

Attendance

Members of the Pensions Committee

Cllr Milkinder Jaspal (Chair)
Cllr Craig Collingswood (Vice-Chair)
Cllr Keith Inston
Cllr Phil Page
Cllr Clare Simm -V
Cllr Tersaim Singh
Cllr Paul Singh -V
Cllr Bally Singh -V
Cllr Alan Taylor -V
Cllr Peter Allen -V
Cllr Phil Davis

Trade Union Observers

Malcom Cantello (Unison) -V
Martin Clift (Unite)
Ian Smith – (Unite) -V

Employees

Rachel Brothwood
Simon Taylor

Director of Pensions – West Midlands Pension Fund
Assistant Director, Pensions – V

Tom Davies
Rachel Howe
Amy Regler
Shiventa Sivanesan
Rachael Lem
Hayley Reid
Holly Slater

Assistant Director – Investment Strategy -V
Head of Governance and Corporate Services
Head of Operations
Assistant Director – Investment Management and Stewardship
Responsible Investment Officer
Regulatory Governance Manager -V
Governance Officer -V

Part 1 – items open to the press and public

Item No. *Title*

- 1 **Apologies for absence (if any)**
Apologies were received from Cllr Angela Sandison, and Cllr Stephen Simkins.
- 2 **Declarations of interests (if any)**
None.
- 3 **Minutes of the previous meeting**
Rachel Brothwood, Director of Pensions requested an amendment to paragraph five of the minutes of the previous meeting.

Amendment:

Amend the job title recorded for the new Assistant Director to the 'Assistant Director Investment Management and Stewardship'. The Director introduced Shiventa Sivanesan to the Pensions Committee and the Chair welcomed him to the meeting and to the Fund.

Resolved:

That the minutes of the previous meeting held on 29 September 2021 be approved as a correct record.

4 **Matters arising**

The Director of Pensions advised the Committee on paragraph 11 of the minutes of the previous meeting, regarding the appointment of an external auditor. Following the release and review of the Public Sector Audit Appointments Strategy for the procurement of audit services, the City of Wolverhampton Council confirmed that they will be using the National Procurement Process for the retender in 2023.

The Director highlighted that at the recent Local Authority Pension Fund Forum (LAPFF) conference, it was shared that the Financial Reporting Council (FRC) is evolving and reviewing systemic issues within the audit sector. The Fund welcomes the increased focus on the issues surrounding capacity and quality and noted that transformation was under way but would take some time to take effect.

5 **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.

The Committee were advised on the urgent decision made by the Chair and Vice Chair of the Pensions Committee on the 6 December 2021, to reduce the quorum required for Committee, to bring it in line with other regulatory committees within the City of Wolverhampton Council and noting committee arrangements common within the LGPS. It was amended in consideration of current legislation on public meetings and the ongoing pandemic which was restricting both Committee members and Officer's ability to attend meetings in person, noting virtual attendees were unable to be counted towards the meeting quorum.

The Head of Governance and Corporate Services noted marginal movement across the Fund's Operational Key Performance Indicators (KPI's) over the most recent quarter end, resulting in maintained performance across all Service Areas.

On presentation of the Fund's Organisational Risk Register the Head of Governance and Corporate Services noted that there had been movement across a number of risks including Resourcing, Data Management and Service Delivery, with external factors being the primary driver of increase in risk assessment.

The Committee were advised that the Fund had completed the Pension Regulator's Annual Scheme Return in line with the deadline set by the Regulator.

Resolved:

1. That the Pensions Committee notes the Urgent Decision taken by the Chair and Vice Chair of Pensions Committee, in consultation with the membership, to reduce the quorum requirements.
2. That the Pensions Committee notes the Fund's Key Performance Indicators.

3. That the Pensions Committee notes the latest strategic risk-register and areas being closely monitored in the current environment.
4. That the Pensions Committee notes the compliance monitoring activity undertaken during the quarter.
5. That the Pensions Committee notes the Governing Body Training activities undertaken during the quarter.

6 **Responsible Investment Activities**

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

The Responsible Investment Officer outlined that the report contained detail of engagements undertaken in relation to the Fund's four engagement themes identified by the Fund through external partners LGPS Central, LAPFF and EOS Hermes.

The Committee were updated on the work being undertaken by LAPFF on behalf of the Fund who continue to engage with companies operating in the Occupied Palestine Territories regarding their human rights and due diligence processes. LAPFF will continue to engage with companies and the Pensions Committee would be updated on the progress and outcomes.

The Fund also continues its involvement on the Asset Owner Diversity Working Group, with preparation for the rollout of Asset Manager questionnaires between January and March 2022. Ahead of the survey launch, a pulse survey was sent to a handful of West Midlands Pension Fund (WMPF) Asset managers to assess their knowledge and commitment to diversity. Responses to this pulse survey are currently being reviewed.

The Committee were also asked to approve the publication of the Fund's 2021 Climate Related Disclosure, prepared in line with recommendations from the Taskforce for Climate-related Financial Disclosures (TCFD). The report has been updated in line with the Fund's Climate Change Strategy Framework which was approved by the Committee in September 2021, and will continue to evolve on an annual basis. The Responsible Investment Officer reported pleasing progress on the year-on-year reduction in climate risk as determined from the carbon risk matrix currently used by the Fund.

In response to a question raised by Cllr B Singh regarding correspondence received relating to investments held in occupied territories and the potential differences between this correspondence versus the stance presented by the UN. The Director of Pensions advised that LAPFF and the LGPS Scheme Advisory Board were in dialogue on behalf of the Scheme on this matter and the Fund was awaiting the outcome from this. The Director confirmed that, in the meantime, the Fund continued to monitor the situation in context of the risk it posed to the Fund's investments and in line with the Fund's Responsible Investment Framework.

Resolved:

1. That The Pension committee notes and approves the Fund's 2021 Taskforce for Climate-related Financial Disclosure Report [Appendix A].
2. That the Pensions Committee notes the Fund's engagement and voting activity for the three months ending 30 September 2021 [Appendices B and C].

3. That the Pensions Committee notes the issues discussed by LAPFF are set out in the Quarterly Engagement Report.
4. That the Pensions Committee notes the voting and engagement activity of LGPS Central, as set out in the Quarterly Stewardship Report.
5. That the Pensions Committee notes the research and engagement activity undertaken by EOS at Federated Hermes as set out in the Quarterly Engagement Report.

7 Pensions Administration Report to 30 September 2021

Amy Regler, Head of Operations, presented the report on the routine operational work undertaken by the Pensions Administration Service areas during the period 1 July to 30 September 2021.

The Head of Operations highlighted the decrease in outstanding casework during the quarter, resulting in an overall reduction since the start of the year.

The Head of Operations outlined two areas that fell short of meeting the cumulative KPI target due to increased volumes over the quarter. Resources have been reallocated to support in retaining performance in line with the target.

The Committee were updated on recent regulation changes associated with a member's right to transfer out pension benefits from the LGPS which took effect from 30 November 2021. The regulations (which apply to all pension schemes) require schemes to undertake enhanced due diligence and checks prior to the completion of individual member transfer out of the scheme, with the aim of better protecting members from the risks associated with pension scams.

Resolved:

1. That the Pensions Committee approve the 10 applications for admission from employers into the Fund detailed in section 9 of the report.
2. That the Pensions Committee approve the write-offs detailed in section 11 of this report.
3. That the Pensions Committee notes the performance and workloads of the key pension administration functions.
4. That the Pensions Committee notes the development of the Fund's membership and participating employers.
5. That the Pensions Committee notes the enhanced due diligence on transfer out requests, protecting members against pension scams.

8 Customer Engagement Update

Simon Taylor, Assistant Director - Pensions, presented the report on the Fund's customer engagement activity from 1 July 2021 to 30 September 2021 and to cover future planned customer engagement activity in the context of the Fund's Customer Engagement Strategy.

The Committee were advised that the Fund's website remained a popular means for members to keep up to date.

The Assistant Director - Pensions highlighted the virtual delivery of employer engagement over the last 18 months, which has been both enhanced and expanded upon and has been well received by the Funds employer base and therefore, the Fund would continue to develop and roll-out webinars to members and employers.

In light of the increase in transmission of the Omicron variant, a decision was made to postpone the move back to face to face and hybrid delivery of events by the Fund's Member Services Team, pending further Government guidance.

In response to a question raised, the Assistant Director Pensions, outlined that an electronic flyer would be developed which could be passed on to members of the Committee, to enable them to more easily share with Pension Fund members details of Fund member engagement activities.

Resolved:

1. That the Pensions Committee notes the engagement activity and informed service development.

9 **Annual Report and Accounts 2020-2021**

Rachel Brothwood, Director of Pensions, presented the report on the finalisation of the Statement of Accounts and the Annual Report for the year ending 31 March 2021 and the latter's publication on the Fund's website.

The Director confirmed that the audit of the Fund's Statement of Accounts alongside those of the City of Wolverhampton Council have been completed by Grant Thornton on 11 October 2021. The Fund's Annual report had now been completed and published online, meeting the regulatory requirement for Funds within the LGPS.

Resolved:

1. That the Pensions Committee notes the Statement of Accounts for West Midlands Pension Fund (WMPF) for the year ending 31 March 2021 was audited and completed alongside the finalisation of the City of Wolverhampton Council Statement of Accounts on 11 October.
2. That the Pensions Committee notes the Management Representations letter to Grant Thornton was signed on 11 October by the Chair of Pensions Committee and the Director of Pensions on behalf of the Fund.
3. That the Pensions Committee notes the Chair and Vice Chair of Pensions Committee approved the final publication of the Fund's 2020-2021 Annual Report in November 2021.

10 **Budget Monitoring and Quarterly Accounts 30 September 2021**

Rachel Brothwood, Director of Pensions, presented the report on the forecast out-turn for the year against operating budget for 2021/22 and the quarterly accounts to 30 September 2021.

The value of the Fund's assets were reported as continuing to increase with an estimated value of £20.2 Billion as at 30 September 2021.

The Director highlighted that cash flow including contributions and benefit payments have been received and paid as expected, with return on investments within the first 6 months of the financial year totalling £1.4 Billion.

In relation to the operational budget, the Fund is at present forecasting a lower employee spend due to ongoing recruitment to a number of posts and lower than expected service development spend, primarily driven by delays in planned review and changes to core systems.

The Chair noted the positive position the Fund was in and the hard work undertaken by Fund officers.

In response to a question raised by Malcolm Cantello (Unison) regarding service development underspend and its correlation with third-party provider costs, the Director of Pensions re-iterated the ambition and intention of the Fund in developing its systems, services and tools to meet increased demands but highlighted that this will likely roll into the next financial year with work in parallel required to continue to deliver business as usual activity.

Cllr Craig Collingswood echoed the comments of the Chair regarding the positive outcomes reported and emphasised the importance of the Budget Monitoring and Quarterly Accounts being managed correctly, underpinned by good governance.

Resolved:

1. That the Pensions Committee notes the Fund accounts for the quarter ending 30 September 2021 which estimate the value of West Midlands Pension Fund at this date to be £20.2 billion, an increase of £1.3 billion (6.9%) since 31 March 2021
2. That the Pensions Committee notes that as at the end of September 2021, West Midlands Pension Fund forecasts an out-turn underspend for the year against operating budgets as recruitment to new posts continued into the second quarter of 2021/22.

11

Quarterly Investment Report to 30 September 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 both the Main Fund and the two admitted body sub-funds largely performed as expected over the period. The Main Fund had increased by 1.9% over the quarter, exceeding the return on its benchmark.

In response to a query raised by Malcom Cantello (Unison) on the reporting of weight in relation to asset classes, the Assistant Director- Investment Strategy confirmed that this indicates the categorisation of investment types by weight, as a percentage against their strategic targets.

Resolved:

1. That the Pensions Committee notes the global market and investment update paper prepared by the Fund's Investment Consultant, Redington.
2. That the Pensions Committee notes the Asset Allocation and Performance Reporting for the WMPF, Main Fund and Admitted Body Sub Funds.

12

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.

13 Investment Strategy and Activity Update

Tom Davies, Assistant Director – Investment Strategy, presented the report on the Investment Strategy and activity in the Main Fund and Admitted Body of Sub Funds over the quarter.

Resolved:

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

14 LGPS Central Pooling and Shareholder Update

Rachel Brothwood, Director of Pensions, presented a report on the LGPS Central Pool, including an overview of the Annual Pooling Update Report submitted to the Department for Levelling Up Housing and Communities (DLUHC) over the last quarter and ongoing dialogue around the longer-term development of the pool.

Resolved:

1. That the Pensions Committee notes the submission of the LGPS Central Pooling Update Report to DLUHC.

15 2022 Actuarial Valuation

Simon Taylor, Assistant Director – Pensions, presented an overview of the 2022 actuarial valuation process, deliverables and context in preparation for the review of funding strategy and employer contribution rates.

Resolved:

1. That the Pensions Committee notes the report and the associated preparatory work and planning for the 2022 actuarial valuation of the West Midlands Pension Fund (the Fund).

16 Procurement Update

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

Resolved:

1. That the Pensions Committee notes the appointment of the providers for the following services, following completion of the procurement process:
 - Fund Actuary and Benefits Consultant
 - Risk Advisor
 - Pension Administration System
2. That the Pensions Committee notes the progress with the procurement of the Fund's Covenant Advisor.

Members of the Committee also received an update on longevity analysis and trends in preparation for the 2022 Actuarial Valuation from a representative of Club Vita in preparation for the 2022 valuation.