

Attendance

Members of the Pensions Committee

Cllr Keith Inston (Vice-Chair, in the Chair)
Cllr Peter Bilson
Cllr Jasbir Jaspal
Cllr Phil Page
Cllr Paul Singh
Cllr Tersaim Singh
Cllr Wendy Thompson
Cllr Keith Chambers
Cllr Sandra Hevican (Sandwell MBC)
Cllr Changese Khan (Birmingham City Council)
Cllr John Mutton (Coventry City Council)
Cllr Angela Sandison (Solihull MBC)
Cllr David Sparks (Dudley MBC)
Alan Phillips (Trade Union Representatives)

Employees

Geik Drever	Strategic Director of Pensions - West Midlands Pension Fund
Robert Baldwin	Lead Lawyer
Rachel Brothwood	Director of Pensions - West Midlands Pension Fund
Jason Fletcher	Chief Investment Officer - West Midlands Pension Fund
Dereck Francis	Democratic Support Officer
Rachel Howe	Head of Governance - West Midlands Pension Fund
David Kane	Head of Finance - West Midlands Pension Fund
Mark Taylor	Director of Finance and Section 151 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 Ian Brookfield and John Reynolds (City of Wolverhampton Council), Malcolm Cantello (Unison), Martin Clift (Unite) and Ian Smith (Unite).
- 2 Notification of substitute members**
No notifications of substitute members were received.

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

Cllrs Tersaim Singh and Keith Chambers both declared disclosable non pecuniary interests in any matters on the agenda relating to the West Midlands Combined Authority (CA) in so far as they are members of the CA Audit Committee.

4 **Minutes**

Resolved:

That the minutes of the meetings of the Pensions Committee and the Investment Advisory Sub Committee held on 14 September 2016 be approved as a correct record and signed by the Chair.

5 **Matters arising**

Referring to Minute 6 (Pensions Administration Strategy - Review), Rachel Brothwood, Director of Pensions reported that the consultations with Pension scheme employers on proposed changes to the Pensions Administration Strategy (PAS) had now closed. A report on the proposed final PAS would be submitted to the Committee on 22 March 2017.

6 **Responsible Investment Activities**

Jason Fletcher, Chief Investment Officer presented the report on work undertaken by the Investment team regarding their responsible investment activities between the period 1 July to 30 September 2016.

Geik Drever, Strategic Director of Pensions also updated the Committee on the renewal of the Local Authority Pension Fund Forum (LAPFF) contract that was due to expire on 30 May 2017. It had been intended to hold a special meeting of the Pensions Committee on 7 February 2017 to appoint a LAPFF research and engagement partner. However, the tender was abandoned due to lack of competition. The LAPFF Executive would now be asked to determine how it wished to take the matter forward.

Resolved:

1. That the Fund's voting and LAPFF's engagement activity for the three months ending 30 September 2016, 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/files/Q3_2016_QER_FINA_L.pdf
3. That the update on the Israeli-Palestinian engagement program and the outcome of shareholder resolutions on carbon management and climate change risk within the mining sector be noted.
4. That the arrangements being made to extend the Fund's Proxy Voting service provider and the LAPFF research and engagement partner be noted.

7 **Service Plan Monitoring 2016/17 and Quarterly Accounts September 2016**

David Kane, Head of Finance presented the monitoring report. In doing so he reported that performance against key performance indicators (KPIs) was generally very good. There were a handful of KPIs that were RAG rated red due to factors outside the Fund's control. Performance against these measures was now improving and he expected to see continued improvement throughout the year. Regarding the

2016/17 operating budget, the Head of Finance reported on a £7 million saving as at the end of quarter two. He also highlighted from the report that the cost per member, which was a critical measure for the Fund of its cost effectiveness, had reduced to £21.94, which was below the target. Investment Management costs as a percentage of investment assets had also decreased from 0.6% to 0.51% of assets under management. The Head of Finance also reported that the quarterly accounts showed that the Main Fund and the West Midlands Integrated Transport Authority Fund had significantly increased in value.

Resolved:

1. That performance against the Fund's key performance indicators as at the end of September 2016 be noted.
2. That the forecast outturn against operating budgets as at the end of September 2016, which is an under spend of £7.0 million be noted.
3. That it be noted that the quarterly accounts for the period ending 30 September 2016, show that:
 - the value of West Midlands Pension Fund at this date was £13.3 billion, an increase of £1.6 billion from 31 March 2016;
 - the value of West Midlands ITA Pension Fund at this date was £487.0 million, an increase of £26.1 million from 31 March 2016.

- 8 **Risk and compliance monitoring 1 July - 30 September 2016**
- Rachel Howe, Head of Governance presented for approval a new Safeguarding Policy and Information Asset Register Policy. She also presented an update report on the Fund's risk register and quarterly compliance monitoring program and an update on the work undertaken by the Fund on compliance monitoring set against the Pension Regulator's Code of Practice. The Head of Governance drew to the Committee's attention that a new risk (I - control measures are in place to ensure the Fund reviews its currency benchmarks) had been added to the Fund's top 10 risks for the quarter. Compliance issues that had arisen during the quarter and the measures put in place to address them; and the completion of a work plan to assist the Fund to achieve level 3 out of 3 of the Information Governance Toolkit were also highlighted.

Resolved:

1. That the Safeguarding policy and the Information Asset Register policy be approved.
2. That the Fund's adherence to the Information Governance Toolkit be noted.
3. That the top ten risks for West Midlands Pension Fund be noted.
4. That the compliance issues that have arisen during the quarter and the resolutions put in place be noted.
5. That the Fund's continued development of compliance monitoring against the Pensions Regulator's Code of Practice be noted.

9 **Communications Policy Review**

Rachel Howe, Head of Governance presented the report on the Fund's work in the area of communications during 2015/16 and also presented for approval the Fund's Communications Policy for 2016/17 and Customer Engagement Strategy 2016/17. In doing so she commended the members of the Member Services Team for their work over the last year.

Resolved:

1. That the Communications Policy for 2016/17 and the Customer Engagement Strategy for 2016/17 be approved.
2. The work of the Fund in improving communications with stakeholders during 2015/16 be noted.

10 **Investment Pooling**

Geik Drever, Strategic Director of Pensions presented the update report on investment pooling and on changes that would be required to the operational and governance arrangements for the West Midlands Pension Fund following the recent amendment of the Local Government Pension Scheme (LGPS) Investment Regulations. The revised regulations required all administering authorities in England and Wales to enter into joint (pooled) arrangements for the management of their investment assets, with effect from 1 April 2018, in order to achieve scale economies and increase investment capacity.

Cllr Phil Page commented that for the purposes of continuity, it was important that there were seamless briefings between the Chair and Vice-Chair for meetings of the Shareholders' Forum of LGPS Central and the Joint Committee in the event that the Vice Chair had to attend the meetings. The Vice Chair advised the Committee that he was attending meetings with the Chair that related to investment pooling, even if in an observer capacity.

In response to a question from Cllr Jasbir Jaspal on the proposed terms of reference for the Pensions Committee, and the duty relating to the selection, appointment and dismissal of an investment pool operator to manage the assets of the Fund', the Strategic Director of Pensions explained that LGPS Central's eight fund partners would need to determine the removal of an investment pool operator. The Strategic Director went on to outline the process and timetable for making appointments to the positions of Chair and Chief Executive of the Investment Pool, and on criterion and background experience that would be expected from applicants. The Strategic Director also reported on the breakeven point for the Pensions Fund as set out in the Business Case and for LGPS Central Ltd and advised that the Pool would be looking to try and maximise savings during the transition period.

Resolved:

1. That the Committee enter into a joint agreement with Cheshire West and Chester Council, Derbyshire County Council, Leicestershire County Council, Nottinghamshire County Council, Shropshire Council, Staffordshire County Council, and Worcestershire County Council to establish a joint pension fund investment pool, in accordance with the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016; to be overseen by a Joint Committee established under s102 of the Local Government Act 1972.

2. That the Committee become a joint shareholder of LGPS Central; a private company, limited by shares, held solely by the participating funds, on a 'one fund, one vote' basis; incorporated for investment management purposes and regulated under the Financial Services and Markets Act 2000.
3. That the Strategic Director of Pensions be appointed to represent the Council on a Practitioner Advisory Forum, providing joint officer support to the Joint Committee and Shareholders' Forum.
4. That the Strategic Director of Pensions and the Council Solicitor be authorised to enter into all necessary legal agreements to establish a joint asset pool and investment management company.
5. That the revised terms of reference for Pensions Committee as set out in Appendix 1 to the report be approved and take effect from 1 April 2018.
6. That the consolidation of Pensions Committee and Investment Advisory Sub Committee from June 2017 in light of the pooling arrangements be approved.

11 **Data Quality and Employer Performance - Quarterly Update 1 July to 30 September 2016**

Rachel Brothwood, Director of Pensions presented the report on progress being made by the Fund to continue to improve data quality, on a summary of plans in place to make further improvements to data quality and on performance of employers against key performance standards as detailed in the Pension Administration Strategy (PAS).

In response to questions, the Director of Pensions reported that a training session had recently taken place on data protection and that the protection of scheme employers' data was firmly on the Fund's radar. It was included within the Fund's Information Governance work stream and the Fund's processes had been externally tested. Regarding the timeliness of receipt of retirement notifications and the figure of 35.49% received after specified timescales, the Director reported that Fund was engaging with employers about their performance against the specified standards.

Resolved:

1. That the progress and the actions being taken to continue to improve data quality be noted.
2. That the performance of employers against key standards set out in the Pension Administration Strategy be noted.

12 **Pensions Administration Report - 1 July to 30 September 2016**

Rachel Brothwood, Director of Pensions presented the report on work undertaken by the pensions administration service during the period 1 July to 30 September 2016 for both the Main Fund and the West Midlands Integrated Transport Authority Fund. In doing so the Director highlighted the continued growth in the number of scheme members in the Main Fund; a high volume of workload dealt with; an increase in the number of employers in the Main Fund; a busy customer services dealing with a high number pensions fund enquiries during the quarter; that a small number of cases were dealt with under the Industrial Dispute Resolution Procedure; statistics on the

use of the web portal facility; and on the Guaranteed Minimum Pension Reconciliation.

Resolved:

1. That the write-offs detailed in section 8.0 of the report be approved.
2. That the applications approved by the Strategic 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 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.

13 **Exclusion of the 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 item of business as they involve the likely disclosure of exempt information falling within Part 1, paragraph 3 of Schedule 12A of the Act.

Part 2 - exempt items, closed to press and public

14 **2016 Actuarial Valuation - Update**

Rachel Brothwood, Director of Pensions presented the update report on the 2016 actuarial process, the preliminary results and on proposed changes to the funding strategy statement for the Main Fund.

In response to questions, the Director of Pensions confirmed that all employers had been made aware of their preliminary contribution rates from the 2016 actuarial valuation. The Director also explained how the demographic assumptions (e.g. allowance for life expectancy) and the key factors driving the development of the funding position had been reviewed. The assumptions for this area would be reviewed every three years.

Resolved:

1. That the proposed changes to the funding strategy statement be noted.
2. That the headline results of the 2016 actuarial valuation for the Main and Integrated Transport Authority funds and delivery of results and preliminary contributions rates to individual employers be noted.
3. That the preliminary outcomes of employer consultation meetings be noted.
4. That steps needed to complete the 2016 valuation process be noted.
5. That wider developments which could impact funding strategy in the future be noted.