that the Fund had adequate and effective internal controls in place.

Following discussion, it was confirmed that internal audit recommendations would be followed up during the year to confirm agreed actions had been implemented.

Resolved:

1. That the internal audit annual report for 2020 -2021 be noted .

13

Budget Monitoring and Quarterly Accounts to 31 March 2021

Darshan Singh, Head of Finance, presented the report on the out-turn do the year against operating budgets as at the end of March 2021, that detailed the Fund's administration, oversight / governance and investment management costs.

The Committee were advised that the Fund's quarterly accounts showed assets have increased to £18.9 billion during the period 2020-2021, an increase of £3.6 billion since 31 March 2020.

The Committee noted the underspend in operational budget linked to some delays in recruitment and service development during the year.

Following discussion with regards to the increase in investment management costs, the Committee were advised that the increase in reported costs was driven by an increase in manager disclosure and reflected the increase in the Fund's asset value.

Resolved:

1. That the quarterly accounts for the period ending 31 March 2021 which estimate the value of West Midlands Pension Fund at this date to be £18.9 billion, an increase of £3.6 billion (23%) since 31 March 2021 be noted.
2. That the Fund out-turn for 2020/21 against the operating budget for the year, noting the underspend in Fund management costs, and increased disclosure of investment management costs over the year be noted.

14

Quarterly Investment Report to 31 March 2021

Tom Davies, Assistant Director, Investment Strategy presented the report on the developments in investment markets, asset allocation and investment performance over the latest quarter in relation to the West Midlands Pension Fund (Main Fund and Admitted Body Sub Funds).

The Committee were advised that the Fund had performed in line with the respective benchmarks for the quarter to 31 March 2021.

The Fund's growth assets had delivered strong positive returns, with property performing well but infrastructure behind target as a result of the pandemic.

Following questions from Malcolm Cantello (Unison) regarding levels of cash held by the Fund, the Committee noted levels had been reduced following recent investments, with some excess held as reserve and collateral for equity futures.

Resolved:

1. That the global market and investment update paper prepared by the Fund's Investment Consultant, Redington (appendix A to this report) 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.

15

Responsible Investment Activities

Rachael Lem, Responsible Investment Officer presented the report in relation to responsible investment activities since the last Pensions Committee meeting,

highlighting areas of engagement across each of the Fund's four engagement themes and examples of progress and monitoring.

The Committee were advised that an update of its Climate Framework and Strategy would be presented at the meeting in September and that following questions raised at the meeting in March, further information on the Fund's action in support of human rights had been included within the report.

Committee members were also informed that the Fund's annual Stewardship Report had been published and was available on its website, following submission to the Financial Reporting Council for assessment against the 2020 UK Stewardship Code.

Following questions from Malcolm Cantello (Unison) it was agreed that an update would be brought to a future Committee meeting regarding LAPFF engagement with the National Express with in regard to contracted drivers' terms and conditions.

Resolved:

1. The Fund's engagement and voting activity for the three months ending 31 March 2021 be noted.
2. The issues discussed by LAPFF are set out in the Quarterly Engagement Report, which is available on the LAPFF website: [LAPFF_QER1_2021.pdf \(lapfforum.org\)](https://www.lapfforum.org/LAPFF_QER1_2021.pdf) , be noted.
3. The voting and engagement activity of LGPS Central, as set out in the Quarterly Stewardship Report, available on the LGPS Central website: [LGPSC-Stewardship-Update-Q1-2021.pdf \(lgpscentral.co.uk\)](https://www.lgpscentral.co.uk/LGPSC-Stewardship-Update-Q1-2021.pdf) , be noted.
4. The research and engagement activity undertaken by EOS at Federated Hermes as set out in the Quarterly Engagement Report, which is available on the EOS website: [EOS Public Engagement Report \(hermes-investment.com\)](https://www.hermes-investment.com/EOS_Public_Engagement_Report) , be noted.
5. The Fund's 2021 Annual Stewardship Report, available at <https://www.wmpfonline.com/CHttpHandler.ashx?id=17878&p=0> , be noted.

16 **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.

17 **Investment Strategy and Activity Update**

Tom Davies, Assistant Director, Investment Strategy presented the report on investment strategy and activity in the WMPF and Admitted Body Sub Funds over the quarter.

The report outlined the current allocations against new benchmarks, including steps ongoing to progress implementation of changes approved within the 2020 Investment Strategy Statement, significant recent investments and future investments under consideration.

Following queries in regard to the Fund's private debt investment programme, the Committee were advised that these investments were illiquid in nature and following commitments, it would take time to drawdown into new investments.

Resolved:

1. That the update on the development and implementation of investment strategies for the main Pension Fund and Admitted Body Sub Funds be noted.
2. That the product developments and planned transitions to the LGPS Central pool be noted.

18 **CEM Benchmarking**

Tom Davies, Assistant Director, Investment Strategy presented the report on the outcomes of the benchmarking exercise undertaken in relation to the delivery of Fund's Investment Management.

The Committee were advised that the Fund participated in the annual benchmarking exercise undertaken by the global third-party organisation, CEM Benchmarking Inc. to identify areas of best practice and identify any further potential opportunities to improve cost effectiveness of investment implementation.

A presentation was provided to the Committee from a Representative of CEM outlining the results of the benchmarking exercise. It was noted that the Fund's investment management costs were significantly lower than the benchmark when compared to the peer group and returns were considered net of costs, demonstrating relative value add.

Resolved:

1. That the results and key outcomes of the benchmarking exercise undertaken to support value for money assessment of the Fund's Investment Management approach for the six years to the 2019/2020 financial year be noted.
2. That the initial comments on investment expenses information collected for the 2020/2021 financial year be noted.

19 **Annual Report on the Investment Advisory Panel**

Tom Davies, Assistant Director, Investment Strategy presented the report on the review of work undertaken by the Investment Advisory Panel (IAP) during 2020 – 2021.

The report outlined the considerations in development of the Fund's investment strategy and implementation, noting areas the IAP continues to monitor.

In response to queries, officers confirmed actions were in progress to continue to develop resourcing plans and partnership with the LGPS Central pool.

Resolved:

1. That the Pensions Committee is asked to note the report of the Investment Advisory Panel for 2020/2021 be noted.

20 **Fund Structure Update**

Rachel Brothwood, Director of Pensions presented the annual report on the Fund's structure development and requirements to support the Fund's service delivery. The report highlighted the recruitment and changes in the Fund's employee base during 2020- 2021, together with future initiatives planned to support delivery of the Fund's Corporate Plan 2021 – 2026, approved by Committee in March 2021.

Following a query in regard to the Fund's Apprenticeship Scheme, the Committee were advised that the all apprentices are supported through a training programme linked to their roles and that following development of a programme specific to pensions administration, the Fund had recruited a number of Pensions Apprentices, alongside graduate trainees.

Resolved:

1. That the pension fund service structure at as June 2021, together with recruitment over 2020/2021 be noted.
2. Recruitment planned over 2021/2022, to develop the capability to meet the needs of the service and noting vacant posts carried forward be noted.
3. That the roles undertaken by the Senior Management Team be noted.

21

LGPS Central Pool

Rachel Brothwood, Director of Pensions presented the report updating on the development of the Company, investment products and support services provided to the West Midlands Pensions Fund by LGPS Central Limited.

The report outlined the primary drivers for pooling set out by MHCLG following issues with statutory guidance in 2015, for the Local Government Pension Scheme and noted the meeting of the Joint Committee.

An update from LGPS Central Limited was presented to the Committee by company representatives including the Chair, Joanne Segars and Chief Executive Officer Mike Weston.

Resolved:

1. That the Joint Committee meeting in June 2021 and presentation from LGPS Central Ltd including an update on the products and services provided be noted.