

Attendance

Members of the Pensions Committee

Cllr Stephen Simkins
Cllr Jasbinder Dehar
Cllr Keith Inston
Cllr Phil Page
Cllr John Reynolds
Cllr Clare Simm (Vice-Chair)
Cllr Paul Singh
Cllr Muhammad Afzal (Birmingham City Council)
Cllr Rose Martin (Walsall Metropolitan Borough Council)
Cllr Bally Singh (Coventry City Council)
Cllr Councillor Alan Taylor (Dudley MBC)
Cllr Joe Tildesley (Solihull Metropolitan Borough Council)

Trade Union observers

Malcolm Cantello (Unison)
Martin Clift (Unite)
Victor Silvester (Unite)
Ian Smith (Unite)

Employees

Rachel Brothwood	Director of Pensions - West Midlands Pension Fund
Rachel Howe	Head of Governance and Corporate Services - West Midlands Pension Fund
Amy Regler	Head of Operations
Holly Slater	Governance Officer
Simon Taylor	Assistant Director – Pensions
Tom Davies	Assistant Director – Investment Strategy
Darshan Singh	Head of Operations
Hayley Reid	Regulatory Governance Manager

Part 1 – items open to the press and public

Item No. *Title*

- 1 **Apologies for absence (if any)**
Apologies were received from Councillor Milkinder Jaspal, Councillor Harman Banger, Claire Nye, Director of Finance and Martin Clift, Trade Union Representative.

It was agreed that the Vice-Chair of Pensions Committee, Councillor Clare Simm would Chair the meeting in Councillor Milkinder Jaspal's absence. The Committee gave their best wishes for his ongoing recovery. A minute silence was held to pay respect to Councillor Sandra Hevican who had passed away earlier in the month following a short period of illness. Councillor Hevican served as representative of Sandwell Metropolitan Borough Council on the Pensions Committee for six years. It was noted that the Committee's condolences had been sent to the member's husband and family.

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

Councillor Stephen Simkins declared an interest as the Cabinet Member for City Economy for item 10 of the agenda, Corporate Plan 2021-2026.

3 **Minutes of the Previous Meeting**

That the minutes of the previous meeting held on 9 December 2020 be approved as a correct record.

4 **Matters arising**

Ian Smith, Trade Union Representative, advised the group, as per item 4 of the minutes of the previous meeting, that work had been conducted between himself, Councillor Muhammed Afzal and Simon Taylor, Assistant Director - Pensions and that a report would go to Birmingham City Council at the end of the month to support resolution of the issue around delayed employer admission and payment of benefits to members.

5 **Customer Engagement Update**

The Assistant Director - Pensions, presented the report on the Fund's customer engagement activity from 1 October 2020 to 31 December 2020 and the planned customer engagement activity in the context of the Fund's Customer Engagement Strategy.

The Assistant Director - Pensions commented that ongoing development had been underway to widen the Fund's social media presence alongside other methods of communication used by the Fund. Councillor John Reynolds emphasised the importance of continued use of paper and face to face communication methods to ensure accessibility across the Fund membership.

The Fund's Customer Engagement Plan had been updated to include planned events for all stakeholders up to 31 March 2022.

The Committee were advised that the Fund had continued an on-going campaign to raise member awareness on the importance of retirement planning, with bulk emails circulated to active members. Bulk mailing to members of the Fund had also been circulated, to raise further awareness on the risks of pensions scams.

The Committee expressed their thanks to the Assistant Director - Pensions and his teams for the ongoing development and delivery of customer engagement activity.

Resolved:

1. That the Communications Policy March 2021 in Appendix E, be approved.
2. That the engagement activity and informed service development be noted.

6 **Pensions Administration Report from 1 October to 31 December 2020**

Amy Regler, Head of Operations, presented the report on the routine operational work undertaken by the pension administration service areas during the period 1 October to 31 December 2020.

The Committee were advised that although the Fund saw an increase in volume of case work relating to membership deaths throughout December 2020 and January 2021, the Fund had been monitoring workloads and ensured that resources were re-

allocated where required to maintain service delivery and mitigate the impact on timescales and performance relative to KPI targets.

Resolved:

1. That the 12 applications for admission from employers into the Fund be approved and the 3 cases approved by urgent decision by the Director of Pensions, be noted.
2. That the updated Internal Dispute Resolution Procedure be approved.
3. That the write-offs detailed in section 13 of the report 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.
7. That the Fund's pledge to the Pension Regulator to combat pension scams and protect scheme members be noted.

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.

The Committee were advised that the Fund continued to monitor potential risks to the Fund, noting the ongoing review of potential regulatory change in the LGPS with the launch of the Regulator's single code of practice.

It was noted that the Fund continued to operate a mix of office and home working to ensure all vital services of the Fund continued. Employee wellbeing had been a key focus for the Fund and staff were encouraged to take lateral flow testing twice a week. The Fund's response would continue to be assessed following any changes to Covid regulations issued by the Government.

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

8 Regulatory Update

The Head of Governance and Corporate Services presented the report on the key developments impacting the regulatory environment in which the Fund operated.

The Committee were advised that as of 25 February 2021, Central Government had revoked the Exit Payment Regulations, previously issued to the public sector for implementation on 4 November 2020. The Fund anticipate a revised approach to exit payments for the public sector to be announced, followed by consultation later in the year.

On 15 February 2021 the Scheme Advisory Board (SAB) published phase three of the SAB Good Governance Review. This includes a number of recommendations that the Fund are currently reviewing.

Committee we also advised the consultation on the Pensions Regulator's code of practice had now been released and that the Fund were currently reviewing with a view to developing a response.

The Committee were further advised that a HM Treasury consultation on increasing the normal minimum pension age from age 55 to age 57 from April 2028 was running to 22 April 2021. The impact on the LGPS would be subject to MHCLG review and amendment of scheme regulations, including consideration of protected pension ages.

Following discussion, the Head of Governance and Corporate Services reassured members that the Fund continue to monitor consultations and look to respond to those that affect the Fund and its members. The Fund would continue to monitor and communicate with members in the event of Scheme change.

Resolved:

1. That the updates to the current regulatory environment within the LGPS and how the Fund had been responding to change and emerging developments within the Scheme and wider pensions industry be noted.

9 **Funding Strategy Statement Review 2021**

The Assistant Director - Pensions, presented the report on the proposed changes to the Funding Strategy Statement (FSS) following the publication of amendments to LGPS Regulation which enabled employer funding flexibility.

The Committee were advised that changes to the Strategy had been made to incorporate policy enabling utilisation of new employer flexibility regulations and an informal consultation with the Fund's Employer Peer Group on the recommended changes took place during March 2021 with a formal consultation with scheme employers commencing in April 2021 for a period of 4-6 weeks. The Committee were advised that as per section 7.3 of the report, subject to consultations responses, the target date for publication of the revised FSS was 1 June 2021.

Resolved:

1. That the proposed changes to the Funding Strategy Statement incorporating revised Termination Policy and Policy on Contribution Reviews Inter-Valuation as new addendums following enabling change to the LGPS regulations, be approved.
2. That delegation to the Director of Pensions to finalise the 2021 Funding Strategy Statement in consultation with the Chair and/or Vice Chair of Pensions Committee, following completion of the consultation to include participating employers, be approved.

10 **Corporate Plan 2021-2026**

The Head of Governance and Corporate Services, presented the report covering the Fund's Corporate Plan 2021 – 2026, which includes areas of focus and drivers for change over the next five years together with the goals and ambitions for continued development in the Fund and the continued delivery of high-quality services to customers.

The Committee were advised that the Fund has consulted with stakeholders, customers, members, employers and both the Pensions Committee and Pensions Board on the proposed Corporate Plan for 2021-2026. The figures within the report would be updated, prior to publication, to include March 2021 figures. Following questions from Malcolm Cantello (Unison), the Head of Governance and Corporate Services confirmed to the Committee that the Fund were continuing to progress plans for changes to the Fund office arrangements.

Resolved:

1. That the Corporate Plan 2021 – 2026 be approved and adopted.

11

Budget Monitoring 2020-2021 and Quarterly Accounts 31 December 2020

Darshan Singh, Head of Finance, presented the report on the forecast out-turn against operating budget for 2020 - 2021 and the quarterly accounts to 31 December 2020.

The Committee were advised that the estimated value for the Fund at 31 December 2020 had been £18.7 billion, an increase of £3.4 billion from 31 March 2020. The Fund anticipated a forecast outturn in excess of budget which was attributable to implementation of change to the investment strategy and the increase in asset values during the year.

Following queries in regard to the estimated increase in investment management costs, the Committee were advised that estimated costs had increased in line with Fund assets value and that cost needed to be considered in context of performance. Committee were informed that independent global benchmarking on value add from investment activity had been commissioned again for 2021 and would be reported to Committee at a future meeting.

Resolved:

1. That the quarterly accounts for the period ending 31 December 2020 which estimated the value of West Midlands Pension Fund at this date to be £18.7 billion, an increase of £3.4billion (22%) 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 December 2020 was an overspend of £2m primarily attributable to increased estimates for investment management costs on implementation of planned changes to the investment strategy be noted.

12

Budget 2021/2022 and Financial Plan to 2025/2026

The Head of Finance presented the report on Operating Budget for 2021- 2022 and the Medium-Term financial plan for the five years up to and including 2025 - 2026.

The Committee were advised that an increase of £0.6million be provided to operating budget, to increase capacity to delivery customer-facing services and support implementation of statutory changes to the Scheme and member benefits as a result of the McCloud remedy. Following questions from Malcom Cantello, Rachel Brothwood, Director of Pensions advised the Committee that following a period where the Fund's the membership numbers had increased membership rates had now levelled off and allowance for this had been made in budget forecasts of cost per member.

Following Councillor Afzal's concerns with regards to the projected increase in management costs, Tom Davies, Assistant Director - Investment Strategy, advised the Committee that a 5% per annum growth rate had been applied to Fund assets which in turn was reflected in projected costs. The Committee were advised that further work continues to be undertaken to collect and analyse investment cost data to increase transparency in manager reporting and Fund disclosure and inform future investment decision making.

Resolved:

1. That the Operating Budget for 2021 - 2022 be approved.
2. That the Medium-Term financial plan for the period to 2025 - 2026 be approved.

13 Accounting Policies 2020/2021

The Head of Finance presented the report on the accounting policies to be used in preparing the Funds' accounts for the 2020 - 2021 financial year.

The Committee were advised that CIPFA had issued an updated 2020 - 2021 Code of practice which had been reviewed and there were no changes within this which impacted materially on the approach undertaken by the Pension Fund.

Resolved:

1. That the West Midlands Pension Fund accounting policies for the 2020 - 2021 financial year be approved.

14 External Audit Plan 2021

The Head of Finance presented the report on the plan for the external audit of the Fund's Annual Report and Accounts for 2020 - 2021.

The Committee were advised that the outcome from Grant Thornton's work would be included as part of the Fund's annual statement of accounts and annual report. The audited statement of accounts would be brought for Committee approval in September 2021 ahead of the extended statutory publication deadline of 30 September 2021.

Following questions from Malcolm Cantello (Unison), in regard to Covid-19 health and safety regulations and the audit process the Head of Finance, advised that the 2020 year-end audit work had all been conducted remotely and this arrangement would continue for the audit for 2020 - 2021.

Resolved:

1. That the management responses to questions from the external auditors, Grant Thornton LLP, as part of their audit planning, be approved.
2. That Delegated authority to the Chair and Vice Chair of Pensions Committee to approve the final publication of the 2020 - 2021 Statement of Accounts following audit in September and approval of the draft by Committee in June 2021, be approved.
3. That the external audit plan for the 2020 - 2021 Annual Report and Accounts as prepared by Grant Thornton, be noted.

15 **Internal Audit Plan 2021-2022**

Peter Farrow, Head of Audit, presented the report on the outlined work programme for internal audit during 2021 – 2022.

The Committee were advised that the plan had been developed taking into account the revised programme of audit work undertaken over 2020 - 2021, the changing regulatory environment and the Fund's latest strategic risk register. The Committee would be kept up to date on any changes/developments to the risks.

Following a question from Malcolm Cantello (Unison), in regard to cyber security and the audit plan the Head of Audit, advised the Committee that an internal audit on cyber security had been completed as part of the 2020 -2021 programme of work. The Head of Operations confirmed to the Committee that Internal Audit had conducted a review of the Fund's cyber security and that details of the outcome were scheduled for presentation at the next Committee meeting.

Resolved:

1. That the Internal audit plan for 2021 - 2022 be noted.

16 **Quarterly Investment Report to 31 December 2020 and Investment Strategy Statement Review 2021**

The 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 main Fund's assets had delivered a positive return of 6.0% in the latest quarter, therefore achieving a total return of 6.8% for 2020.

The Committee were advised that minor changes were proposed to be made to the Investments Strategy Statement (ISS) following its annual review and that these changes were detailed in the report.

Following a question from Malcolm Cantello (Unison), about the levels of cash held by the Fund, the Assistant Director - Investment Strategy advised that the Fund would start to see a decrease over the next couple of months following recent allocations, but a level of cash would be required to be held by the Fund and this would be monitored and managed closer to the target weight as those commitments were drawn down over time.

Resolved:

1. That the completion of the annual review of the WMPF's Investment Strategy Statement (ISS), with only very minor changes proposed, be approved.
2. That the global market and investment update paper prepared by the Fund's Investment Consultant, Redington, be noted.
3. That the Asset Allocation and Performance Reporting for the West Midlands Pension Fund (WMPF), Main Fund and Admitted Body Sub Funds, be noted.

17 **Responsible Investment Activities**

The Director of Pensions presented the report on the work undertaken in relation to responsible investment activities since the last Pensions Committee meeting.

The Committee were advised that Rachael Lem, had been appointed as a Responsible Investment Officer within the Fund and would provide the Committee with updates moving forward. The Committee were advised that MHCLG looked to follow the Department for Work and Pensions (DWP) guidance published on the climate risk reporting and governance regulations for pension funds in January 2021. The Fund has responded to DWP consultations and is participating in discussion on this these may apply to the LGPS, with further consideration of the Fund approach to be reviewed following publication of MHCLG proposed changes to LGPS regulations and consultation.

The Committee were advised that the Responsible Investment Framework had been reviewed and updated to reflect the regulation changes that have occurred since its last review.

Following a question from Malcolm Cantello (Unison), the Director of Pensions advised the Committee that human rights had been included within one of the four engagement themes. It was agreed that details on company pledges and their progress would be included as and when received in future Committee reports.

Following a query from Councillor Bally Singh, the Director of Pensions advised that all correspondence received would be responded to and information would be sign posted accordingly.

Resolved:

1. That the Responsible Investment Framework March 2021 (Appendix A) be approved.
2. That the Fund's engagement and voting activity for the three months ending 31 December 2021 (Appendices B and C) be noted.
3. That the issues discussed by LAPFF are set out in the Quarterly Engagement Report which is available on the LAPFF website be noted:
https://lapfforum.org/wpcontent/uploads/2021/01/LAPFF_QER4_2020_final.pdf

18 **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.

19 **Investment Strategy and Activity Update**

The Assistant Director - Investment Strategy presented the report on the investment strategy and activity over the quarter.

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.

20 **LGPS Central Pool Shareholder Update**

The Director of Pensions presented the report on the matters considered and presented to Shareholders at the LGPS Central Limited General Meeting on 10 February 2021 and the company and pool progress.

The Committee were advised that further dialogue on the outcome measures for the six focus areas and potential for operational efficiencies was planned ahead of the Company AGM in September 2021.

Resolved:

1. That the Director's update on Shareholder business relating to LGPS Central Limited be noted.
2. That the Shareholder approval of the Company's 2021 - 2022 business plan and budget be noted.

21 **Procurement Programme**

The Head of Operations presented the report on the programme of work to procure key systems and professional services / advisors.

Resolved:

1. That the status of the programme of procurement activities currently being undertaken by the Fund, which would see the review and appointment of a number of key providers and advisers to the Fund over the next 12 months, be noted.
2. That the work of the Fund in supporting the development of the National LGPS Frameworks, in particular the establishment of the Custodian Framework; the on-going review of the Actuarial and Benefits Consultancy Framework and the upcoming review of the Stewardship Framework, be noted.

22 **Cyber Security**

The Head of Operations presented the report on the Fund's Cyber Security Strategy and the activity undertaken in 2020 - 2021 in relation to protect the Fund's data and assets against cybercrime.

It was noted that the City of Wolverhampton Council's ICTS provided the services and support to the Fund. They provided the Fund with an annual assurance report on any activity undertaken and any concerns/risks were incorporated into the Committee reports.

Resolved:

1. That the Fund's Cyber Security Strategy 2021- 2022 be approved.
2. That the work undertaken in 2020 - 2021 by the City of Wolverhampton Council as the Fund's ICTS provider be noted.

Guaranteed Minimum Pension Reconciliation

The Assistant Director – Pensions presented the report on the rectification of members' pensions in payment following the reconciliation of members contracted records held by HM Revenue and Customs (HMRC) with the member data held on the Fund's pension administration system.

Resolved:

1. That proposals to reduce pensions identified as overpaid, with no recovery of overpayments be approved.
2. That proposals to increase pensions identified as underpaid, with payment of arrears with interest be approved.
3. That proposals to apply a minimum threshold of change for review of GMP records be approved.
4. That delegation to the Director of Pensions to review individual cases where a broader review of circumstances may be required prior to change of pension in payment be approved.
5. That the action taken by the Fund on GMP rectification be noted.