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WEST MIDLANDS PASSENGER TRANSPORT AUTHORITY PENSION FUND BUSINESS PLAN 2006 - 2010



BUSINESS PLAN

The Pension Fund aims to provide a high quality service that is responsive, friendly and meets expectations – to all those who have an interest in its activities



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INTRODUCTION

This business plan for the West Midlands Passenger Transport Authority Pension Fund sets out to explain:

- The context in which the organisation works.
- Its current activities and position.
- The action it proposes to take over the medium term.

It also includes information to put the plan into context and references other relevant information.

The plan is produced to evaluate the current position and how the Fund needs to respond to the current and emerging issues.

The aims of the Fund are to:

- Enable employer contribution rates to be kept as nearly constant as possible, having regard to the benefits being paid and those due to be paid at a future date.
- Manage employers' liabilities effectively through regular review of contributions and additional contributions for early retirements which lead to a strain on funding.
- Ensure that sufficient resources are available to meet all liabilities as they fall due.
- Maximise the returns from investments within reasonable risk parameters.
- Achieve excellent customer care.
- Continually improve service delivery.

The purpose of the Fund is to:

- Receive monies in respect of contributions, transfer values and investment income.
- Pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses.
- To be a source of technical information for interested parties and good practice.
- To carry out Fund investment business.

The Local Government Pension Scheme Regulations and in particular the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 define these purposes.

These issues or challenges, facing the Fund, can be summarised as follows:

- i) The affordability of the LGPS which has various elements:
 - a) Delivering the investment strategy and returns over time that ease the pressure on funding levels.
 - b) Responding to legislation changes in benefits awarded.
 - c) Monitoring the membership of the Fund.
 - d) Communicating the issues to interested parties.
- ii) Demonstrating value for money.
- iii) Demonstrating good governance in terms of the arrangements for managing the LGPS in the West Midlands and the individual investment holdings.
- iv) Responding to the expectations arising from Government, the public, interested groups, etc around:
 - a) Corporate company behaviour of the Fund's investments.
 - b) Sustainability.
 - c) Social responsibility.
 - d) Demand for communication and access to information.
 - e) Need for public organisations to demonstrate their ability and worth.
- v) Meeting the Myners' Report good practice proposals on investment management.
- (vi) Responding to changes in regulation work in both Investments and Administration.



ORIGINS OF THE FUND AND RESPONSIBILITIES

Following the 1974 reorganisation, all West Midlands council employees were members of the West Midlands County Council Superannuation Fund with the county council as administering body. The 1986 reorganisation led to Wolverhampton Council becoming the administering body for the Fund (now known as the West Midlands Metropolitan Authorities Pension Fund - WMMAPF). This included the local government employees in the West Midlands, PTE staff and the then West Midlands bus company which was a public sector company. In 1991, West Midlands Travel Ltd became a private sector company which, because of the potential US withholding tax implications for the WMMAPF, led to the need for the Company's membership of the WMMAPF to cease. However, the then Secretary of State agreed to a new administering authority for West Midlands Travel being created - the WMPTA Fund. Bus company employees were transferred to this pension fund, but no new employees of the company are admitted and all other employees of the councils remain in the WMMAPF. This is a unique arrangement in the country.

The PTA Fund has subsequently entered into an admission agreement with the Preston Bus Ltd when a similar problem arose in that local area. The Preston Bus Ltd has since moved to only having deferred beneficiaries and pensioner members.



The LGPS Regulations set out the responsibilities of the key parties which are summarised below. Further details are available on the Fund's website where operational and management arrangements are set out.

Administration of the Fund

Wolverhampton City Council, on behalf of the administering authority (the PTA), carries out the administration function on an agency basis. The City Council carries out the following functions

- Collects employer and employee contributions.
- Invests surplus monies in accordance with the regulations and agreed strategy.
- Ensures that cash is available to meet liabilities as and when they fall due.
- Manages the valuation process in consultation with the Fund's actuary.
- Prepares and maintains an FSS (Funding Strategy Statement) and an SIP (Statement of Investment Principles), both after consultation with interested parties.
- Monitors all aspects of the Fund's activities and funding.
- Deducts contributions from employees' pay.
- Pays all contributions as determined by the actuary, promptly by the due date.
- Exercises discretions within the regulatory framework.
- Makes additional contributions in accordance with agreed arrangements in respect of, for example, early retirement funding strain.
- Notifies the administering authority promptly of all changes to membership, or as may be proposed, which affect future funding.
- Discharges the responsibility for compensatory added years which the Fund (Wolverhampton City Council) pays on behalf of the PTA. The PTA is subsequently recharged for these appropriate amounts.

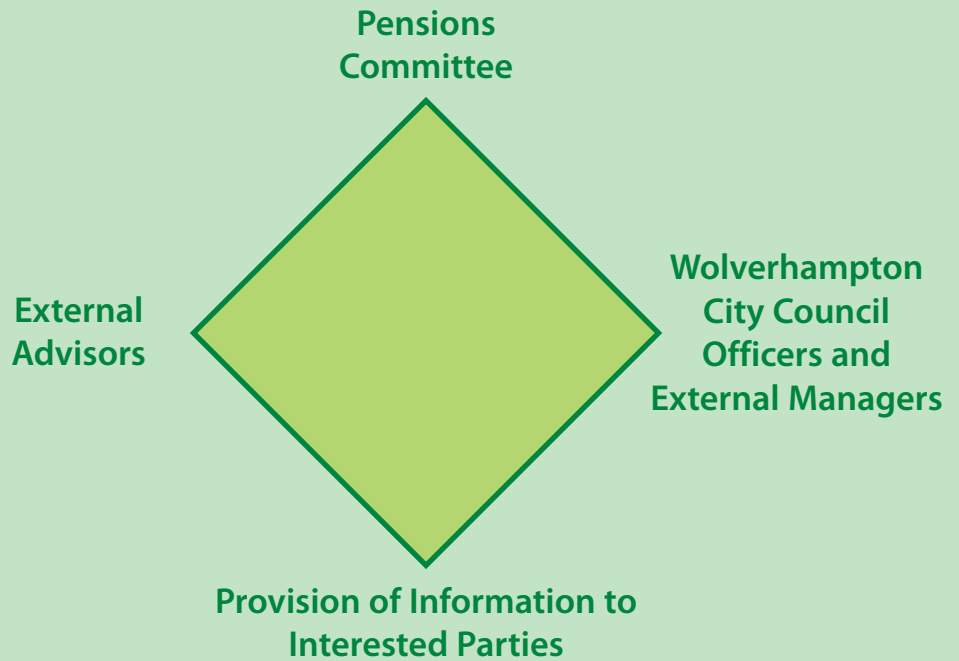
The Fund's actuary:

- Prepares valuations including the setting of employers' contribution rates after agreeing assumptions with the administering authority and having regard to the FSS.
- Sets employers' contribution rates in order to secure the Fund's solvency having regard to the aims of maintaining contribution rates that are as constant as possible.
- Prepares advice and calculations in connection with bulk transfers and individual benefit-related matters.



GOVERNANCE OF THE FUND

The Fund's governance arrangement has four elements:



Pensions Committee

The strategic management of the assets is fundamentally the responsibility of the Pension Fund Committee established by the PTA (the administering authority) which has representation from two admitted bodies. The Committee determines the strategic management of the assets based upon the professional advice it receives and the investment objectives set out.

The day-to-day oversight of the assets is delegated to the Director for Resources and Support at Wolverhampton City Council and the Chief Investment Officer of the City Council.

The roles of the members and the Committee are as follows:

- 1) To discharge the functions of the administering authority for the application of the Local Government Pension Scheme Regulations for the PTA.
- 2) To put in place and monitor the administration of contributions and payments of benefits as required by the regulations and the proper management and investment of monies held for the purpose of paying benefits.
- 3) To determine and review the provision of resources made available for the discharge of the function of administering authority.

- 4) To monitor compliance with legislation and best practice.
- 5) To determine and recommend investment policy.
 - a) Benchmark (medium term)
 - b) Tactical (annually)
- 6) To monitor the implementation of investment policy.
- 7) To appoint committee advisors.
- 8) To review strategic investment opportunities.
- 9) To monitor investment management arrangements.
- 10) To appoint and dismiss external investment managers.

The PTA delegation to Pensions Committee is as follows:

- a) To exercise the functions of the PTA in relation to the administration of the West Midlands Passenger Transport Authorities Pension Fund arising by virtue of the Local Government Pension Scheme Regulations 1997, and any subsequent related legislation.

Provision of Information to Interested Parties.

The Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties. This is achieved through the Fund's communication strategy, see Appendix (iv) Communications Policy Statement.

Advisors and Officers

Investments and pensions administration are complex areas and the Fund recognises the need for its Committee to receive appropriate and timely advice. The day-to-day oversight of the Fund is delegated to senior pension officers from the WMMAPF at Wolverhampton City Council. Against this background its principal advisors are as follows:

A range of external specialist advisors as follows:

Gartmore	Investment policy, annual asset allocation, general investment matters.
Mercer Human Resource Consulting	Actuarial matters.
Mercer Investment Consulting	Selection of investment managers, policy and investment matters relative to liabilities.
Wolverhampton City Council Officers	General investment advice, oversight of cash flows and pensions administration.

Role of PTA Members

The PTA is responsible for administering and discharging the functions as administering authority for the WMPTA. In addition to discharging the administration of benefits, recording of contributions etc, the PTA is also responsible for the investment of the Fund monies.

Investments are a special area for members to consider as it is different to normal PTA business.

When considering the advice and determining investment policy, members are effectively acting as trustees and as such need to understand the special obligations placed upon trustees. These responsibilities are additional to those carried out as an elected member of a local authority. Members' duties as trustees are to manage the Fund in accordance with the Regulations and to do so prudently and impartially on behalf of all the beneficiaries. This sometimes means that they may have to make decisions that in other political circumstances they may choose not to make. The overriding consideration for them as trustees, however, has to be for the benefit of the Fund and its contributors and beneficiaries. The advice of the Fund's advisors is very important in discharging this responsibility. Trustees can delegate some of their powers but not the responsibilities that go with them. They are not expected to be qualified to give investment advice or to initiate investment policy. They must be aware of what is proposed by their advisors and be sure that it is relevant to the needs of the Fund and within their powers.

In practice, trustees typically discharge their duty by ensuring that they have a systematic and clear way of agreeing their investment policy with managers and advisors they employ. Testing adherence to policy on a regular basis is essential. These requirements will consist of meetings and regular written reports with professional advisors whose skills and judgements can be relied upon. So far as the Fund is concerned, the advice is provided mainly by Council Officers, Gartmore Investment Limited and Mercer Human Resource Consulting Limited (the Fund's actuary).

In addition to the setting of policy and investment parameters for the Fund, there should be a formal meeting each year at which the investment returns are reviewed. There might well be other formal meetings of trustees to which managers make a brief report, or supplement their written material.

The following are extracts from leading court judgements made about the role of trustees. These extracts stress the independent fiduciary duty required of a trustee and the requirement to put the needs of the beneficiaries first at all times. These comments apply to all trustees, including members, involved in pensions work.

The Duty of Trustees

The duty of the trustees is to exercise their powers in the best interests of the present and future beneficiaries of the trust. Holding the scales impartially between different classes of beneficiaries is paramount. They must, of course, obey the law but subject to that they must put the interests of their beneficiaries first.

When the purpose of the trust is to provide financial benefits for the beneficiaries, the best interests of the beneficiaries are normally their best financial interests. In the case of a power of investment, the power must be exercised so as to yield the best return for the beneficiaries, judged in relation to the risks of the investment in question and the prospect of the yield of income and capital appreciation, both have to be considered in judging the return from the investment.

Standard Required of a Trustee

The standard required of a trustee in exercising his powers of investment is that he must take such care as an ordinary prudent man would take if he were minded to make an investment for the benefit of other people for whom he felt morally bound to provide.

That duty includes the duty to seek advice on matters which the trustees do not understand, such as the making of investments, and on receiving that advice to act with the same degree of prudence. This requirement is not discharged merely by showing that the trustee has acted in good faith and with sincerity. Honesty and sincerity are not the same as prudence and reasonableness. Accordingly, although a trustee who takes advice on investments is not bound to accept and act upon the advice, unless in addition to being sincere he/she is acting as an ordinary prudent person would act.

View of Secretary of State

The Secretary of State for the Environment has previously indicated that administering authorities should pay due regard to the principle contained in *Roberts v Hopwood* in exercising their duties and powers under the regulations governing the investment and management of funds. In that case, Lord Atkinson said:

“A body charged with the administration for definite purposes of funds contributed in whole or in part by persons other than members of that body owes, in my view, a duty to those latter persons to conduct that administration in a fairly business-like manner with reasonable care, skill and caution, and with a due and alert regard to the interest of those contributors who are not members of the body. Towards these latter persons the body stands somewhat in the position of trustees or managers of others”.

Member Training

Member training is recognised as important and a range of measures are in place to equip Members to undertake their role. The outlined training scheme is as follows:

Member's Training Scheme

Area	Pensions Committee		
	Reports	Presentation	Conferences/ Seminars
Investment Governance	✓	Occasionally	LAPFF December Conference
Investments			
i) Strategies	✓	Occasionally	
ii) Asset use	✓	✓	
iii) Myners	Occasionally	Occasionally	
iv) Economies	Occasionally	Occasionally	
Pensions Admin.	✓		
Role of Members	Website		

Notes

1. Committee members are encouraged to attend LAPFF Conference and other training seminars.
2. Members are encouraged to attend quarterly LAPFF meetings.
3. Each Committee aims to have at least one presentation, reviewing each manager in rotation and one per annum reviewing overall investment strategy. The meetings that are reviewing the managers will have two presentations, one on the management of the portfolios and one on corporate governance.
4. There is a dedicated website for members which acts as a data source for them.
5. The roles and responsibilities of members are presented periodically to all members.

The objective of the training scheme is to ensure, on a rolling basis, established and new members of the Committee receive access to information, training and advice in order to fully discharge the role they have as trustees. The arrangements have regard to the requirements set out by the Pensions Regulator's Code of Practice on trustee knowledge and understanding. The objective is to ensure individual trustees of an occupational pension scheme have appropriate knowledge and understanding of the law relating to pensions and trusts, the principles relating to the funding of the scheme and the investment of the assets of such schemes. The degrees of knowledge and understanding required is that appropriate for the purpose of the individual discharging their responsibilities.

The scope of the knowledge required is as follows:

1. The Law Relating to Trusts

This includes an understanding of the special nature of a pension trust and the duties, obligations and powers of trustees to operate pension schemes in accordance with the law.

2. The Law Relating to Pensions

This is set out in the LGPS Regulations. Also required is an understanding of the key provisions of overriding related UK legislation.

3. Investment

This includes the different types of assets available for investment and their characteristics.

4. Funding

This includes the principles relating to the funding of occupational schemes and the way in which funding is dependent upon the legislation and circumstances of the employing bodies and the value of the liabilities of the Scheme.

5. Contributions

This includes the principles relating to the funding of occupational defined benefits schemes and the way in which contribution levels are dependent upon the funding of the scheme.

6. Strategic Asset Allocation

This includes the principles relating to the suitability of different asset classes to meet the liabilities of the scheme.

7. Funding: Defined Contribution Arrangements – e.g. Additional Voluntary Contributions (AVCs)

This includes the principles relating to the funding of arrangements and the risks borne by Scheme members.

8. Investment Choices

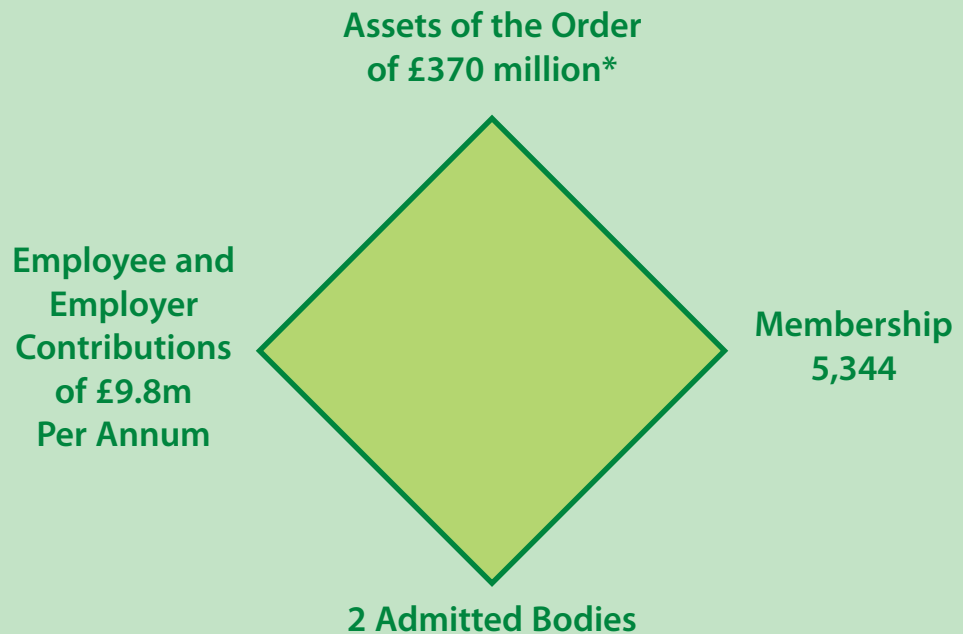
This includes the principles relating to the choice of investments.

9. Fund Management

This includes the principles of fund management and how performance can be measured.

DETAILS OF THE FUND

The key statistics for the Fund are as follows:



**as at 31 March 2006*

Further details as at 31 March 2006 are as follows:

Scheme Membership

Active	1,284
Deferred	1,108
Pensioner	2,952
Total	5,344

Common employers' rate	16.5%
Employees' contribution rate	6.0%
Administrative costs	£263,000
Investment costs	£579,000

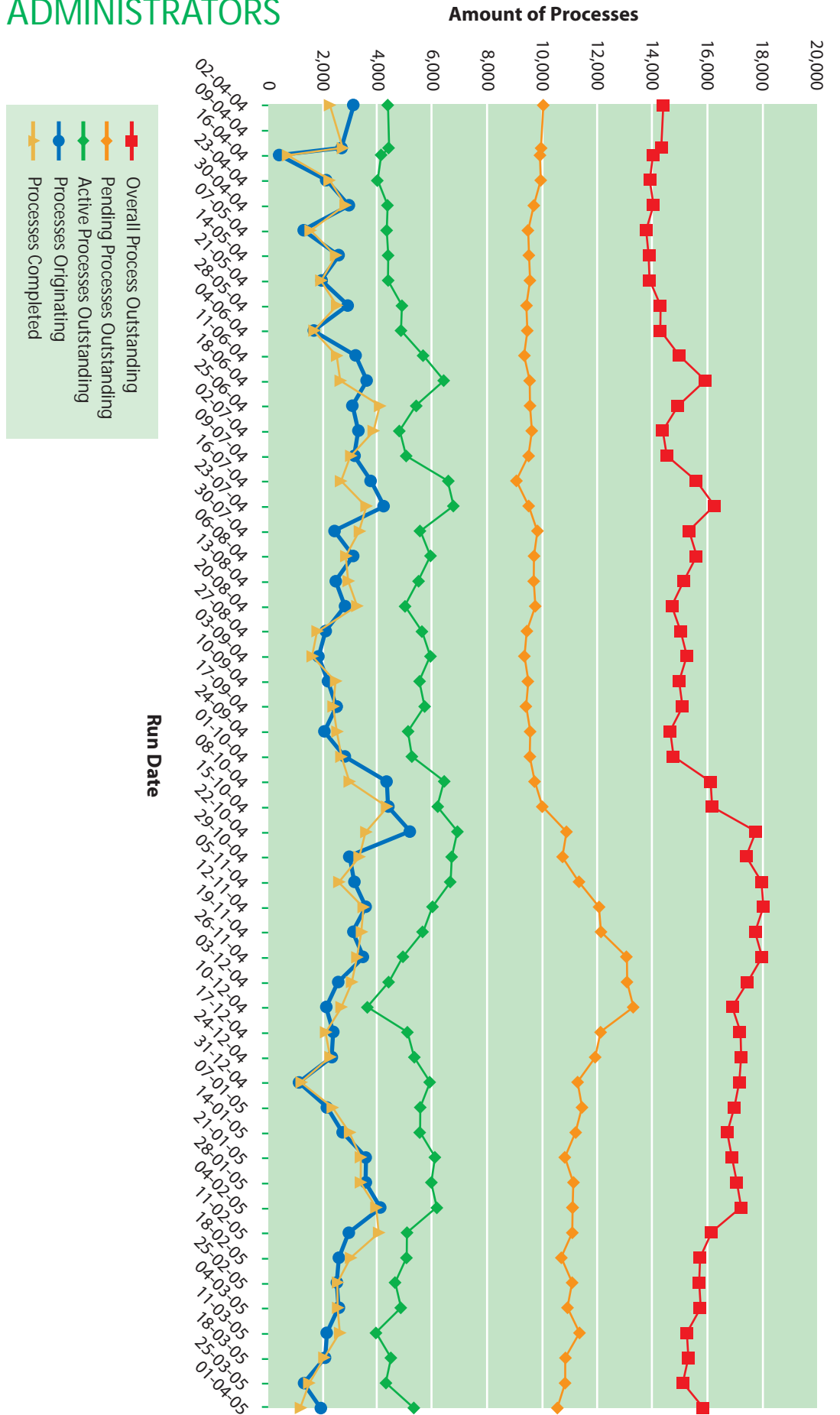
Strategic Investment Benchmark	%
UK equities	27
Overseas equities	28
Total Equities	55
UK fixed interest	14
UK index-linked	17
UK corporate bonds	14
Cash	0
Total Non-Equities	45
Total Assets	100

SUMMARY STATISTICS OF THE FUND

Account	2000/ 2001 £m	2001/ 2002 £m	2002/ 2003 £m	2003/ 2004 £m	2004/ 2005 £m	2005/ 2006 £m
Revenue Account						
Income						
Contributions (net)	2,177	2,061	1,925	1,785	1,713	9,863
Investment income (net)	8,522	8,218	7,390	6,786	7,291	5,760
Profit on realisation	7,278	-968	78,776	490	3,133	35,485
	17,977	9,311	88,091	9,061	12,137	51,108
Expenditure						
Pensions and benefits (net)	12,578	14,698	16,125	16,524	17,195	18,094
Transfer values (net)	375	271	500	278	651	343
Excess of income over expenditure	5,024	-5,658	71,466	-7,741	-5,709	32,671
Market value of investments 31 March	352,607	337,295	263,067	300,548	314,356	370,513
Membership						
Current contributors	2,231	1,993	1,784	1,610	1,455	1,284
Deferred members	1,081	1,103	1,106	1,089	1,078	1,108
Members in receipt of pensions	2,149	2,327	2,544	2,707	2,842	2,952



PROCESS ANALYSIS - THE WORKLOAD OF THE FUND'S ADMINISTRATORS



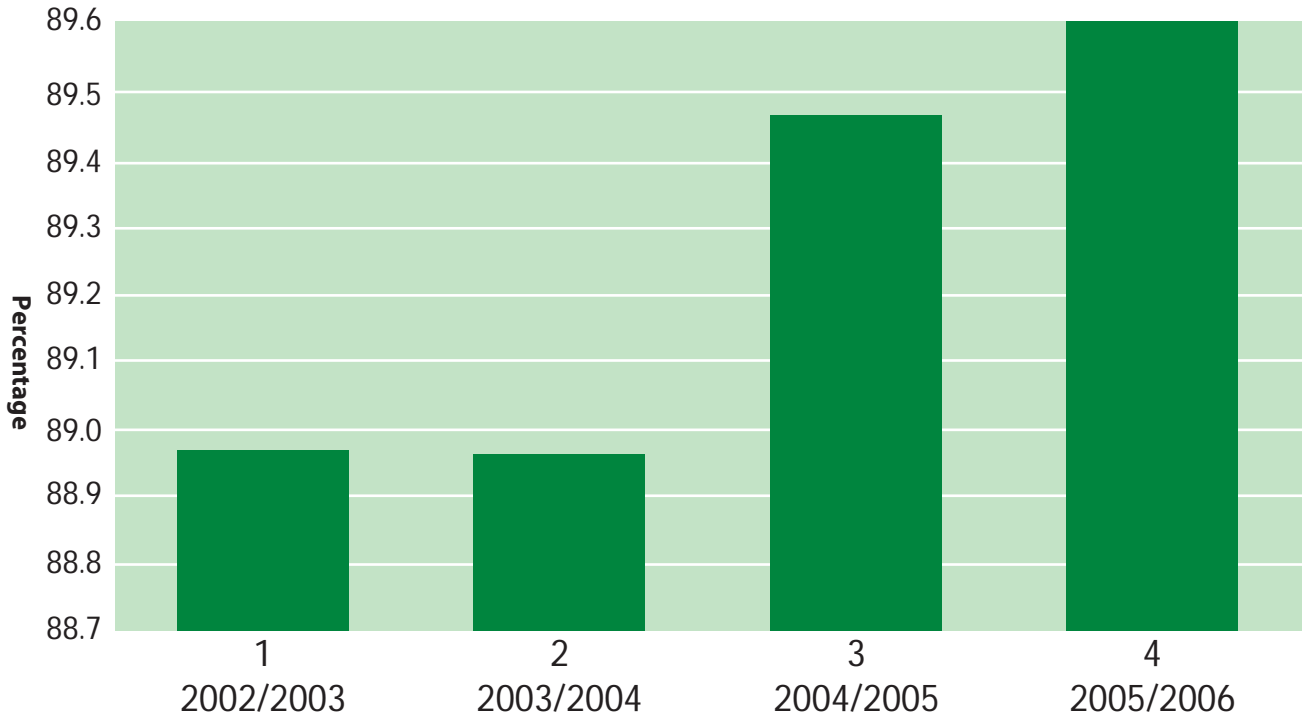
PAYROLL TIMETABLE 2006/2007

Payroll	Month	Edit Run	Main Payroll Run	Latest Date/ Time Final Pay Advices Ready for Collection from ICTS 9.00am	Posting Date	BACS Processing Date	Paydate	Month	BACS Processing Julian Date	Achieved
01,02 M	1	07.04.06	10.04.06	13.04.06	20.04.06	24.04.06	25.04.06	1	06114	Yes
01,02 M	2	12.05.06	15.05.06	18.05.06	22.05.06	24.05.06	25.05.06	2	06114	Yes
01,02 M+Q	3	12.06.06	13.06.06	16.06.06	20.06.06	22.06.06	23.06.06	3	06173	Yes
01,02 M	4	12.07.06	13.07.06	18.07.06	20.07.06	24.07.06	25.07.06	4	06205	Yes
01,02 M	5	14.08.06	15.08.06	18.08.06	22.08.06	24.08.06	25.08.06	5	06236	Yes
01,02 M+Q	6	12.09.06	13.09.06	18.09.06	20.09.06	22.09.06	25.09.06	6	06265	Yes
01,02 M	7	12.10.06	13.10.06	18.10.06	20.10.06	24.10.06	25.10.06	7	06297	Yes
01,02 M	8	13.11.06	14.11.06	17.11.06	21.11.06	23.11.06	24.11.06	8	06327	Yes
01,02 M+Q	9	04.12.06	05.12.06	08.12.06	12.12.06	14.12.06	15.12.06	9	06348	Yes
01,02 M	10	12.01.07	15.01.07	18.01.07	22.01.07	24.01.07	25.01.07	10	07024	Yes
01,02 M	11	12.02.07	13.02.07	16.02.07	20.02.07	22.02.07	23.02.07	11	07053	Yes
01,02M+Q+Y	12	12.03.07	13.03.07	16.03.07	21.03.07	22.03.07	23.03.07	12	07081	Yes

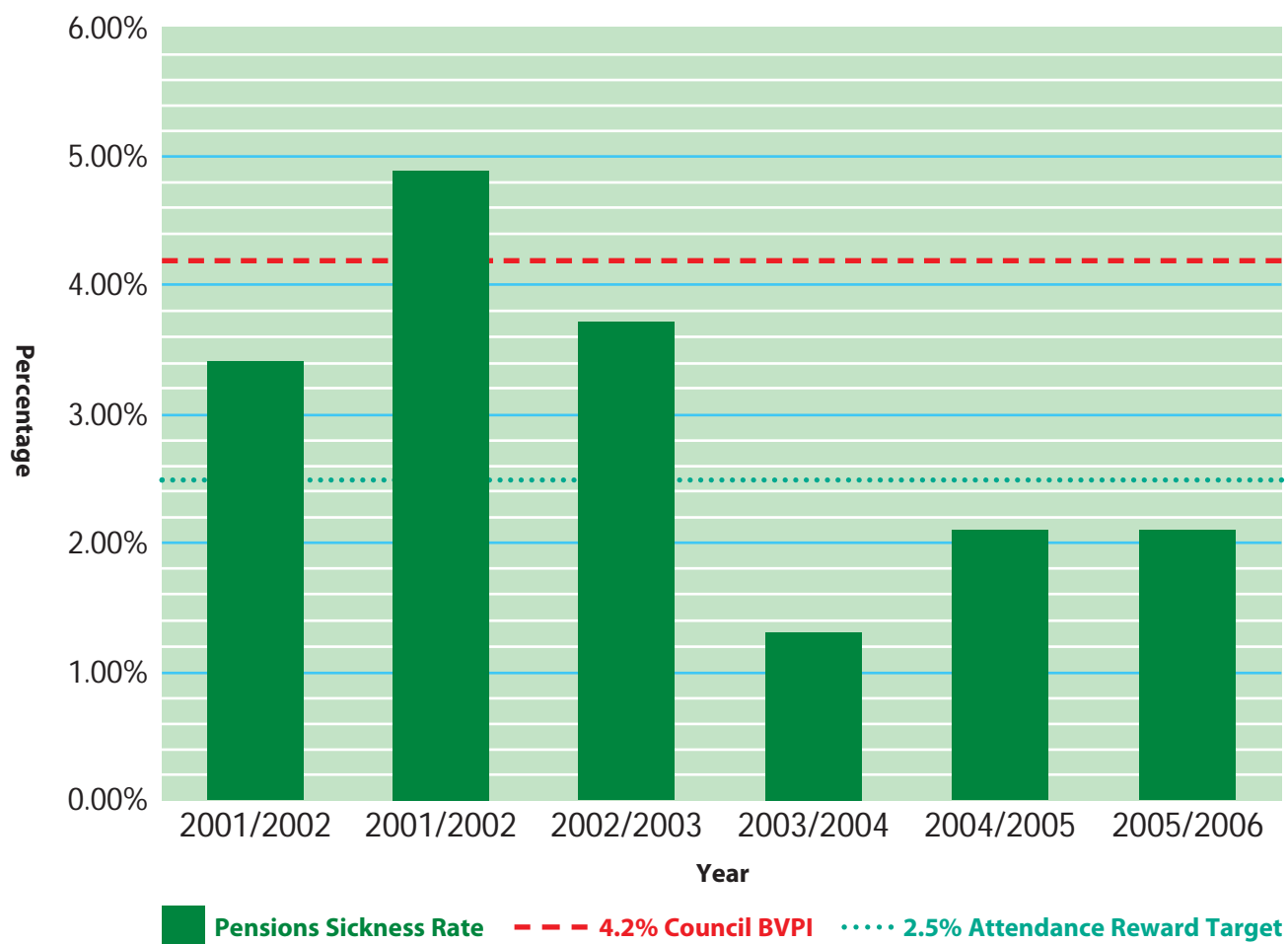


OVERALL CUSTOMER SATISFACTION

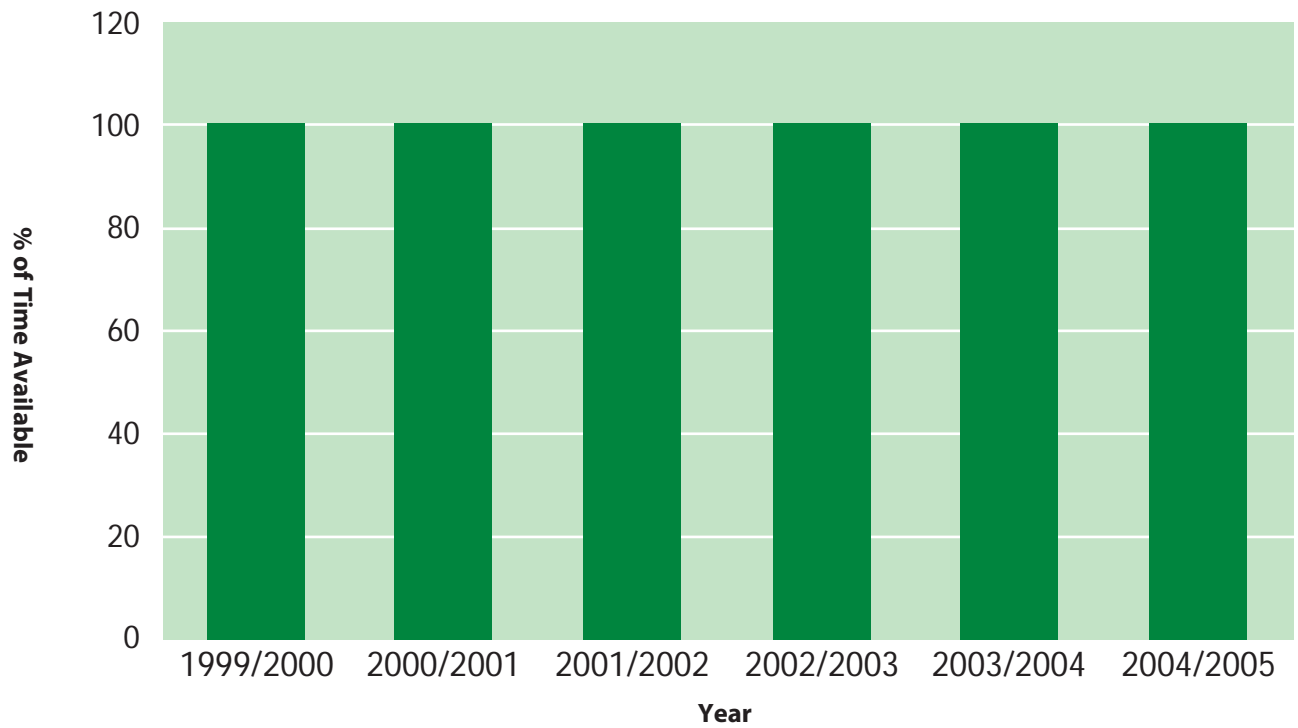
(SOURCE: ANNUAL SATISFACTION SURVEY/ONGOING CUSTOMER SATISFACTION SURVEY)



SICKNESS ABSENCE - PENSIONS ADMINISTRATION SERVICE IN COMPARISON TO PARENT AUTHORITY BVPI & LOCALLY ADOPTED ATTENDANCE REWARD SCHEME



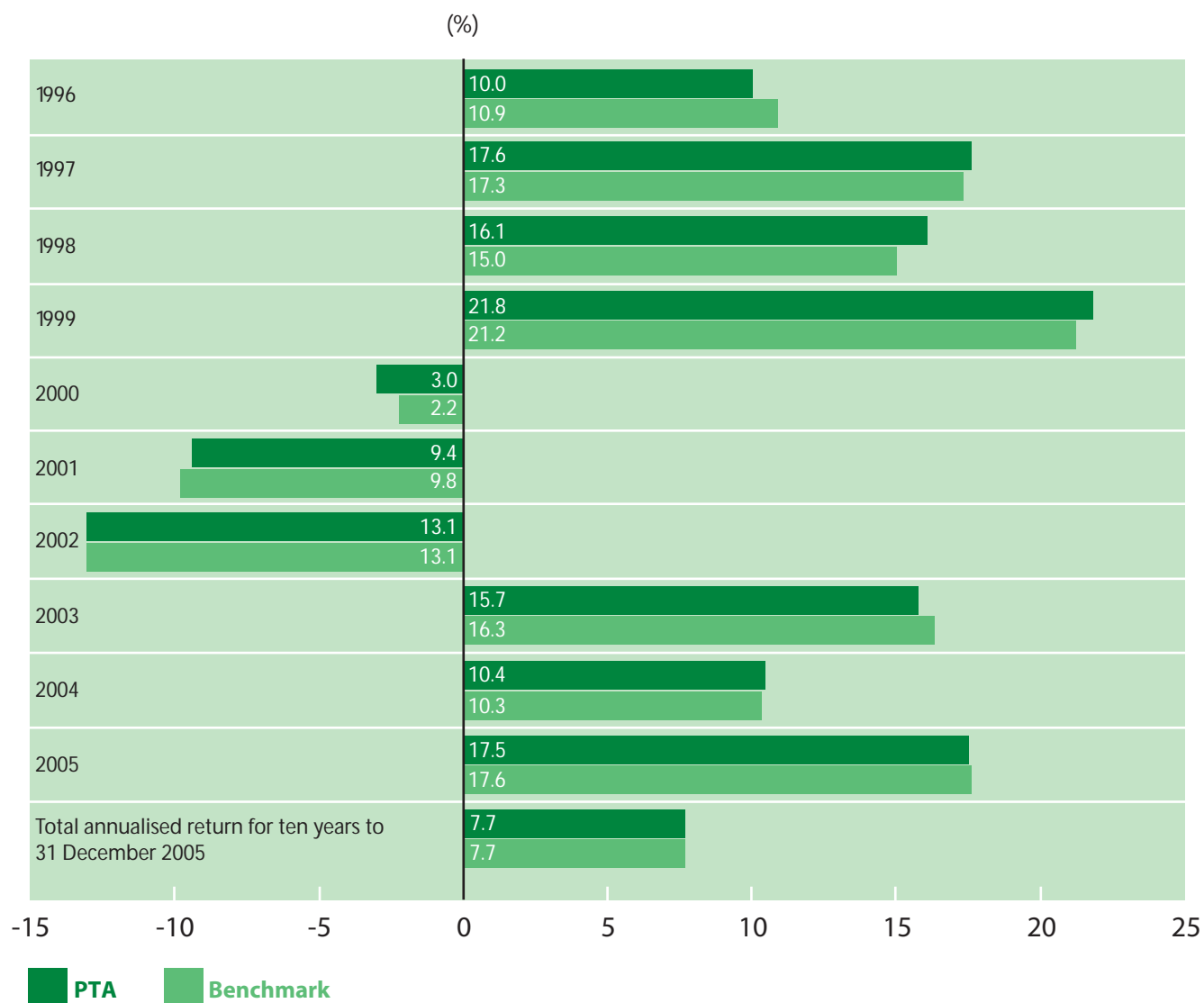
AVAILABILITY OF COMPREHENSIVE COMMUNICATIONS PLAN



Investments Returns

The key investment objective is to exceed the benchmark returns with due regard to risk.

The Fund's long-term returns are shown below:

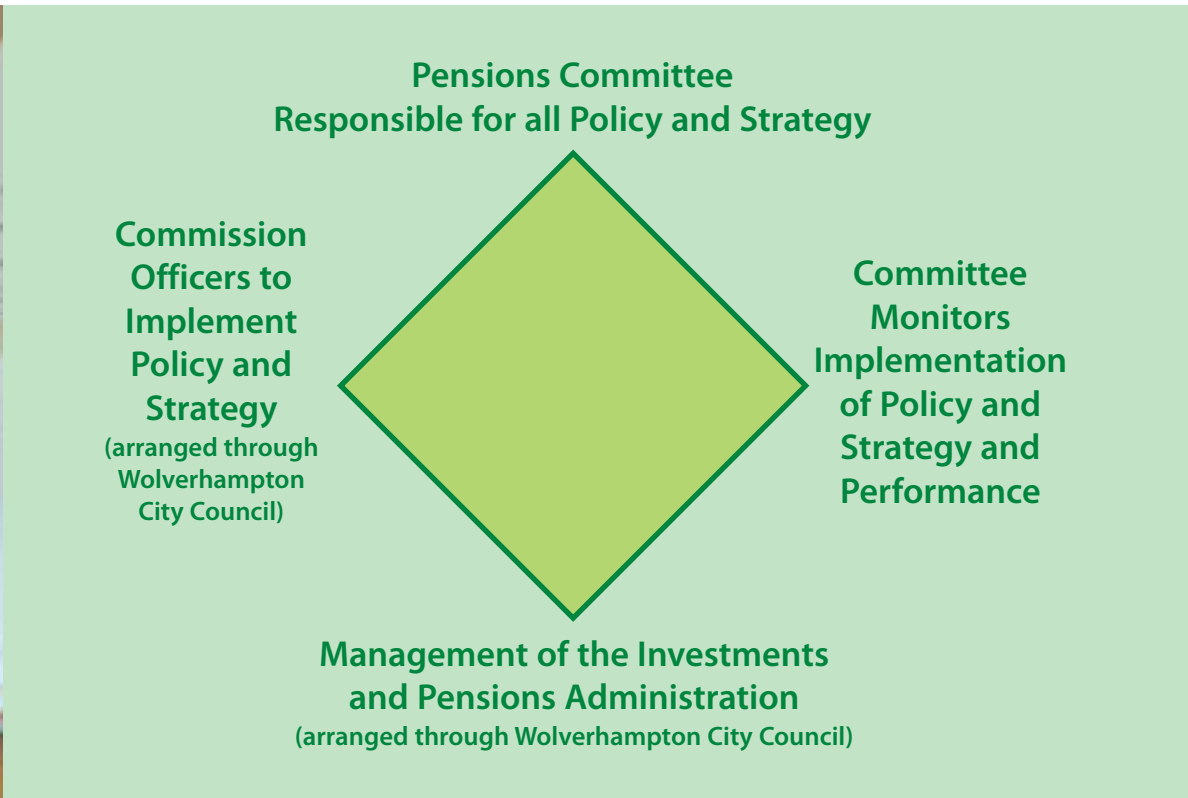


Over the last ten years the annual market returns have been:

	%
UK equities	7.9
North America	7.9
Europe	9.0
Pacific	3.9
Japan	-0.8
UK bonds	7.6
Overseas bonds	3.8
Index-linked	7.9
Property	11.9

OPERATIONAL MANAGEMENT

The relationship between the Fund Committee and operational management can be illustrated as follows:

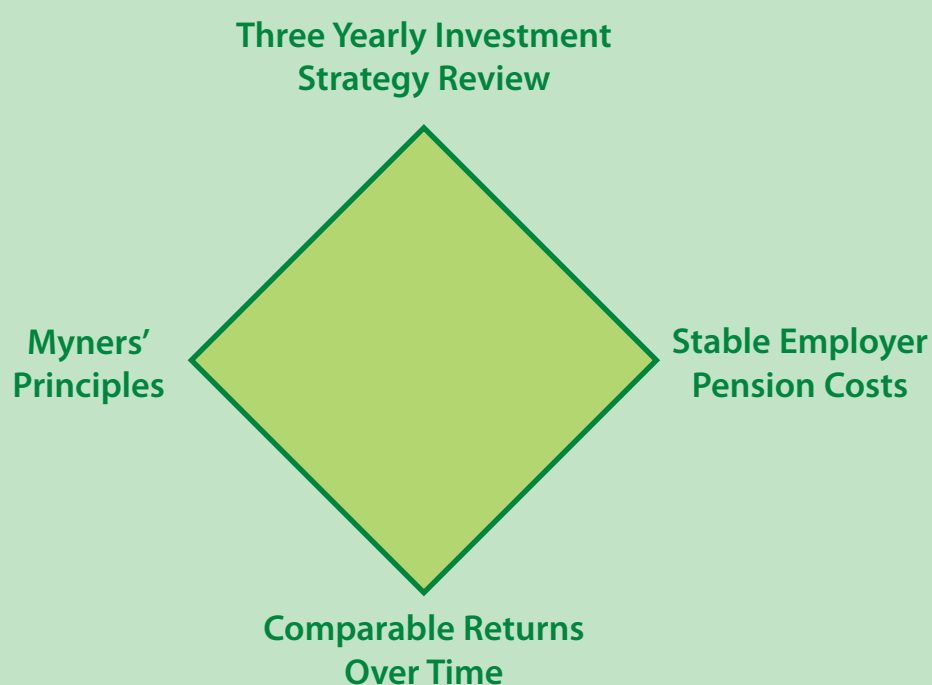


Operational day-to-day management arrangements for the Fund are delegated to officers at Wolverhampton City Council. It is the responsibility of the Director for Resources and Support who delegates investment management matters to the Chief Investment Officer of the City Council and administrative matters to the Chief Pensions Officer of the City Council.

As pension administrators, the Council has established itself nationally in the private and public sector as a leader in quality, cost control, service standards and governance. The most recent published statistics showed that the pension administration and investment management unit costs of the West Midlands Pension Fund, were 50% of the average for all local authority pension funds. The Fund provides services from in-house resources where there is a clear advantage based upon cost, flexibility, quality, an understanding of the risks and ability to sustain the services.

Investment Management

The approach to investment of the Fund's resources is guided by:



This approach in summary is as follows:

- a) Results of a three-yearly review of pension benefit liabilities and Investment Strategy Review determine the balance of assets that is likely to give the best match for those liabilities. This is particularly relevant, bearing in mind the PTA Fund is closed to new members and has declining membership.
- b) The need for stable employer pension costs is of major importance for the employing bodies because of the impact on their budgets and forward plans.
- c) The aim to match or exceed the investment returns of comparable funds and the markets in which the Fund invests over the medium to long term without large short-term variations adversely affecting employer contributions whilst having due regard to the level of risks taken.
- d) The best practice principles established by the Myners' Report 2001 and other relevant codes of practice are accepted as the investment standard to achieve.

An Investment Strategy Review (based on an asset/liability study) is normally undertaken every three years with the actuarial valuation. The objective is to create a medium-term asset allocation control benchmark. An asset allocation benchmark is simply the underlying medium to long-term strategic allocation of the assets of a Fund from which shorter-term over and underweight positions are taken in order to take advantage of anticipated market movements and against which the Fund's shorter-term performance can be assessed. Research has shown that asset allocation is the most significant factor in determining investment returns.

The actuary's Investment Strategy Review is important in setting the framework for determining a benchmark, as it balances the various risks associated with the main asset classes against the need to match the Fund's projected liabilities over the medium to long-term. The study is based on an analysis of all the liabilities. It calculates the likely future growth of the Fund's assets and liabilities to see what is the likely impact on the Fund's ongoing position. It also uses medium-term economic scenario analysis to see how the outcome may be affected by different economic circumstances.

The revised investment strategy following the last actuarial review was agreed by the Committee at its meeting in March 2005. The outcome of the review is set out in the Statement of Investment Principles (SIP) and the Funding Strategy Statement. These documents can be found on the Fund's website. They contain much useful information concerning the management of investments and follow recognised best practice.

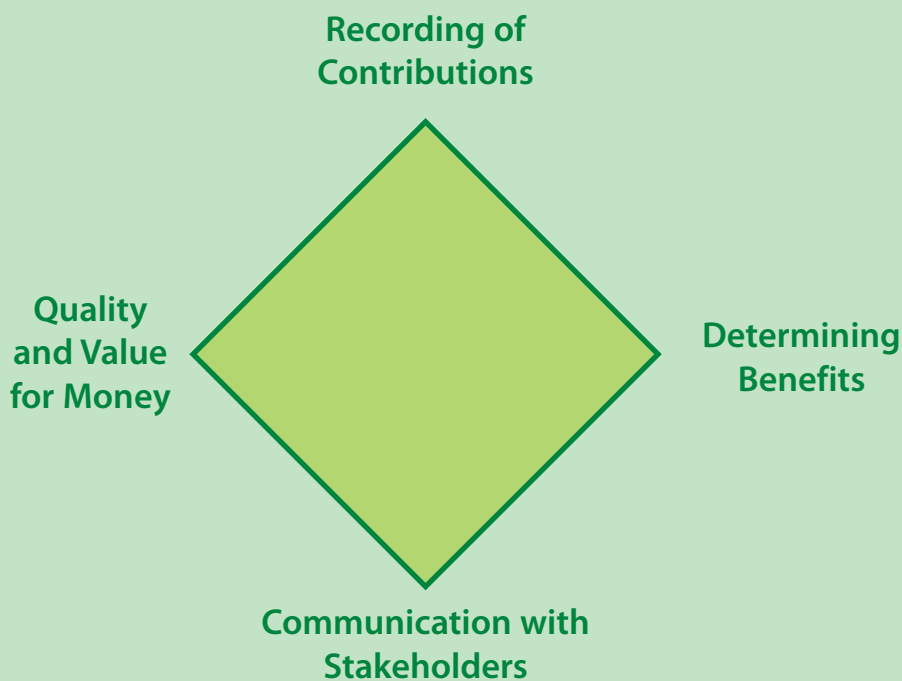
The Fund has expert advisors in place to support its investment objectives detailed in its Statement of Investment Principles.

The in-house management is formulated to provide advice on investment management, promote best practice and implement the decisions of the Committee. Best practice having regard to:

- i) Myners' Principles
- ii) FSA
- iii) Professional and industry standards
- iv) Audit Commission and other professional bodies' views, codes and recommendations
- v) Investment management regulation
- vi) Accounting standards
- vii) LGPS Regulations
- viii) Overriding pensions legislation

Pensions Administration

Pensions Administration work is performed by the Pensions Administration Service.
The focus of the work is:



The services provided include:

- Payment of pensions and ancillary activities (e.g. liaison with the HM Revenue and Customs and the remittance of voluntary deductions to the BHSF and Patients Aid).
- Provision of advice, information and printed materials (e.g. explanation of early leavers' options, estimates of future benefits and information packs for new pensioners).
- Recording and maintaining records of employers' and employees' contributions.
- Calculation and notification of benefits.
- Annual employees' benefits statements.
- Preparing and issuing an annual report, including an abridged Report and Accounts (Pensions Update) to all members of the Scheme.
- Helpdesk response.
- Maintaining contributors, deferred beneficiaries and pensioners' computerised records with local site access.
- Provision of technical support to employers.
- Day-to-day and year-end accountancy function.
- Data validation.



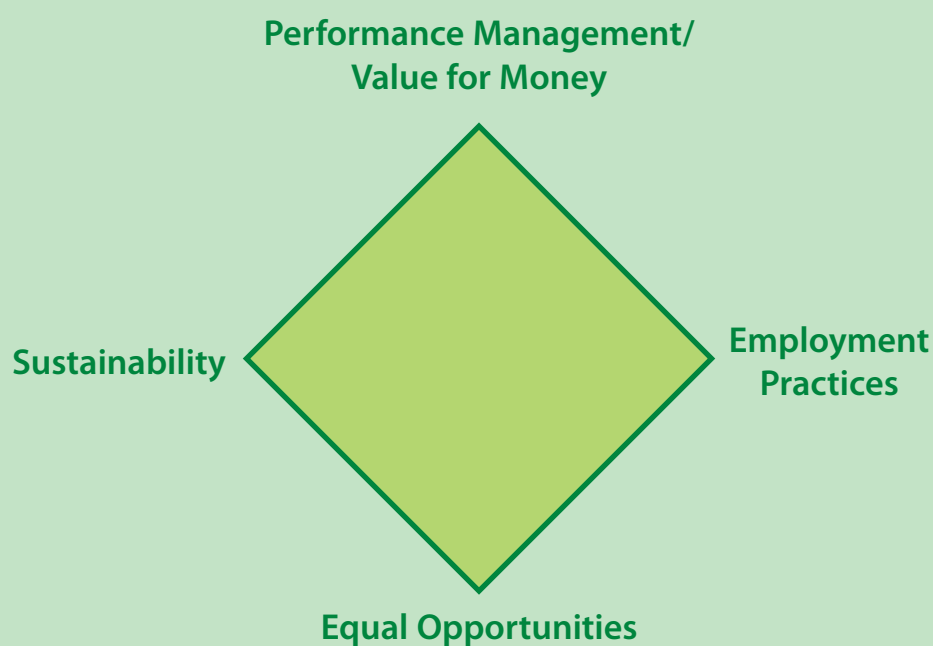
- Provides regular performance information reports on a quarterly basis to Committee.
- Operates within agreed strategy and approved budget.
- Regularly reviews the processes and systems utilised by the Service in support of the Pensions Administration function.
- Manages risks in accordance with the risk framework.
- Maintaining an up-to-date website: www.westmids-pensions.com/pta
- The service provides advice on administration and Regulatory requirements, promote best practice and implements the decision of the Committee. Best practice has regard to:
 - i) The requirements of the Local Government Pension Scheme Regulations and any overriding legislation.
 - ii) The determination and implementation of an appropriate communication strategy which not only fulfils Regulatory requirements and disclosure legislation, but also promotes excellence in customer service.
 - iii) The design and implementation of appropriate information technology systems in order to ensure the cost-effective provision of a pensions administration service.
 - iv) The submission of all returns required by the Department for Communities and Local Government.
 - v) The benchmarking of the Administration Service against appropriate comparative organisations in order to confirm the quality and cost-effectiveness of the Service.
 - vi) The retention of appropriate external accreditations.

The Pensions Administration Service activities are directed by the Superannuation Committee and the Service implements the decisions of the Committee and the Committee monitors the administrative performance against the Fund's Customer Services Charter.



Partnerships and Contracts for Services

The Fund, in addition to its in-house services, delivers through a number of partnerships and contracts. In arranging and managing these arrangements, it aims to follow best practice and develop open constructive relationships. It only provides in-house services when it can do so more effectively and at better value for money than alternative options. However, when providing services in-house it recognises its role as an employer to follow best practice. The following comments summarise the working objectives:



Performance Management/Value for Money

The Fund can only meet its objectives and achieve high standards if it has a robust performance management system that is monitored and is driven through the management arrangements from the Committee setting objectives which can be linked to the performance of partners and staff.



The drivers of the process and monitoring are:

- Meeting regulatory requirements.
- Matching or exceeding best practice.
- Demonstrating value for money.
- Balancing the return/risk relationship.
- Regular monitoring and reporting against the objectives set at all levels.

Employment Practices

Quality services can only be delivered through quality people who are well motivated and committed to their employer. The Fund, in making its arrangements for in-house services or partnering services or contracting arrangement, places this as a high priority.

Equal Opportunities

As a public sector body, the Fund recognises its role in promoting equal opportunity and diversity through its approach to service provision, investing and securing support services. The approach is seen through its customer care strategy, employment arrangements and active governance policy.

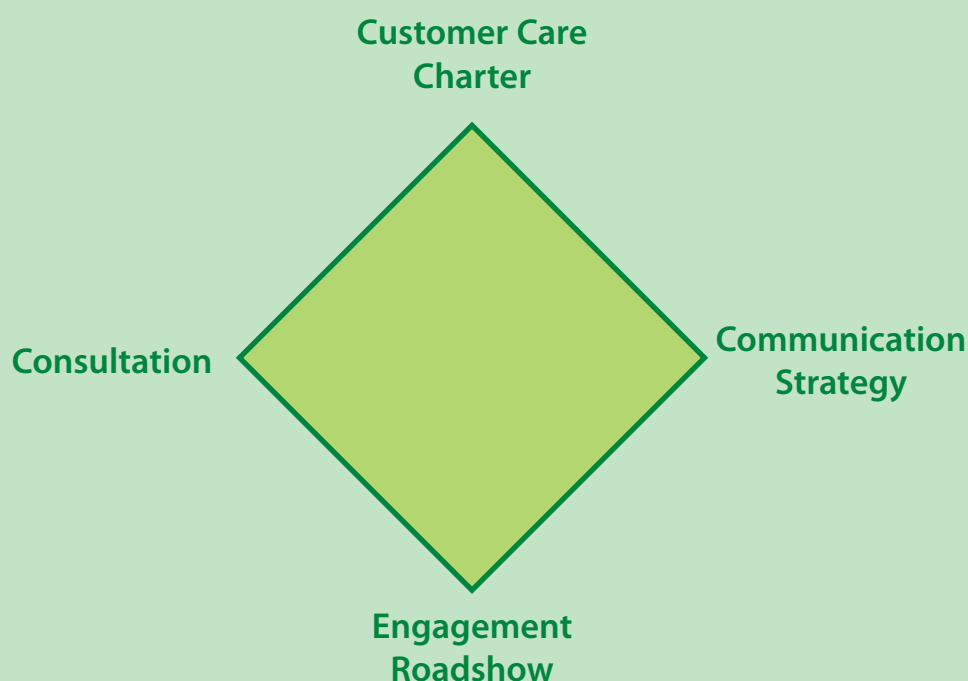
Sustainability

In recent years sustainability has grown in importance and the Fund has responded through its active governance policy and approach to managing its in-house service. It recognises that this will be an increasing area of activity and interest.



CUSTOMER CARE

The Fund's approach to customer care can be summarised as comprising the following elements:



Customer Care Charter

The Fund recognises that it has a very large customer base, those that have a very direct interest – employers and employees, and those interested parties that will have an interest because of the nature of the Fund's activities. The Fund has therefore developed a customer charter to ensure it meets the expectation of its direct and indirect customer.

The customer care charter is:

- To deal with you promptly, fairly and efficiently at all times and to give you the best possible service in accordance with our standards.
- To give you the standard of service you want.
- To consult you wherever possible and to take account of your views before we make any changes.
- To be accountable for what we do by monitoring the quality of our service and reporting on how well we have lived up to our standards.

This is underpinned by a commitment to:

- Provide a highly professional service that compares favourably with the best service providers in the public and private sector.

Communication Strategy

An effective communications strategy is vital for any organisation which strives to provide a high quality and consistent service to its customers. There are six distinct groups with whom the Fund needs to communicate:

- Trustees
- Scheme members
- Scheme employers
- Fund staff
- Other bodies/groups

To this end, the Fund introduced a Communications Policy Statement in December 2004, to formally list the type and amount of communications that each stakeholder could expect to receive, as a minimum, in any given financial year.

As set out in the Communications Policy Statement, the Fund aims to use the most appropriate communication medium for the audience receiving the information. This may involve using more than one method of communication. The Fund's Communication Policy Statement is attached at Appendix (iv).

Roadshow

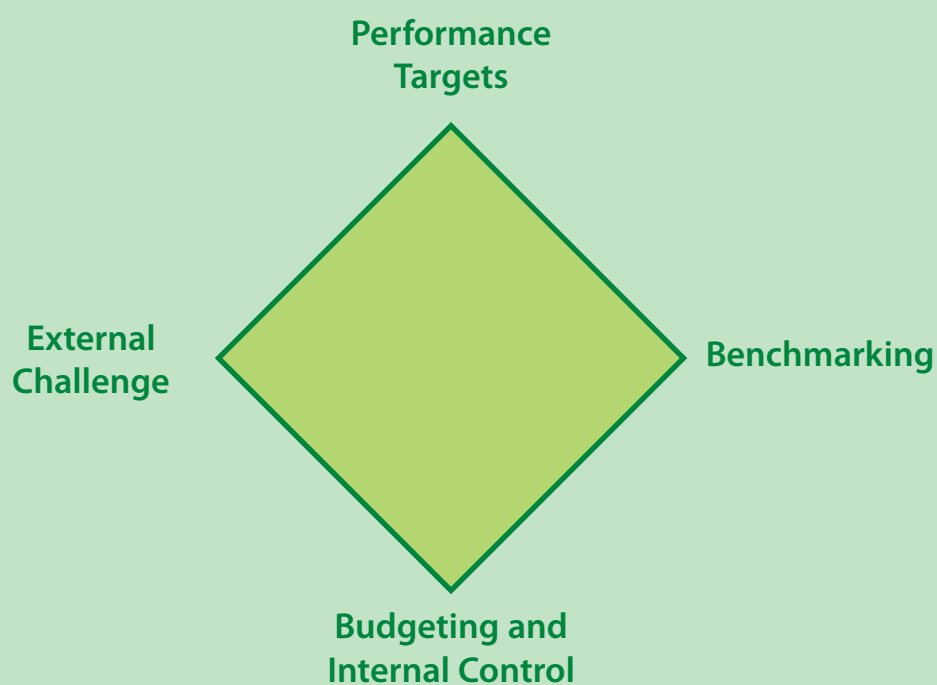
The individual members of the Fund are seen as priority customers and in order to respond to their needs, the Fund regularly goes out to worksite locations to promote the benefits of the Fund and deal with their queries.

Consultation

Although much of the Fund's activities are prescribed by regulation and there is no discretion on their provision, the Fund attempts to actively engage with all interested parties where key decisions are required or customer care affected. Details of all consultations are provided on the Fund's website.

VALUE FOR MONEY

The Fund demonstrates the value for money it provides through the following four elements:



Performance Targets

By setting clear strategic and operational performance targets, the Fund aims to achieve and maintain the high standards and commitment it makes to service delivery. The strategic targets can be found in the Fund's SIP, FSS, Investment Strategy Review and service delivery plans. In terms of operational performance targets, these are as follows (see overleaf):

i) Administration

Activity	Benchmark	Target
<p>To provide a pensions administration service that delivers value for money.</p>	<p>Comparison of unit cost per Scheme member against other best practice pension funds in the private and public sector. Appeals to Ombudsman and Secretary of State, use of Internal Dispute Resolution Procedure.</p>	<p>Unit cost at least 25% below unit cost for all LGPS administering authorities.</p> <p>Processing all Internal Dispute Resolution cases within 12 weeks.</p> <p>The Secretary of State to uphold 95% of administering authority decisions.</p>
<p>To provide a pensions administration service which meets its published service standards which are based on the best practice within the pensions industry and perception of customers.</p>	<p>Performance measured against published service standards. Evidence of satisfaction rates following customer consultation process including surveys. Retention of external quality accreditations (e.g. Charter Mark/ Investors In People).</p>	<p>Satisfaction rate of 90%.</p> <p>Carry out review of UPM - LG to identify business case for implementing UPM - LG - Version 2.</p>
<p>To provide Scheme members with information on a cost-effective basis in respect of their pension provision.</p>	<p>Cost per copy of Annual Benefit Statements. Cost per copy of abridged Report and Accounts. Availability of user-friendly Scheme literature produced on a cost-effective basis.</p>	<p>Main Scheme booklets to be produced at less than 44 pence per copy.</p> <p>Short Guide to be produced for under 15 pence per copy.</p> <p>Annual Benefit Statements to be produced at less than 10 pence per copy.</p> <p>Abridged Report and Accounts to be produced at less than 14 pence per copy.</p>
<p>To communicate regularly and cost-effectively with pensioners and future pensioners of the Fund.</p>	<p>Frequency and cost per copy of pensioners' newsletter. Range and type of comments received from customers.</p>	<p>Four copies per year of pensioners' newsletter with unit costs of around eight pence. Introduction of annual newsletter to active members.</p>

<p>To ensure an effective communication process between the Fund and its employing bodies.</p>	<p>Frequency and content of formal dialogue process with major employers. Production of Employers' Manual and newsletter.</p>	<p>Monthly meetings with appropriate senior pensions officer and major employers.</p> <p>Quarterly meeting between Chief Pensions Officer and district council pensions officers.</p> <p>Circulation of employers' newsletter biannually.</p> <p>Annual meeting with minor employers. Implement revised employers' contribution rating as a result of outcome of evaluation with effect from 1 April 2005.</p>
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ii) Investments

Activity	Benchmark	Target
<p>Investment return objective is achieved.</p>	<p>To match or exceed the investment return assumption in the actuarial valuation.</p>	<p>To deliver the expected return of the long-term investment strategy currently at 7.3% pa.</p>
<p>To provide a pensions investment service that delivers value for money</p>	<p>Comparison of unit cost per Scheme member of investment management costs with other funds.</p>	<p>Unit cost of investment at 70% below average for all LGPS administering authorities.</p>
<p>The Fund has an effective corporate governance policy and response to social responsibility issues.</p>	<ul style="list-style-type: none"> • Number of company AGMs where proxy vote was cast. • Develop governance partnerships 	<ul style="list-style-type: none"> • To ensure that two equity managers continue to vote on the Fund's behalf. • Engage with companies through LAPFF.
<p>Investment management procedures follows best practice.</p>	<ul style="list-style-type: none"> • Myners' compliant 	<ul style="list-style-type: none"> • Ensure the external managers practice all ten principles.

Internal Control

The Fund produces a strong internal control statement each year in its Annual Report and Accounts demonstrating the importance of sound controls. This statement is supported by the internal controls and checks which are regularly reviewed and tested by internal audit and external audit. The approach is based upon risk analysis and evaluation. The Fund has received external audit reports each year that raise no concerns.

External Challenges

The Fund believes that external challenge is the spur to good performance and service delivery and puts in place a number and variety of processes and mechanisms for external challenges which are referred to in this document. In summary, some of the major external challenges are:

- i) External audit
- ii) Advisors
- iii) Interested third parties based upon information made available



INVESTMENT MANAGEMENT - OBJECTIVES AND RISK

The Authority has set the following objectives:

- (i) Seek returns that are consistent and match those available in the major investment markets and are comparable with other institutional investors.
- (ii) Emphasise markets that over time are likely to give better returns.
- (iii) Acknowledge the risk of investing and have regard to best practice in managing that risk.
- (iv) Have resources available to meet the Fund's liabilities for pensions and other benefits provided.

Risk

There are various risks to which any pension scheme is exposed and these are described in the FSS and Investment Strategy Review. The specific investment management risks are considered in more detail below. It is believed that the risks do not exceed an acceptable level:

- (i) The risk of a deterioration in the funding level of the Fund due to investment markets not responding as forecast. The diversification of the investments balances this risk against the objective of seeking the higher performing markets.
- (ii) The risk that the investment managers, in their day to day management of the assets, will not achieve the rate of investment return expected by the Authority. The Authority recognises that the use of active investment managers involves such a risk, although it actually represents a very small percentage of the Fund's overall risks. To limit their exposure to active risk, the Authority invests approximately 52% of the Fund's investments in highly diversified core holdings, a mixture of equities and bonds, with the objective of achieving near market rates of return at a relatively low cost. The remaining 48% is managed on a more active basis looking to achieve above market returns with varying degrees of risk, where it is believed that the risk of underperformance is outweighed by the potential gains from successful active management.
- (iii) Any investment decision carries with it risks of different types (for example, risk of underperformance, risk from mismatching, risk from underfunding etc). The Authority recognises these different types of risk and seeks to minimise them as far as possible by regular monitoring of the performance of the fund managers, seeking advice from the actuary on the suitability of the assets with regard to the Fund's liabilities, regularly receiving advice from a range of professional advisors and ensuring that the Fund's portfolio is suitably diversified.

Myners' Compliance

The 2001 Myners' Report into institutional investment has set best practice principles for the management of pension funds which the Fund aims to meet and is reflected in its SIP. The principles comprise the following:

(a) Effective Decision-Making

- Define who takes investment decisions.
- Ensure members have sufficient skills.
- Determine appropriate training.
- Establish an investment committee with suitable terms of reference.

(b) Clear Objectives

- Set overall investment objective specific only to the Fund's liabilities.
- Peer group benchmark in use for comparison purposes only.

(c) Focus on Assets Allocation

- Priority is given to strategic asset allocation decision-making.
- All asset classes permitted within the regulations are considered.
- Asset allocation is compatible with liabilities and diversification requirements.

(d) Expert Advice

- Separate contracts in place for actuarial services and investment advice.
- Range of expert advice available.

(e) Explicit Mandates

- Written mandates included in management contracts containing core best practice.

(f) Activism in Corporate Governance

- Adopt US principles on activism.

(g) Appropriate Benchmarks

- Ensure index benchmarks selected are appropriate.
- Targets and risk controls reflect performance expectations.

(h) Performance Measurement

- Formal structure for regular monitoring in operation.

(i) Transparency

- SIP updated as specified.
- Decision-making is as open as practical.

(j) Regular Reporting

- Publish changes to SIP and its availability.
- Inform Scheme members of key monitoring data and compliance with principles.

Corporate Governance

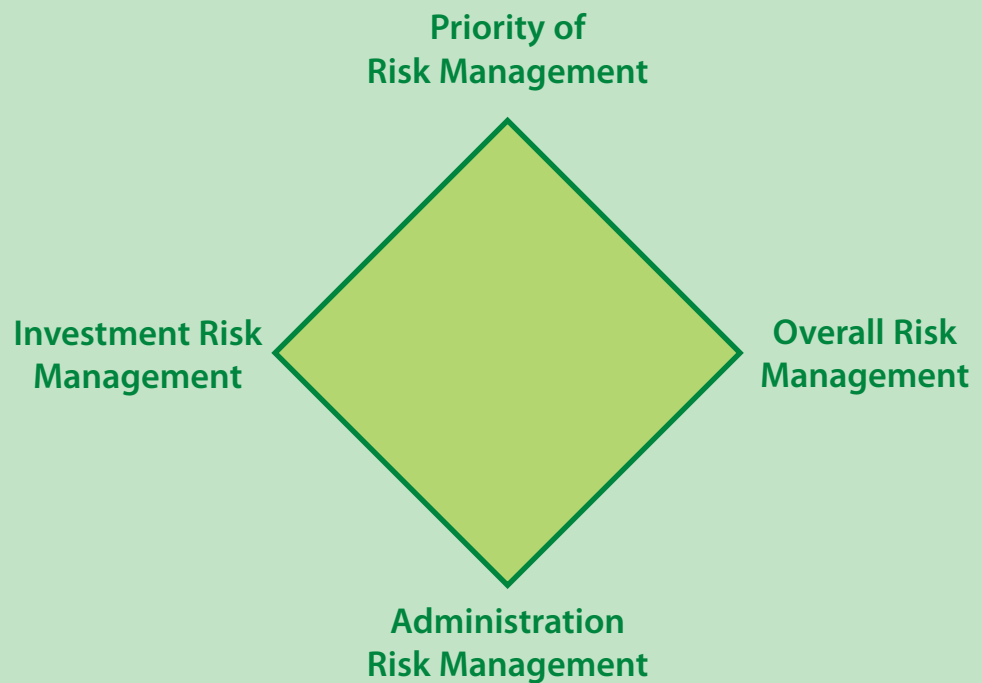
- (i) The Authority recognises its responsibility as an institutional investor to support and encourage good corporate governance practices in the companies in which it invests. The Authority considers that good corporate governance can contribute to business prosperity by encouraging accountability between boards, shareholders and other stakeholders. Good corporate governance also plays a major role in encouraging corporate responsibility to shareholders, employees and wider society.
- (ii) In order to fulfil this responsibility, the Authority has arrangements with its two external managers to communicate with companies and exercise the rights (including the voting rights) attaching to investments in support of its corporate governance policies. The Authority's voting rights are an asset and will be used to further the long-term interests of the Fund beneficiaries. As a general principle, votes will be used to protect shareholder rights, to minimise risk to companies from corporate governance failure, to enhance long-term value and to encourage corporate social responsibility.
- (iii) The Fund is also a member of the Local Authority Pension Fund Forum. This Forum exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they invest.

Social, Environmental and Ethically Responsible investment

- (i) The Authority has determined that reasonable dialogue and proactive engagement with the companies in which it invests is the most effective means by which the social, environmental and business policies of those companies can be understood and influenced where necessary whilst at the same time achieving financial returns compatible with the Fund's longer term financial objectives. This engagement is made through the Fund's managers and its membership to LAPFF.
- (ii) The corporate performance of companies and their value as investments are increasingly affected by social, environmental and ethical factors. In pursuance of a prudent and environmentally responsible response by companies, the Authority will encourage and support companies that demonstrate a positive response to SRI and environmental concerns. The Authority expects companies to:
 - Make a commitment to achieving recognised social, environmental and ethical best practice.
 - Institute regular monitoring of their policies and practice.
 - Establish procedures which will lead to incremental improvements in performance.
 - Comply with all current environmental and other relevant legislation and to seek to anticipate future legislative changes.
 - Make available to shareholders regular and detailed reports of progress made towards maintaining and, where necessary, improving standards.
 - Seek to take all reasonable and practical steps to minimise or eliminate environmental damage.
 - Actively and openly engage in discussion on the social, environmental and ethical effects of their business.

RISK MANAGEMENT

In considering the need to manage the substantial risks around its activities, the Fund addresses four key elements:



Priority of Risk Management

The Fund has to manage a whole range of risks and evaluate how they will be managed. This is done through regular review, analysis and action plans. The Fund's objectives can only be achieved through effective risk management.

Overall Risk Management

This is reviewed against the following:

- i) External auditor uses of well-qualified and experienced staff.
- ii) Structured delegation of powers and reporting of activity.

Administration Risk Management

Specific analysis of administration risk is taken against:

- i) Regular yearly external audit testing of benefit calculation by external auditor.
- ii) Regular internal audit.
- iii) Separation of key activities eg., bank accounts, accounting.
- iv) Regular benefit statements, pensioner checking, etc.

Investment Risk Management

An approach to investment management that sets out the investment objectives that balance risk against return having regard to the maturity of the Fund.



FUTURE PRIORITIES

In looking over the next five years, the Fund has identified the following key priorities and activities:

Priority	Action Required
1. Maintain and develop standards of operation:	<ul style="list-style-type: none"> i) Maintain quality accreditations. ii) Invest in leading technologies. iii) Respond to best practice, e.g. Myners.
2. Demonstrate VFM in the Fund's operations:	<ul style="list-style-type: none"> i) Demonstrate quality of service delivery. ii) Benchmark costs and service quality.
3. Respond to legislation changes as a result of Department for Communities and Local Government review of LGPS.	<ul style="list-style-type: none"> i) Respond through development and changes to systems and procedures. ii) Develop communication strategy.
4. Prepare and respond to 2007 actuarial valuation.	<ul style="list-style-type: none"> i) Inform employing bodies and communicate issues. ii) Collect data for valuation. iii) Respond to valuation issues. iv) Review investment strategy
5. Deliver the 2004 investment strategy with its key returns of 7% to 8% per annum.	<ul style="list-style-type: none"> i) Implement and monitor current investment strategy. ii) Communicate and consult on progress.
6. Maintain and develop customer care strategies and implement arrangements.	<ul style="list-style-type: none"> i) Encourage and develop transparency. ii) Develop communications with stakeholders.
7. Development of risk management strategies:	<ul style="list-style-type: none"> i) Regular annual risk management reviews. ii) Review of major changes or new activities. iii) Develop risk management approach to governance issues of the Fund's investments.
8. Responding to investment corporate governance issues.	<ul style="list-style-type: none"> i) Develop engagement strategy through LAPFF.
9. Member training	<ul style="list-style-type: none"> i) Maintain and expand the opportunities to build member knowledge and understanding.

The following are key performance indicators:

Pensions Administration Services Key Performance Indicators

Activity	Benchmark	Target	Performance Management System	Measurement Frequency
(i) Customer Care				
1. Provision of customer focused service.	High level of customer satisfaction.	90% customer satisfaction	Manual	Various including: • Annual Customer Survey • Satisfaction Surveys
2. Comprehensive communications strategy.	Availability of Fund websites, intranet and other leaflets/ documentation which reflect current Regulations.	100%	Manual	Continuous
3. Market benefits of membership of the Local Government Pension Scheme.	Increase numbers of active Scheme members.	2% annual increase	Computerised	Annual
(ii) Corporate Administration System Support				
1. Maintenance of computerised pensions administration system.	System reflecting current LGPS Regulations and overriding pensions legislation.	100%	Manual	Continuous
2. Availability of IT network including document imaging and workflow.	Availability of system during the working day in order to transact work.	100%	Manual	Continuous
(iii) Pension Administration				
1. Processing of Pensions Administration/Payroll.	To process pensions and payroll administration matters in accordance with service standards and regulatory requirements.	100%	Manual	Continuous
2. Provision of Annual Benefit Statements.	Issue of Annual Benefit Statements by end of September.	Detailed Annual Benefit Statements to 100% of active members and deferred beneficiaries where current address known and records validated.	Manual	Annual

Activity	Benchmark	Target	Performance Management System	Measurement Frequency
3. To co-ordinate applications for re-accreditation of quality awards and industry award submissions.	<ul style="list-style-type: none"> Retention of Investors in People and Charter Mark status. Shortlisting for industry awards. 	Re-accreditation/shortlisting	Manual	Various
4. Produce appropriate Fund leaflets/documentation.	Availability of Fund leaflets/documentation which reflect current Regulations.	100%	Manual	Continual
5. Production of pensioners' newsletter 'Superlink'.	Circulation of 'Superlink' to all pensioners.	100%	Manual	Quarterly
6. Maintain and develop Fund website/intranet	Availability of Fund websites and intranet.	100%	Manual	Continual
7. Processing of pension payroll.	To process payroll in accordance with published timescale, including despatch of payslip before pay date and money into individual accounts by specified pay date.	100%	Manual/computerised	Monthly
8. Provision of end of year data to Inland Revenue.	Provision of information to Revenue in accordance with published requirements.	100%	Computerised	Annual
9. Replacement of faulty IT hardware.	To respond to breakdowns within 30 minutes of notification.	100%	Manual	Continuous
10. Training of service staff on Regulatory or system changes.	To ensure that all staff are trained in advance of change.	100%	Manual	Continuous
11. Data validation.	To ensure bulk validation of current UPM data by reference to mortality checks, address checks, contribution returns, etc.	100%	Manual/computerised	Various
12. Processing of pensions work.	To process pensions administration matters where we have appropriate information within service standard.	See Customer Charter (Appendix v on page 84).	Manual/computerised	20 working days

Activity	Benchmark	Target	Performance Management System	Measurement Frequency
13. Office accommodation.	To ensure availability of office accommodation which complies with Health and Safety Legislation.	100%	Manual	Continuous
14. Telephone enquiries.	To answer all incoming calls received in normal office hours.	95%	Computerised	Daily
(iv) Workforce Management				
1. Management of attendance at work.	Achievement of Best Value Performance Indicator for attendance.	97.5%	Computerised	20 working days
2. Level of turnover.	Low turnover.		Manual	Annual
3. Equal opportunity.	Balanced workforce.	100%	Computerised	Annual
4. Training and development.	Expertise of workforce.	100%	Review of workforce plan and training.	Annual

Pensions Investment Services Key Performance Indicators

Activity	Benchmark	Target	Performance Management System	Measurement Frequency
(i) Pensions Investment				
1. Maintain accurate records.	Settlement is on due date and correct.	100%	Computerised	Ongoing
2. Efficient close down of accounts.	Accounts receive accurate figures on time.	100%	Manual/ Computerised	Annually
3. Achieve target returns.	Those set out by actuarial review.	7% - 8% p.a.	Computerised	Quarterly and Annually
4. Meet governance objectives.	Best practice as per Myners.	100%	Manual/ Computerised	Quarterly and Annually
5. Best practice.	Myners' principles.	100%	Manual/ Computerised	Ongoing
(ii) Member Training	<ul style="list-style-type: none"> • Knowledge building opportunities provided. • Website to be updated. 	100%	Manual/ Computerised	Ongoing
(iii) Workforce Management				
1. Management of attendance at work.	To improve on 2005 figure.	Below council average	Computerised	Ongoing
2. Level of turnover.	To improve on 2005 figure.	Below council average	Manual	Ongoing
3. Equal opportunity.	Balanced workforce.	100%	Computerised	Ongoing
4. Training and development.	Best practice.	100%	Manual	Ongoing
5. Employee Performance Review Scheme (EPRS).	To be introduced during 2006.	100%	Manual	Annually

Appendix (i) Statement of Investment Principles

1. Introduction

- 1.1. The West Midlands Passenger Transport Authority (PTA) Pension Fund has drawn up this Statement of Investment Principles (“the Statement”) to comply with the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998. This statement is available to anyone with an interest in the Fund and the public generally.
- 1.2. Overall investment policy falls into two parts. The strategic management of the assets is fundamentally the responsibility of the Pension Fund Committee established by the PTA (the administering authority) which has open representation from the two admitted bodies. The Committee determines the strategic management of the assets based upon the professional advice it receives and the investment objectives as set out in Section 2 below. The remaining elements of policy are part of the day-to-day management of the assets which is delegated to the external managers and the Director for Resources and Support at Wolverhampton City Council and described in Section 3.

The Role of the Pensions Committee:

1. To discharge the functions of the administering authority for the application of the Local Government Pension Scheme Regulations for the West Midlands PTA.
2. To put in place and monitor the administration of contributions and payments of benefits as required by the regulations and the proper management and investment of monies held for the purpose of paying benefits.
3. To determine and review the provision of resources made available for the discharge of the function of administering authority.
4. To monitor compliance with legislation and best practice.
5. To determine and recommend investment policy -
 - (a) benchmark (medium term)
 - (b) tactical; and
 - (c) monitor policy.
6. To appoint committee advisors.
7. To monitor investment management arrangements.
8. To review strategic investment opportunities.
9. To appoint and dismiss external investment managers.
10. To monitor implementation of investment policy.

The PTA delegation to the Committee is as follows:

- (a) To exercise the functions of the PTA in relation to the administration of the West Midlands PTA Pension Fund arising by virtue of the Local Government Pension Scheme Regulations 1997, and any subsequent related legislation.

1.4. This SIP has been prepared taking into account the 2004 Actuarial Valuation, the Funding Strategy Statement and Investment Strategy Review Report 2004.

2. Investment Objectives and Risk

2.1. Investment Objectives

The Authority has set the following objectives:

- (i) Seek returns that are consistent and match those available in the major investment markets and are comparable with other institutional investors.
- (ii) Emphasise markets that over time are likely to give better returns.
- (iii) Acknowledge the risks of investing and have regard to best practice in managing that risk.
- (iv) Have resources available to meet the Fund's liabilities for pensions and other benefits provided.

2.2. Risk

There are various risks to which any pension scheme is exposed. The Authority has considered the following risks and believe that they do not exceed an acceptable level:

- (i) The risk of a deterioration in the funding level of the Fund due to investment markets not responding as forecast. The diversification of the investments balances this risk against the objective of seeking the higher performing markets.
- (ii) The risk that the investment managers, in their day to day management of the assets, will not achieve the rate of investment return expected by the Authority. The Authority recognises that the use of active investment managers involves such a risk. To limit their exposure to the risk of significantly underperforming, the Authority invests approximately 52% of the Fund's investments in highly diversified core holdings, a mixture of equities and bonds, producing a high level of probability of achieving near market rates of return at a relatively low cost. 23% of the Fund is invested and actively managed in Fixed Interest. It is divided between non-government bonds (14%), gilts (4.5%) and index linked (4.5%). The remaining 25% is in equities which are also actively managed and has a higher level of risk /reward ratio. Here the Fund is looking to achieve above market returns, where it is believed that the risk of under-performance is outweighed by the potential gains from successful active management.

(iii) Any investment decision carries with it risks of different types (for example, risk of underperformance, risk from mismatching, risk from underfunding etc).

The Authority recognises these different types of risk and seeks to minimise them as far as possible by regular monitoring of the performance of the fund managers, seeking advice from the actuary on the suitability of the assets with regard to the Fund's liabilities, regularly receiving advice from a range of professional advisors and ensuring that the Fund's portfolio is suitably diversified.

2.3. Investment Strategy

The Authority sets a long term investment strategy (the mix of asset types) to have regard to the Fund's liability structure and the investment objectives set out above. This is reviewed at least every three years, after each actuarial valuation. Tactical asset allocation decisions have been taken on a quarterly basis by the Pension Fund Committee, based on advice from Gartmore Investment Management and its other professional advisors. From 1 April 2005, due to the changing nature of the Fund and revised investment strategy, asset allocation will be reviewed on an annual basis unless significant issues arise that suggest an in year review. Authority believes that the investment strategy is currently appropriate for controlling the risks identified in 2.2. given the liability profile of the Fund and its financial position.

3. Day-to-Day Management of the Assets

3.1. Main Assets

The Authority invests the main assets of the Fund in portfolios operated by three external investment managers. The Authority is satisfied that the spread of assets by type and the investment managers' policies on investing in individual securities within each type provides adequate diversification of investments.

Asset Class	Manager
Equities	
UK	Legal & General
Overseas	
UK and overseas active	Baillie Gifford
Fixed Interest	
UK gilts	Legal & General
UK index-linked	
Non-government bonds active	Barclays Global Investors
UK gilts active	Barclays Global Investors
Index-linked gilts active	Barclays Global Investors
Cash	Wolverhampton City Council

External managers are paid inclusive fees that are regularly benchmarked.

3.1.1. Investment Performance Benchmark

The benchmark from April 2005 is as set out below with risk bands applied generally of $\pm 5\%$ or 0 to twice the benchmark weight if the weight is less than 10%:

	L&G	Baillie Gifford	BGI	Total
	%	%	%	%
UK equities	14.5	12.5		27.0
Overseas equities	15.5	12.5		28.0
Continental Europe	6.5	5.0		11.5
North America	5.5	4.5		10.0
Japan	2.0	1.5	3.5	
Pacific Basin	1.0	1.0	2.0	
Emerging markets	0.5	0.5	1.0	
Quoted equities total	30.0	25.0	-	55.0
Index-linked gilts	12.5	-	4.5	17.0
Gilts	9.5	-	4.5	14.0
Non-government bonds	-	-	14.0	14.0
Bonds total	22.0	-	23.0	45.0
Total	52.0	25.0	23.0	100.0
	@	#	~	

@ Market index approach with annual review of balance between markets

Balanced equity brief with managers' discretion on asset allocation

~ Balanced bond brief limited discretion on asset allocation

3.1.2. Expected Return on the Investments

Over the long term, it is expected that the investment returns will be at least in line with the assumptions underlying the actuarial valuation. The individual portfolios should match or exceed the specific market benchmarks set for each portfolio over time.

3.1.3. Investment Restrictions

The investment managers are prohibited from holding investments not defined as "investments" in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998.

3.2. Additional Assets

Assets in respect of members' additional voluntary contributions are held separately from the main Fund assets. These assets are held with Equitable Life and the Prudential Assurance Company Limited. Members have the option to invest in With Profits Funds, Unit-Linked Funds and Deposit Funds. The Authority monitors from time to time the suitability and performance of these vehicles. No new business is being placed with Equitable Life.

3.3. Realisation of Investments

In general the Fund's investment managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments. The Fund is mature in terms of benefit liabilities and has a strong cash outflow on a regular basis. The current policy on realising investments to meet benefit outgoings etc is reviewed quarterly and cash realisations are usually taken from the index /core manager.

3.4. Monitoring the Investment Manager

The performance of the managers is independently measured. In addition, the Pension Fund Committee meet the investment managers regularly to review their management of the portfolio together with the reasons for the background behind the investment performance.

3.5. Advisors

The Fund uses a range of advisors in addition to its own specialist officers as follows:

Gartmore	Investment policy, asset allocation, general investment matters
Mercer	Actuarial matters, selection of investment managers, policy and investment matters relative to liabilities
Wolverhampton City Council Officers of the West Midlands Pension Fund	General investment advice, management of cashflows, and pension administration

Fees paid to advisors are agreed on an individual basis for a fixed sum or scale reviewed annually or as work is commissioned.

4. Social, Environmental and Ethically Responsible Investment

- (i) The Authority has determined that reasonable dialogue and proactive engagement with the companies in which it invests is the most effective means by which the social, environmental and ethical policies of those companies can be understood and influenced where necessary whilst at the same time achieving financial returns compatible with the Fund's longer term financial objectives. This engagement is made through the Fund's managers and its membership of LAPFF.
- (ii) The corporate performance of companies and their value as investments are increasingly affected by social, environmental and ethical factors. In pursuance of prudent and responsible practices by companies, the Authority will encourage and support companies that demonstrate a positive response to social, environmental and ethical concerns. The Authority expects companies to:
 - Make a commitment to achieving recognised social, environmental and ethical best practice.
 - Institute regular monitoring of their policies and practices.

- Establish procedures which will lead to incremental improvements in performance.
- Comply with all current environmental and other relevant legislation and to seek to anticipate future legislative changes.
- Make available to shareholders regular and detailed reports of progress made towards maintaining and where necessary improving standards.
- Seek to take all reasonable and practical steps to minimise or eliminate environmental damage.
- Actively and openly engage in discussion on the social, environmental and ethical effects of their business.

5. Corporate Governance

- (i) The Authority recognises its responsibility as an institutional investor to support and encourage good corporate governance practices in the companies in which it invests. The Authority considers that good corporate governance can contribute to business prosperity by encouraging accountability between boards, shareholders and other stakeholders. Good corporate governance also plays a major role in encouraging corporate responsibility to shareholders, employees and wider society.
- (ii) In order to fulfil this responsibility, the Authority has arrangements with its two external managers to communicate with companies and exercises the Fund's rights (including the voting rights) attaching to investments in support of its corporate governance policies. The Authority's voting rights are an asset and will be used to further the long term interests of the Fund beneficiaries. As a general principle, votes will be used to protect shareholder rights, to minimise risk to companies from corporate governance failure, to enhance long term value and to encourage corporate social responsibility.
- (iii) The Fund is also a member of the Local Authority Pension Fund Forum. This Forum exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they invest.

6. Compliance with this Statement

- 6.1. The Authority will monitor compliance with this Statement. In particular, it will obtain confirmation from the investment managers that they exercised their powers of investment with a view to giving effect to the principles contained in the Statement so far as is reasonably practicable. The Authority undertakes to advise the investment managers promptly and in writing of any material change to this Statement.

7. Compliance with Myners

- 7.1. Following from the Myners' Report into Institutional Investment in the UK, the Government, after consultation, indicated it would take forward all of the report recommendations and identified ten investment principles to apply to pension schemes.

These principles cover the arrangements for effective investment management decision-making, setting and monitoring clear investment objectives, focus on asset allocation, arrangements to receive appropriate expert advice, explicit manager mandates, shareholder Activism, use of appropriate investment benchmarks, measurement of performance, transparency in investment management arrangements and regular reporting.

The Fund supports the principles as it represents industry 'best practice'. The Fund has evaluated its position in relation to the Myners' principles and believes that it is Myners' compliant.

8. Review of this Statement

The Authority will review this Statement in response to any material changes to any aspects of the Fund, its liabilities, finances and its attitude to risk which they judge to have a bearing on the stated Investment Policy. This review will occur no less frequently than every three years to coincide with the actuarial valuation.

Appendix (ii) Statement of Internal Controls

1. Scope of Responsibility

The West Midlands Passenger Transport Authority Pension Fund (the Pension Fund) is administered by the PTA which engages Wolverhampton City Council (WCC) to discharge the operational functions under the supervision of the PTA Pension Fund Committee. The PTA is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The PTA is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the PTA's functions and which includes arrangements for the management of risk.

2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Pension Fund policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place at the PTA for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with proper practice.

3. The Internal Control Environment

Strategic management of the Pension Fund is the responsibility of the Pension Fund Committee established by the PTA. Day-to-day investment management of the fund is carried out by external managers who are monitored by WCC and report regularly to the Pension Fund Committee. Day-to-day administration of the investment benefits requirements are carried out by WCC on behalf of the PTA.

The key elements of the internal control environment include:

- **Procedures for establishing and monitoring the achievement of the Pension Fund objectives.**

The long term investment strategy is reviewed at least every three years by the PTA after each actuarial valuation. The investment policy of the fund is considered at each quarterly meeting of the Pension Fund Committee and is varied on advice received from its professional advisers.

The Pension Fund and WCC on its behalf operate within a framework of common procedures and control points as a means of ensuring all staff work towards and identify with common aims. Codes of practice are issued to establish the sole basis upon which the operations are conducted, and which authorises officers to act on behalf of the Authority within a defined framework.

- **The facilitation of policy making and decision making**

Pension Fund Committee members and senior management of the Authority, together with WCC senior managers and external advisers, jointly contribute to the business planning process including reviews of strengths, weaknesses, opportunities, threats and risk combined with consideration of the impact of updated, new or proposed legislation. WCC senior management in the operation of the Pension Fund activities refine this output to produce local performance plans, including financial commitments and key performance targets.

- **Ensuring compliance with established policies, procedures, laws and regulations**

A report is presented to the Pension Fund Committee on an annual basis on the management arrangements and the special role of members in respect of the discharge of functions in respect of pensions legislation. The Pension Fund Committee meets quarterly to monitor activity and consider the strategic direction of the fund.

The Pension Fund Committee regularly reviews compliance with policies, procedures, laws and regulations and fully supports and complies with the principles identified in the Myner's Report into Institutional Investment in the UK.

- **Ensuring the economical, effective and efficient use of resources and for securing continuous improvement in the way in which the functions of the Authority are exercised.**

The PTA is committed to meeting the Government's Best Value requirements and always seeks to obtain value for money. It believes that it effectively discharges this commitment through its relationship with WCC, the use of advisors and quarterly monitoring arrangements. WCC for its pension activities has a well established mechanism of performance management in place.

- **The financial management of the Authority and the reporting of financial management.**

The PTA acknowledges its responsibility for ensuring that an effective system of internal control is maintained and operated in connection with the resources concerned. The system of internal control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period. The system of internal control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability.

The PTA relies upon the specialist expertise and arrangements with WCC to assist in monitoring this internal control framework. Development and maintenance of the system is undertaken by managers within the PTA and WCC. In particular, the system includes:

- comprehensive budgeting systems;
- a robust medium term financial planning process;
- regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts;

- setting targets to measure financial and other performance;
- the preparation of regular financial reports which indicate actual expenditure an income against the forecasts;
- as appropriate, formal project management disciplines.

- **The performance management of the PTA and the reporting of performance management.**

The PTA has put in place arrangements for setting top-level objectives, standards and targets. These targets are cascaded throughout the PTA and are subject to ongoing review and monitoring. Achievements against these targets are regularly reported to the Pension Fund Committee.

The PTA implements a risk management strategy with regard to its approach to investment of the Pension Fund's assets and management of liabilities. It recognises WCC has in place an established risk management strategy that it applies to all of its activities.

3. Review of Effectiveness

The PTA's standing orders and financial regulations set out the responsibilities of members and senior managers, notably the three chief officer posts: Clerk to the PTA, Deputy Clerk and Solicitor to the PTA and Treasurer to the PTA. These three posts have been held by senior officers of Coventry City Council alongside their substantive roles with Coventry.

The effectiveness of PTA corporate governance was the subject of a member-led Best Value Review and on 27 March 2006 the PTA agreed some key principles to streamline the arrangements for governance and operations of the PTA. Greater integration is to be achieved between the servicing of political arrangements at the PTA and the operational delivery by Centro, with service delivery operating more seamlessly in a political context. During 2006/07 new arrangements will be phased in which will redefine the role of Clerk to the PTA, delete the role of Deputy Clerk and Solicitor, and delete the separate role of Treasurer to the PTA, with responsibility for support services (finance, legal and human resources) to be undertaken by Centro.

The PTA has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the auditors and the executive managers within the PTA who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates in their annual audit letter and other reports. The PTA has regard to similar reviews carried out at WCC.

The PTA is responsible for ensuring that there is an adequate and effective system of internal audit of the Authority's accounting records and of its systems of internal control as required by the Accounts and Audit Regulations 2003. The PTA is aware that such arrangements apply to WCC and that they have made appropriate arrangements that meet the PTA's requirements. In particular, WCC's Internal Audit Division operates in accordance with the Code of Practice for Internal Audit in Local Government in the United Kingdom under the day-to-day control of the Head of Audit Services who acts independently. The Internal Audit Division plans and prioritises its work through a combination of assessment and review of corporate governance arrangements, supplemented by a programme of managed reviews. Our review of the effectiveness of the system of internal control is informed by:

- the work of managers within the PTA;
- the work of the internal auditors as described above;
- the external auditors in their annual audit letter;
- reports by external advisers on all aspects of pensions administration and investments;
- and WCC's internal control statement.

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control.

The present system of internal control is considered to be robust and, coupled with the methods adopted for identifying and managing risks, allows the PTA to provide a statement of assurance in full compliance with the guidance.

The PTA relies on the agency agreement with WCC for the delivery of the day-to-day operations and bringing to the PTA's attention any significant internal control issues; no such issues have been brought to the PTA's attention in 2005/06.

In preparing this statement the PTA has regard to the comparable statement prepared by Wolverhampton City Council for the West Midlands Metropolitan Authorities Pension Fund.

Chris Hinde
Clerk to the Authority

Councillor Gary Clarke
Chairman of the Authority

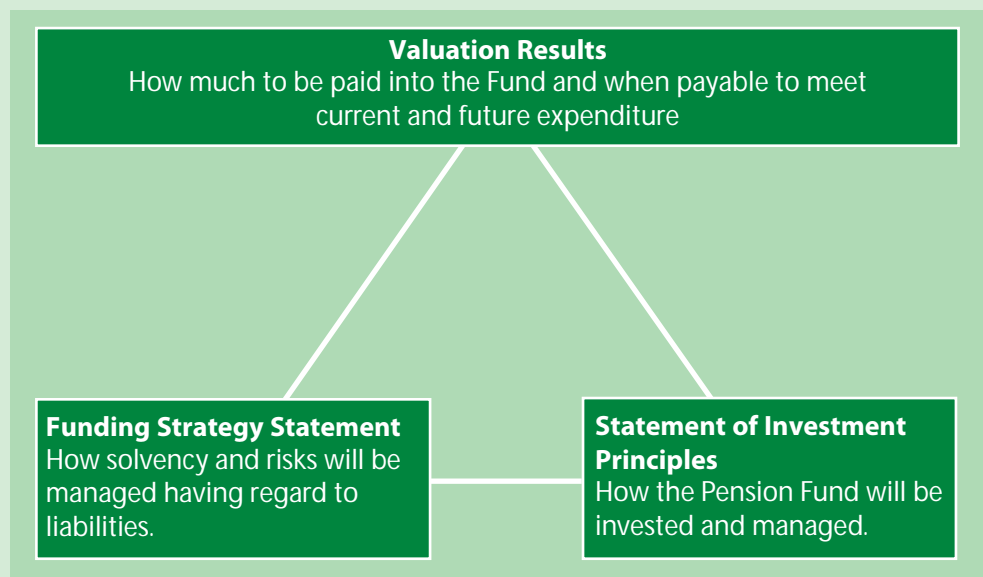
Date: 31 July 2006

Date: 31 July 2006

Appendix (iii) Funding Strategy Statement 2005

1. Introduction

- 1.1. The LGPS Regulations require funds to produce a Funding Strategy Statement by 1 April 2005 (FSS) having regard to the guidance produced by CIPFA. This Statement has been drawn up by the West Midlands PTA Pension Fund in accordance with the regulations and following consultation.
- 1.2. The FSS complements and adds to the Statement of Investment Principles (SIP). The SIP is a supporting document. The Fund has arranged an Investment Strategy Review which informs the FSS and SIP. This review report is also a key supporting document to the FSS.
- 1.3. The Statements relate as follows:



- 1.4. The Fund's actuary takes account of the FSS in his actuarial work for the Fund most notably the actuarial valuation process. This has been done in respect of the 2004 valuation.
- 1.5. The FSS reflects the statutory nature of the Local Government Pension Scheme (LGPS), particularly the defined benefit nature and the benefit payable guarantee. The FSS sets out how benefits will be funded over the long term through an accountable, transparent process with full disclosure of relevant details and assumptions.
- 1.6. The Fund, like all similar public and private sector funded schemes, has seen a gap open up between its assets and pension liabilities.

1.7. A number of factors have contributed to the funding gap and rise in contribution rate:

- (a) poor investment returns following falling equity markets in 2001 and 2002;
- (b) liabilities are valued by reference to index-linked gilt yields. These have fallen substantially, thus raising the value of liabilities and increasing the likely fund deficit;
- (c) increases in longevity of pensioners.

There are some steps that the actuary can take to assist funds. These include:

- (a) recognising the long-term nature of pensions, so that deficits are recovered over time;
- (b) phasing increases in contributions;
- (c) recognising such financial 'improvements' as a reduction in ill-health retirements and changes to the Local Government Pension Scheme (LGPS) (such as retirement at aged 65, and no early retirements before 55).

1.8. Since the fund was established in 1989, there has been a consistent approach with the actuarial valuation process, the link to an investment strategy and balanced management of the risks. The current arrangements continue this approach. The critical element is securing investment market returns from the world markets. The Fund has a long record of achieving solid returns for all of its portfolios. The approach adopted is to ensure a priority is given to achieving at least a market return and as recommended best practice indicates, use asset allocation to deliver the overall investment target.

2. Purpose of the Funding Strategy Statement in Policy Terms

2.1. The purpose of this Funding Strategy Statement (FSS) is:

- To establish a clear and transparent fund-specific strategy which will identify how employers' liabilities are best met going forward.
- To support the regulatory requirement to maintain employer contribution rates as nearly constant as possible.
- To take a prudent longer-term view of funding those liabilities.

2.2. The Fund currently has a net cash outflow. The FSS supports the process of ensuring adequate funds are put aside on a regular basis to meet future benefit liabilities. The LGPS Regulations specify the approach and requirements, the implementation of the funding strategy is the responsibility of the West Midlands PTA acting on expert advice and following consultation.

2.3. The FSS is a comprehensive strategy for the whole Fund. It balances and reconciles the many direct interests that arise from the nature of the scheme and funding of the benefits now and in the future.

3. Aims and Purpose of the Pension Fund

3.1. The aims of the Fund are to:

- Enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost to the admitted bodies having regard to the liabilities.
- Manage employers' liabilities effectively through regular review of contributions and additional contributions for early retirements which lead to a strain on funding.
- Ensure that sufficient resources are available to meet all liabilities as they fall due.
- Maximise the returns from investments within reasonable risk parameters.

3.2. The purpose of the Fund is to:

- Receive monies in respect of contributions, transfer values and investment income.
- Pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses.

The Local Government Pension Scheme Regulations and in particular the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 define these purposes.

4. Responsibilities of the Key Parties

4.1. The LGPS regulations set out the responsibilities of the key parties which are summarised below.

4.2. The administering authority West Midlands PTA:

- Collects employer and employee contributions.
- Invests surplus monies in accordance with the regulations and agreed strategy.
- Ensures that cash is available to meet liabilities as and when they fall due.
- Manages the valuation process in consultation with the Fund's actuary.
- Prepares and maintains an FSS and an SIP, both after consultation with interest parties.
- Monitors all aspects of the Fund's performance and funding. Amends the FSS and SIP as appropriate.

The administering authority discharges its responsibilities in consultation with the two employers and working through a Pension Fund Committee.

4.3. The individual employers:

- Deduct contributions from employees' pay correctly.
- Pay all contributions, including their own as determined by the actuary, promptly by the due date.
- Exercise discretions within the regulatory framework.
- Make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of Scheme benefits and early retirement strain.
- Notify the administering authority promptly of all changes to membership, or as may be proposed, which affect future funding.
- Discharge their responsibility for compensatory added years.

4.4. The Fund's actuary:

- Prepares valuations including the setting of employers' contribution rates after agreeing assumptions with the administering authority and having regard to the FSS.
- Sets employer's contribution rates in order to secure the Fund's solvency having regard to the aims of maintaining contribution rates that are as constant as possible.
- Prepares advice and calculations in connection with bulk transfers and individual benefit-related matters.

5. Solvency Issues and Target Funding Levels

5.1. The Fund currently is mature and has a strong cash outflow and funding gap.

It, therefore, takes an appropriate cautious view on determining employing body contribution rates to meet future liabilities through operating a fund with an investment strategy that reflects this view. It allows short-term investment market volatility to be managed so as not to cause volatility in employing body contribution rates.

5.2. The LGPS Regulations require the long-term funding objectives to achieve and maintain assets sufficient to meet the projected accrued liabilities. The role of the actuary in performing the necessary calculations and determining the key assumptions used, is an important feature in determining the funding requirements. The approach to the actuarial valuation process and key assumptions used at each three yearly valuation are consulted upon and the 2004 valuation forms part of the consultation undertaken with the FSS.

5.3. The overall valuation results for 2004, compared with 2001, are as follows:

	2001	2004
Cost of ongoing pension liabilities	22.3%	21.7%
Less employee contributions	5.2%	5.2%
Plus adjustment for current funding gap*	(17.1%)	10.9%
Average employer rate	0%	27.4%
Funding level	119%	88%
Fund value	£352.1M	£300.1M

* 2004 based on a 15 year recovery period, 2001 based on average future working lifetime (approximately) 10 years.

5.4. The key financial assumptions making up the funding strategy and as adopted for the 31 March 2004 actuarial valuation are:

	In respect of past service liabilities	In respect of future service liabilities
Fixed interest gilts yield	4.6%	n/a
Index-linked gilts real yield	1.8%	n/a
Asset out-performance assumption (pre-retirement)	2.0%	n/a
Asset out-performance assumption (post-retirement)	1.0%	n/a
Real earnings inflation*	1.5%	1.5%
Discount rate (pre-retirement)	6.6%	6.5%
Discount rate (post-retirement)	5.6%	6.5%
Price inflation	2.8%	2.5%
Earnings inflation	4.3%	4.0%
Pension increases	2.8%	2.5%

*plus a salary scale for certain members

5.5. Underlying these assumptions are the following two tenets:

- that the Scheme is expected to continue for the foreseeable future; and
- favourable investment performance can play a valuable role in achieving adequate funding over the longer term.

The asset out-performance assumptions represent the allowance made, in calculating the past service liabilities, for the long-term additional investment performance on the assets of the Fund relative to the yields available on long-dated gilt stocks as at the valuation date. The allowance for this out-performance is based on the liability profile of the Scheme, with a higher assumption in respect of the 'pre-retirement' (i.e. active and deferred pensioner) liabilities than for the 'post-retirement' (i.e. pensioner) liabilities. This approach thereby allows for a gradual shift in the overall equity/bond weighting of the Fund as the liability profile of the membership matures over time.

5.6. In relation to future service (i.e. calculation of the future service contribution rate), the assumptions are not specifically linked to investment conditions as at the valuation date itself, and are based on an overall assumed real return (i.e. return in excess of price inflation) of 4.0% per annum, with a long-term average assumption for price inflation of 2.5% per annum. This approach means that the future service rate is not subject to variation solely due to different market conditions applying at each successive valuation, which reflects the requirement in the Regulations for stability in the 'common rate' of contributions. In the market conditions applying as at the 2004 valuation date, this approach gives rise to a somewhat more optimistic stance in relation to the cost of accrual of future benefits compared to the market-related basis used for the assessment of past service liabilities.

5.7. Full details of the assumptions adopted for the 2004 valuation will be set out in the actuary's formal report, which is made available to all employers in the Scheme.

6. Links to Investment Policy Set Out in the Statement of Investment Principles (SIP)

6.1. The Fund has, for many years after each actuarial valuation, used an asset liability study or some other form of stochastic modelling in order to assist the process of formulating a strategic asset allocation. The outcome from the last exercise are reflected in the SIP. The exercise has been repeated as part of the 2004 valuation exercise and has been part of the consultation on it and the FSS. A revised SIP has been produced to reflect the FSS and Investment Strategy Review.

7. The Identification of Risks and Counter-Measures

7.1. Evaluating risks that may impact on the funding strategy and expectations of future solvency is crucial to determining the appropriate measures to mitigate those risks. The FSS identifies those key risks specific to the Fund and the measures being taken or assumptions made to counter those risks.

7.2. Some of the key risks taken into account and responses are:

Financial

- Investment markets fail to perform in line with expectations.
- Market yields move at variance with assumptions.
- Investment fund managers fail to achieve performance targets over the longer term.
- Asset reallocations in volatile markets may lock in past losses.
- Pay and price inflation significantly more or less than anticipated.
- The effect of a possible increase in employer's contribution rate on service delivery and employers in general.

The Fund undertakes a three yearly review of its investment strategy, taking into account investment risk and future benefit payments to determine a bespoke investment strategy that, for a variety of future economic outcomes, gives a high degree of certainty that the investment objectives will be achieved. Short-term tactical asset allocation investment decisions are not normally made. An annual review is undertaken to take account of market movements and related matters. Investment management briefs reflect the importance of capturing at least a market rate of return and minimising the risk of significantly underperforming an investment market. Further information is available in the SIP.

Demographic

- The longevity horizon of beneficiaries continues to expand.
- Cost of early retirements.

The Fund has in place policies and procedures to identify for employing bodies the impact of these factors and agrees how they will be managed in terms of annual contribution rates and/or as special additional contributions.

Regulatory

- Changes to regulations, e.g. more favourable benefits package, potential new entrants to Scheme.
- Changes to national pension requirements and/or HM Revenue and Customs rules.

These changes agreed and proposed are evaluated and taken into account in the actuarial valuation and closely monitored between valuations in case any action is required.

Employing bodies make contributions to the Fund as cases are approved for early retirement.

Governance

- Administering authority unaware of structural changes in an employer's membership.
- An employer ceasing to exist with insufficient funding or adequacy of a bond.

The Fund has established inter-valuation monitoring and working relations with its two employers to ensure changes are detected, discussed, evaluated and appropriate action agreed. This includes regular reviews of funding levels, and the assessment of the financial standing of employers that are not tax-raising bodies.

Employers

- Sustainability of an employer or their ability to meet their liabilities within the agreed funding strategy.

The Fund's approach to the outcome of the 2004 valuation has had regard to balancing the needs of funding the liabilities and the cost to employers. This is reflected in the approach to the recovery period for meeting any funding gap, together with the risks associated with the investment strategy. It is considered the approach adopted represents an "affordable" solution taking all factors into account.

A risk assessment of the sustainability of the employers has been undertaken seeking to establish the risk of an employer failing to meet their pension liabilities.

The analysis has looked at the following levels of risk:

- provision of guarantees from a public body
- financial standing of the body
- known activities and working activities
- term of the admission agreement
- maturity of workforce

This analysis indicates the risk to the Fund's solvency and ability to meet prior liabilities to be low. It will, however, continue to be monitored.

Appendix (iv) Communications Policy Statement

An effective communications strategy is vital for any organisation which strives to provide a high quality and consistent service to its customers. There are distinct groups with whom the Fund needs to communicate:

- Trustees
- Scheme members
- Scheme employers
- Fund staff
- Other bodies

Set out in this document are the mechanisms which are used to meet those communication needs.

The Fund aims to use the most appropriate communication medium for the audiences receiving the information. This may involve using more than one method of communication.

Trustees

The Fund hosts a microsite (westmids-pensions.com/trustee) which contains relevant information for trustees with regards to training and the role of trustees.

Scheme Members

Internet

The Fund has established an extensive website westmids-pensions.com containing Scheme details, Scheme leaflets etc. There are also links to other organisations relevant to Scheme members, for example, employers, AVC providers, employers' organisations etc.

Abridged Report and Accounts

An abridged copy of the Fund's Report and Accounts is circulated to all Scheme members on an annual basis.

Annual Newsletter

We will issue an annual newsletter to members of the Fund, the contents of which will cover current pension topics within the LGPS and the pensions industry in general.

Benefit Statements

An Annual Benefit Statement is sent direct to the home address of all members who are contributing to the Fund at the previous financial year end.

Benefit Statements are sent direct to the home address of deferred members where a current address is known.

Scheme Literature

An extensive range of Scheme literature is produced by the administering authority and is supplied to employing bodies and Scheme members directly. Copies of this Scheme literature form part of the Fund's website at westmids-pensions.com/pta

Pay Advices

The Fund continues to issue monthly pay advices to Scheme pensioners. This is utilised as a communication mechanism, since messages are included on the back of each one. These may reinforce the need for pensioners to ensure that in the event of their demise or change of address the Fund is notified promptly and on other occasions it is used to convey specific messages, e.g. the need to protect from hypothermia.

Pensions Increase and P60 information is communicated using this medium on an annual basis.

Correspondence

The Fund utilises both surface mail and e-mail to receive and send correspondence.

Telephone Helpline

A dedicated low call rate telephone helpline is provided for Scheme members and is widely publicised in Scheme literature.

A password security system has been implemented which allows Scheme members to transact a significant proportion of their pensions business without having to enter into formal correspondence.

Pensions Roadshow

The Fund stages roadshows where it visits worksite locations. Additionally, satellite roadshows and surgeries are held at outlying sites, particularly when there may be organisational changes occurring which have pensions implications.

Superlink

The Fund issues a quarterly newsletter, '*Superlink*' to its pensioners, which is edited by a group of Fund pensioners. Its contents are, in the main, authored by Fund pensioners, but it is used as a vehicle to inform pensioners not only on pensions matters, but of other items in which they may be interested.

Existence Validation - Pensioners Living Abroad

The Fund undertakes an annual exercise conducted through correspondence in order to establish the continued existence of pensioners living abroad.

Miscellaneous

The Fund sends christmas cards to pensioners aged 90 years and over and pensioners achieving their 100th birthday are, wherever possible, visited by the Chief Pensions Officer.

Scheme Employers

Dialogue Meetings

A dialogue meeting is held between the Fund and employers within the Fund, and is attended by a Principal Pensions Liaison Officer.

These meetings act as a vehicle for passing information between the Scheme employer and the administering authority and for identifying and resolving difficult or outstanding cases.

Notes of meetings and their agendas and minutes are widely circulated within the Service. These meetings are held annually and can also be requested at any time by either party.

Technical Newsletter

A technical newsletter, entitled '*The Brief*', is issued periodically to employers within the Fund. This medium is also used to communicate any issues that are currently under debate. Changes to the Regulations which impact upon an employer's function or their employees are also covered.

Employers' Manual

An employers' manual is issued to assist the smaller employers in discharging their pensions administration responsibilities.

This is supplemented by the allocation of a Principal Pensions Liaison Officer to each employer who is available by telephone or personal visit to assist whenever necessary.

Ill-Health Retirements

A Guidance Manual for Approved Doctors has been circulated to appropriate employers within the Fund. This has been supplemented by organising, in conjunction with the Department for Communities and Local Government, seminars for occupational health advisors.

Internet

A microsite for employers has been established. All manuals and Scheme literature are available on this site at westmids-pensions.com/guide

All Employer Meetings

Periodically meetings are arranged for employers. Specifically, this has been used as a mechanism for communicating major strategic issues, significant legislation changes and triennial valuation matters.

Fund Staff

Service Management Team

The Fund is managed by the Pensions Administration and Investment Services whose Chief Officers report to the Director for Resources and Support.

The Pensions Administration Service Management Team comprises the Chief Pensions Officer, divisional managers and other senior service staff.

It meets on a monthly basis and discusses items of a strategic nature.

The notes of that meeting are circulated in the form of a core briefing by the Chief Pensions Officer and this is placed on the Service's intranet.

The Investment Management Team is the Chief Investment Officer and senior investment staff.

Team Meetings

Office and/or team meetings are held on a regular basis. Any items arising from such meetings can be escalated through senior managers to Chief Officers.

Senior Officers Management Team Meetings - Resources and Support

The Chief Pensions Officer is a member of the Service Group Management Team and attends the regular meetings convened by the Director. The Chief Pensions Officer is able to bring any matters of concern/importance to the attention of the Director through this mechanism.

Any necessary information arising from the Service Group's Management Team meeting is disseminated within the Service, via the Pensions Administration Service Management Team. Due to the nature of the investment work and delegation, the Chief Investment Officer meets with the Director a number of times during any week.

Issues Meetings

Monthly issues meetings take place between the Director for Resources and Support and the Chief Pensions Officer. These meetings review progress being made against annual service plans.

Monthly issues meetings take place between the Chief Pensions Officer and divisional managers on a one-to-one basis.

The issues meeting gives an opportunity to review the work of each division and any other matters requiring discussion. The notes of the meeting are distributed to the participants.

Intranet

Service intranets give all staff access and contain such information as procedure manuals, core briefings, LGPC circulars, etc. This is an effective mechanism for ensuring that information is available to all staff at their work location in a timely manner.

Induction

All new member of staff undergo an induction procedure and an induction/personnel manual is available to all staff.

The Fund has introduced a performance appraisal scheme for staff which is backed by a balanced scorecard approach. There is, therefore, a responsibility on all staff to ensure effective communication at all levels across the service.

Internet

Appropriate staff have been enabled to use the corporate network in order to access the internet.

E-mails

All staff have been given access to the e-mail facility.

Best Value Review Groups

All major developments within the Pensions Administration Service are achieved through the formation of Best Value Review Groups who represent the individual groups within the Service and staff whose work is affected by such developments.

This ensures a shared understanding of the issues and ensures service-wide involvement in their solutions.

The Investment Division complies with FSA requirements in order to benchmark its work and authorities.

Chief Pensions Officer

The Chief Pensions Officer maintains an open-door policy and attempts to make himself available to all staff by regular visits to each division within the service.

Chief Investment Officer

On a similar basis responds to staff and other enquiries.

Website

The Fund has maintained a number of websites for several years.

These include: The Fund website: westmids-pensions.com/pta

The Local Government Pensions Committee National Website: lgps.org.uk

Whilst these are intended primarily as a means of external communication, access to them is helpful to staff. Where necessary, information is also made available on the intranet.

Communication material	Paper based	Electronic form (pdf)	Intranet for staff	Website	Large sight copy	Braille	When published	When reviewed
Short Guide to the LGPS	✓	✓	✓	✓	Upon Request	Upon Request	Constantly Available	Quarterly
All About Your Scheme	✓	✓	✓	✓	Upon Request	Upon Request	Constantly Available	Quarterly
All About Your Retirement Benefits	✓	✓	✓	✓	Upon Request	Upon Request	Constantly Available	Biannually
All About Your Deferred Benefits	✓	✓	✓	✓	Upon Request	Upon Request	Constantly Available	Biannually
Benefit Statements	✓	In a Non-Personalised Form	✓	In a Non-Personalised Form	Upon Request	Upon Request	Annually	Annually
Information Sheets (various)	✓	✓	✓	✓	Upon Request	Upon Request	Constantly Available	Constant Review
Report and Accounts	✓	✓	✓	✓	Upon Request	Upon Request	Annually	Annually
Chief Pensions Officer's "Core Briefing"	✓	✓	✓	✗	N/A	N/A	Monthly	Monthly
Glossary of Pension Terms	✓	✓	✓	✓	Upon Request	Upon Request	Annually	Annually
The Role of an Actuary & Advisor	✓	✓	✓	✓	Upon Request	Upon Request	Annually	Annually
Pension Fund Background Note	✓	✓	✓	✓	Upon Request	Upon Request	Annually	Annually
Customer Charter (Our Service Standards)	✓	✓	✓	✓	Upon Request	Upon Request	Constantly Available	Quarterly
Superlink (Pensioners' Newsletter)	✓	✓	✓	✓	Upon Request	Upon Request	Published Dec, March June & Sept.	After each publication
Dialogue Meeting Notes	✓	✓	✗	✗	N/A	N/A	Annually	Annually
Employers' Manual	✓	✓	✓	✓	Upon Request	Upon Request	Constantly Available	Annually
Pay Advice	✓	✗	N/A	✗	Upon Request	Upon Request	Produced Monthly	After each publication
Pension Officer Group Minutes	✓	✗	✗	✗	✗	✗	Quarterly	Quarterly
Press Articles	✓	✓	✓	✓	Upon Request	Upon Request	As Required	After each publication

Other Bodies

Trade Unions

Trade unions in the West Midlands are valuable ambassadors for the Pension Scheme. They ensure that details of the Local Government Pension Scheme's availability are brought to their members' attention and assist in negotiations.

National Information Forum

The City Council hosts the National Information Forum to which all administering authorities are invited. These meetings provide an opportunity to discuss issues of common interest and share best practice. The Department for Communities and Local Government and the Local Government Pensions Committee are represented at each meeting.

Shrewsbury Pensions Officers' Group

Pensions Officers from administering authorities in the region meet regularly in order to share information and ensure uniform interpretation of the Local Government Pension Scheme, and other prevailing regulations.

The Press

The Fund has developed a national profile through its success in pension industry award ceremonies and articles authored by senior Fund officers.

Seminars

Fund officers regularly participate at seminars and conferences.

Contact Information

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Calls may be monitored for training purposes.