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BUSINESS PLAN

WEST MIDLANDS PENSION FUND

2006 - 2010

WEST MIDLANDS



PENSION FUND

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 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 and at reasonable cost to the taxpayers, scheduled and admitted bodies 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.
- Encourage membership.
- 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 and increasing 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.

Comments on any issues relating to this plan can be made to:

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ORIGINS OF THE FUND AND RESPONSIBILITIES

Following the 1974 reorganisation, all Council employees in the area (excluding teachers, police and fire officers) were members of the West Midlands Superannuation Fund with the former county council as administering body. The 1986 reorganisation led to Wolverhampton Council becoming the administering body for the Fund and local government employee pensions other than teachers, police and fire officers in the West Midlands. Responsibility for administering the Fund is delegated to the Superannuation Committee which has representatives from the district councils as the largest employers and four trade union representatives nominated from the Joint Consultative Panel of trade union representatives from the region. The changes in responsibility for the delivery of Council services has seen a growing number of private sector firms and voluntary organisations becoming members of the Fund in respect of the workforce that delivers public services.



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.

The administering authority (Wolverhampton City Council):

- 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.

The administering authority discharges its responsibilities with the active involvement from the major employers, the district councils and trade union representatives combined with consultation with other interested parties. The individual employers:

- Deduct contributions from employees' pay.
- Pay all contributions 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, early retirement funding 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 which the administering authority pays on their behalf and is subsequently recharged to them.

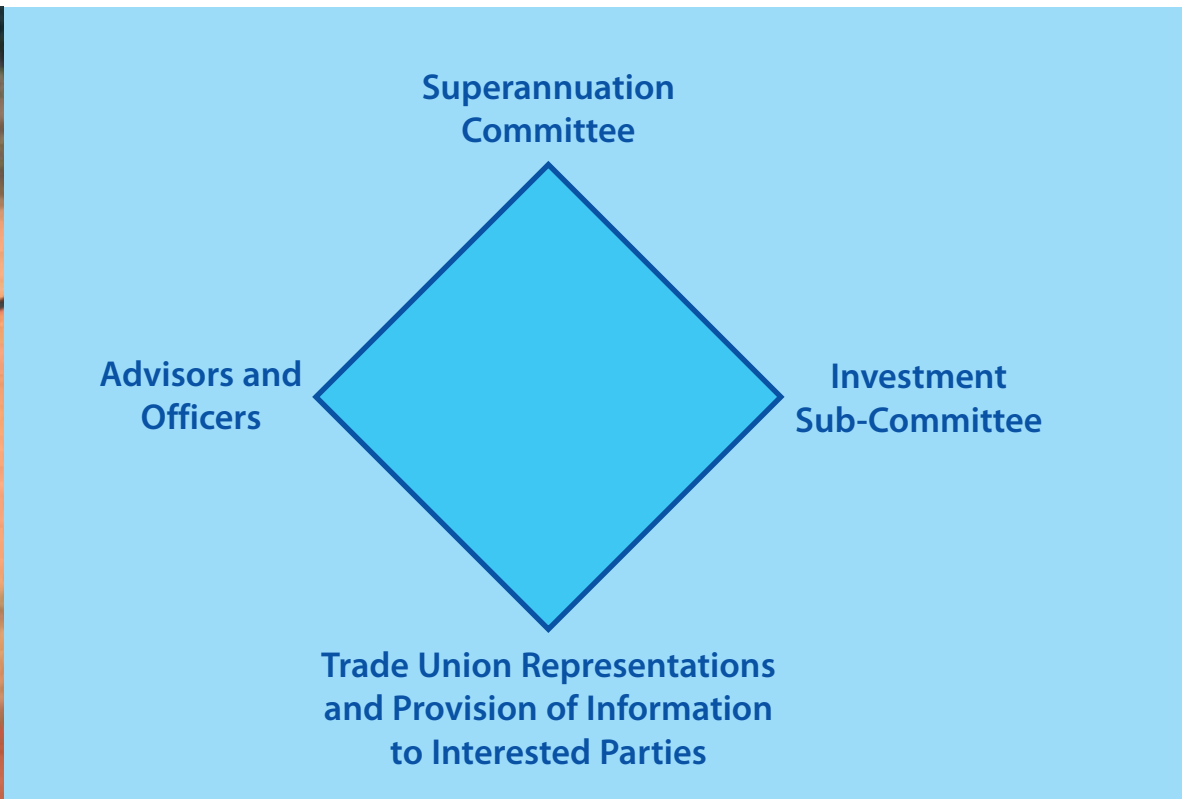
The Fund's actuary:

- 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:



Superannuation Committee

The management of the administration of benefits and strategic management of the assets is fundamentally the responsibility of the Superannuation Committee established by Wolverhampton City Council (the administering authority) which has representation from the seven West Midlands metropolitan district councils and local trade unions. The Committee administers the scheme in accordance with the regulations and best practice, and determines the strategic management of the assets based upon the professional advice it receives and the investment objectives set out.

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 in the West Midlands.
- 2) To put in place and monitor the arrangements for 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.

The key duties in discharging this role are:

- 1) Monitor compliance with legislation and best practice.
- 2) Determine admission policy and agreements.
- 3) Monitor pension administration arrangements.
- 4) Determine investment policy based upon a medium term benchmark and quarterly reviews agreeing a short term position relative to the benchmark.
 - a) Benchmark (medium term)
 - b) Tactical (quarterly)
- 5) Monitor policy.
- 6) Appoint committee advisors.
- 7) Determine detailed management budgets.

The Council delegation to Superannuation Committee is as follows:

- a) To exercise the functions of the Council in relation to the administration of the West Midlands Metropolitan Authorities Pension Fund arising by virtue of the Local Government Pension Scheme Regulations 1997, and any subsequent related legislation.
- b) To exercise all the general powers and duties of the Council granted to cabinet teams and standing bodies provided that those parts of the Council's Financial Procedure Rules and Contracts Procedure Rules which relate to the acquisition and disposal of land and the approval of expenditure, shall not apply in relation to such acquisitions and disposals and expenditure in connection with the Pension Fund.
- c) To ensure that equality issues are addressed in the development of policies and the provision of services and are appropriately monitored.
- d) To ensure that consideration is given to the impact which the Committee's policies and provision of services have with regard to environmental matters.
- e) To determine, in consultation with the Cabinet arrangements for the revision and delivery of services within the terms of the Best Value framework.

Investment Sub-Committee

The Investment Advisory Sub-Committee has oversight of the implementation of the management arrangements and comprises representatives from the seven district councils and two local trade unions. The Committee meet at least four times a year and its key duties are:

- i) Monitor investment management arrangements.
- ii) Review strategic investment opportunities.
- iii) Appoint and dismiss segregated managers.
- iv) Monitor implementation of investment policy.
- v) To advise on the establishing of policies in relation to investment management including the appointment and approval of terms of reference of independent advisors to the Fund.
- vi) To monitor investment activity and the performance of the Fund.
- vii) To oversee the investment management functions of the Pension Fund.

The Director for Resources and Support implements the Committee policy and manages the day-to-day operational functions through the Chief Investment Officer and Chief Pensions Officer. The Committee and Members are advised and supported by the Chief Executive, Director for Resources and Support and Chief Legal Officer from Wolverhampton City Council.

Trade Unions Representation and Provision of Information to Interested Parties.

The Fund invites relevant trade unions to send representatives to a Joint Consultation Panel which meets at least three times per year to consider the activities of the Fund and elect four representatives to the Superannuation Committee and two to the Investment Sub-Committee. Although these representatives do not have voting rights they are treated as equal members of the committees, for example they have access to all Committee papers, officers, meetings and training as if they were Council members and have an opportunity to contribute to the decision making process.

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 Superannuation Committee and Investment Advisory Sub-Committee to receive appropriate and timely advice. Against this background its principal advisors are as follows:

- i) High level advice on general management from the Chief Executive of Wolverhampton City Council who is also the Investment Management Monitoring Officer as set out in the Fund's investment compliance manual.
- ii) Legal and general administrative advice and management from the Chief Legal and Procurement Officer of WCC who is also the monitoring officer for Wolverhampton City Council.
- iii) Financial and technical advice from the Director for Resources and Support of Wolverhampton City Council who is the lead senior support officer. The Director is the Section 151 officer of Wolverhampton City Council and has direct responsibility for the in-house management.
- iv) Chief Investment Officer is the senior full time officer who provides technical advice to members and officers, as well as implementing the investment strategy through a team of professionally qualified staff and external managers.
- v) Chief Pensions Officer is the senior full time officer responsible for pensions administration and communications.
- vi) A range of external specialist advisors as follows:

Gartmore	Investment policy, quarterly 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.
Healey and Baker Investment Managers	Commercial and industrial property matters, day-to-day management of properties and transactions involving the sale and purchase of property (excluding agricultural).
John Fender Consultancy	Independent property advice.
PIRC	Company governance issues.

Other specialist advisors are used as and when needed.

Role of Council Members

Wolverhampton Council is responsible for administering and discharging the functions as Administering Authority for the West Midlands Pension Fund. In addition to discharging the administration of benefits, recording of contributions etc. the Council is also responsible for the investment of the Fund monies. Because the Fund covers the majority of local government employees in the West Midlands, as well as many admitted bodies, representatives from all seven district councils serve on the Committee and the Investment Sub-Committee. There is also active representation on behalf of the employees and pensioners from trade union representatives.

Investments are a special area for members to consider as it is different to normal Council 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	Superannuation Committee Reports	Presentation	Sub-Committee			
			Reports	Presentation	Conferences/Seminars	Visits
Investment Governance	✓			Occasionally	LAPFF December Conference	Partial
Investments	✓	Occasionally	✓	Occasionally		✓
i) Strategies	✓			✓		✓
ii) Asset Use	✓				✓	✓
iii) Myners	✓					✓
iv) Economies	✓	Quarterly		✓		✓
Pensions Admin.	✓	Occasionally			JCP Meetings	
Role of Members	✓ (Annual/Website)					

Notes

1. Sub-Committee members attend LAPFF Conference, other training seminars and every two years a week's training through a study tour approach.
2. Chair attends LAPFF meetings.
3. Each Sub-Committee aims to have two presentations around reviewing managers and knowledge building about an investment area. Over a two year period all major markets and investment vehicles covered.
4. JCP meets three times a year and will receive presentations on admin. matters, particularly new areas of activity or legislation.
5. There is a dedicated website for members which acts as a data source for them.
6. The roles and responsibilities of members are presented annually 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 and can be different for members e.g., members of the Investment Advisory Sub-Committee will have a greater level of knowledge of investment matters.

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 although there are elements of occupational pensions legislation that are relevant. The key provisions of related legislation that affects pension schemes and impacts on the role and activities of trustees.

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 DB 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. 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.

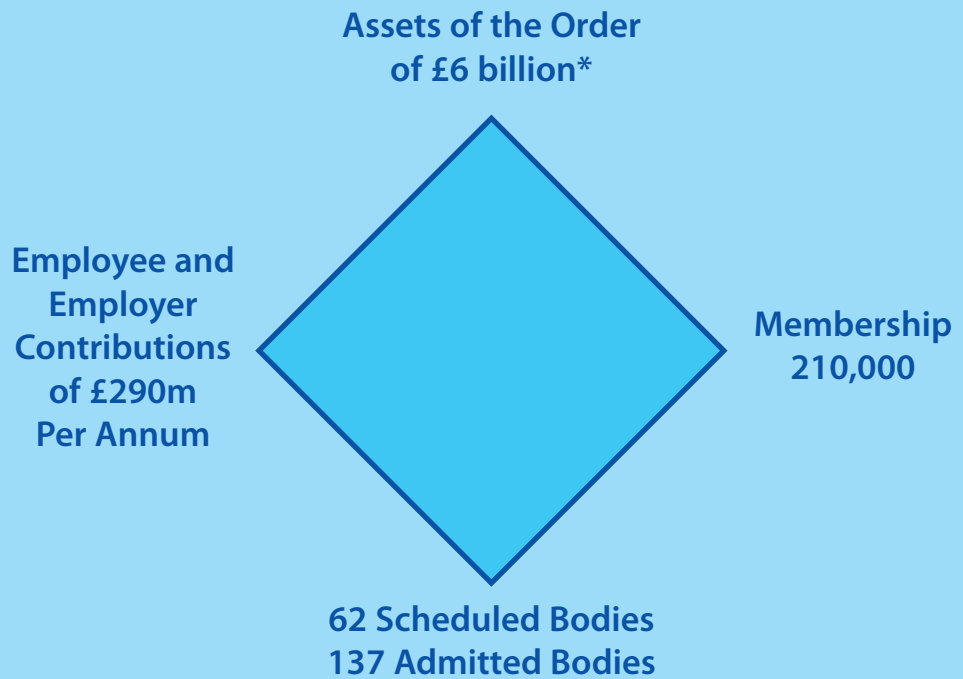
9. Fund Management

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

Further details are attached as Appendix (i) Member Training Scheme.

DETAILS OF THE FUND

The key statistics for the Fund are as follows:



**as at 31 December 2005*

Further details as at 31 March 2005 are as follows:

Scheme Membership

Active	101,000
Deferred	56,000
Pensioner	53,000

Total	210,000
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Common employers' rate	9.9%
Employees' contributed rate	6.0%
Administrative costs	£3.9M
Investment costs	£4.0M

Strategic Investment Benchmark	%
UK equities	37
Overseas equities	27
Global equities	6
Private equity	5
Total Equities	75
Alternatives	2
UK fixed interest	5
UK index-linked	5
UK corporate bonds	5
Property	8
Cash	-
Total Non-Equities	25
Total Assets	100

TEN YEAR SUMMARY STATISTICS OF THE FUND

Account	1996/ 1997	1997 1998	1998/ 1999	1999/ 2000	2000/ 2001	2001/ 2002	2002/ 2003	2003/ 2004	2004/ 2005	2005/ 2006
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue Account										
Income										
Contributions (net)	168.9	187.7	211.3	210.9	221.6	234.1	249.0	264.9	288.4	310.6
Investment income (net)	112.4	109.7	114.8	126.3	118.1	128.3	123.6	137.1	157.4	166.1
Profit on realisation of investments	69.0	138.4	48.1	190.1	170	128	92.0	57.4	154.2	1,087.7
	350.3	435.8	374.2	527.3	509.7	490.4	464.6	459.4	600.0	1,564.4
Expenditure										
Pensions and benefits (net)	158.1	164.1	171.9	178.2	187.2	201.6	209.1	216.2	228.2	240.3
Transfer values (net)	(2.6)Δ	27.3	(14.2)*	(19.7)##	(10.6)#	(2.8)	(6.7)	(11.0)	10.0	0.3
Excess of income over expenditure	194.8	244.4	212.2	367.0	333.1	291.6	262.2	254.2	361.8	1,323.8
Market value of investments 31 March	3,345.6	4,173.8	4,544.4	5,412.8	4,951.5	4,866.4	3,805.2	4,751.4	5,396.1	6,901.0

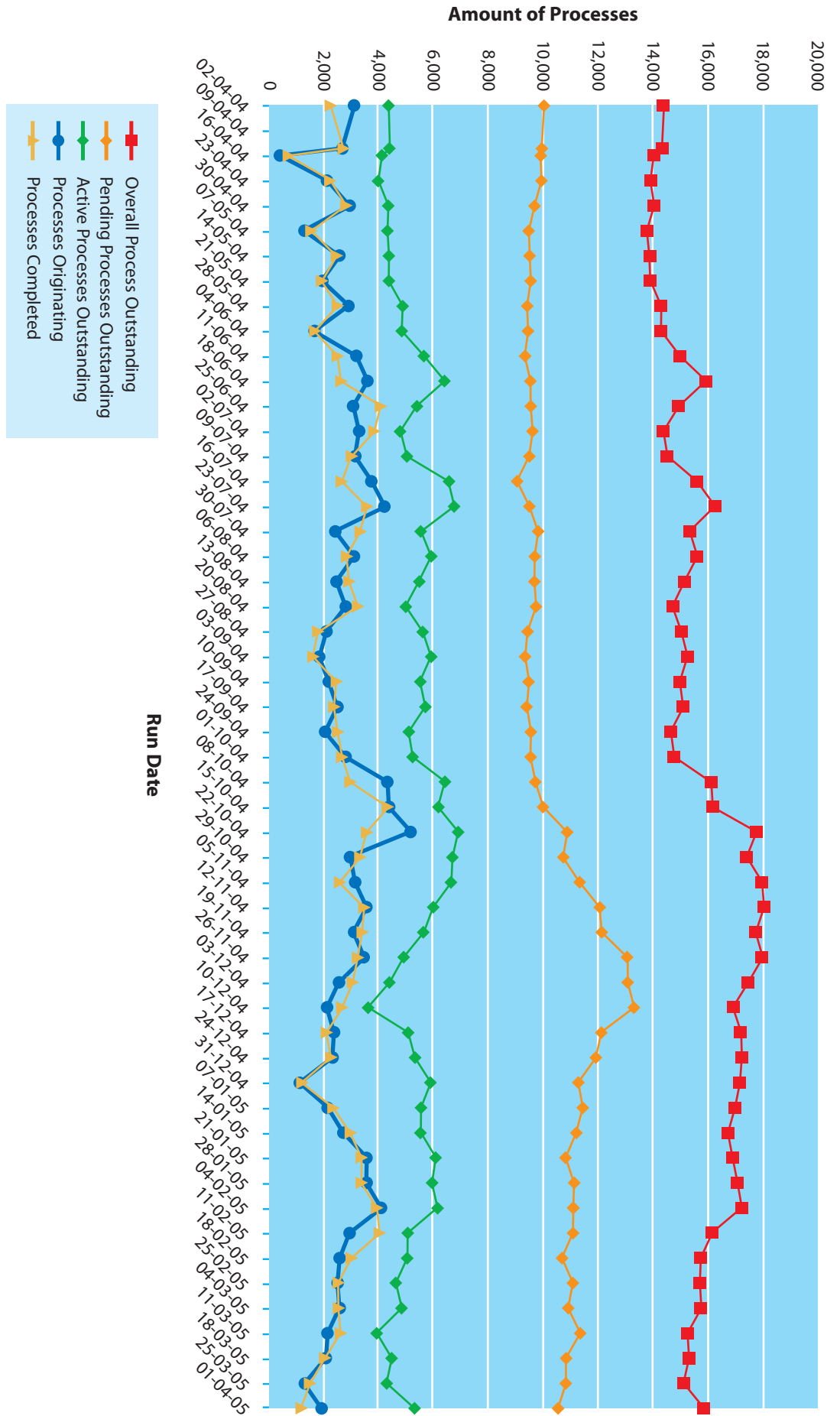
Δ Includes £26.2m paid on 30 April 1998 in respect of 432 Birmingham International Airport employees who transferred their accrued pension rights to the new Airport pension scheme.

* Includes £8.0M received in respect of pensions mis-selling

Includes £12.7M received in respect of pensions mis-selling

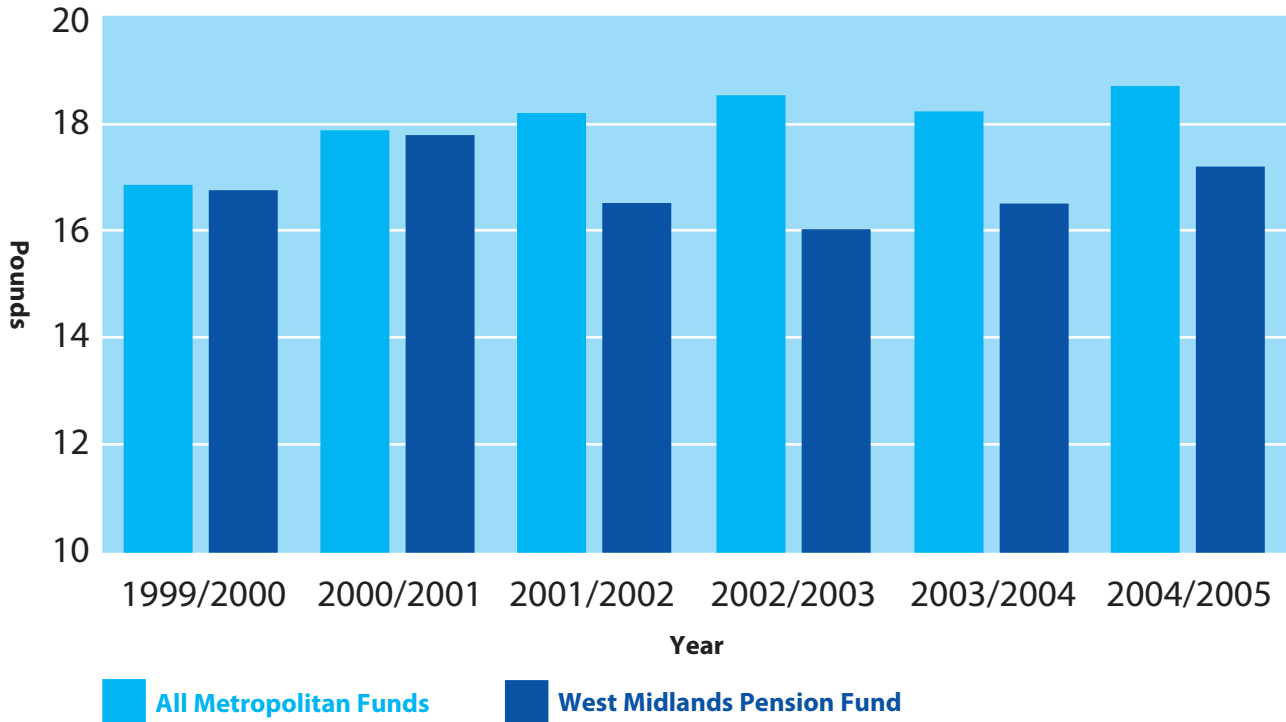
Includes £5.6M received in respect of pensions mis-selling

PROCESS ANALYSIS

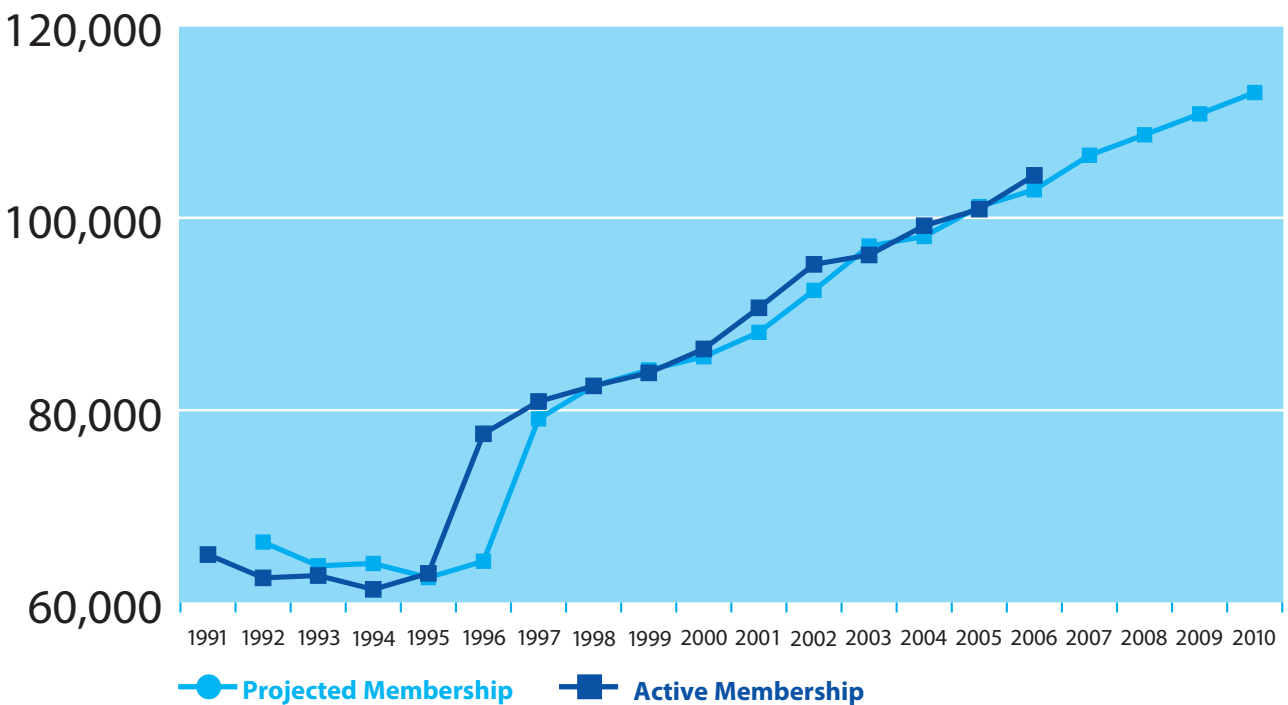


UNIT COST - PENSIONS ADMINISTRATION

(SOURCE: DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT SF3)



ACTIVE MEMBERSHIP: ACTUAL vs PROJECTED INCREASE YEAR ON YEAR 2%

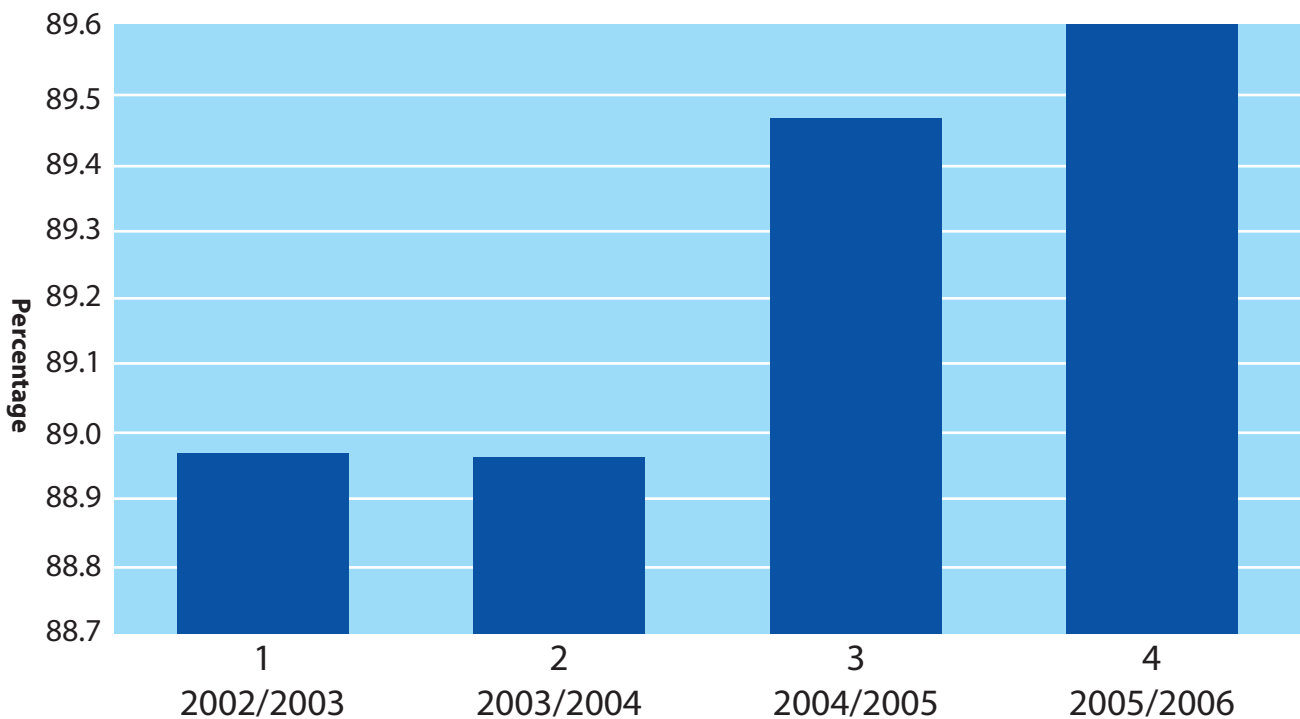


PAYROLL TIMETABLE 2006/2007

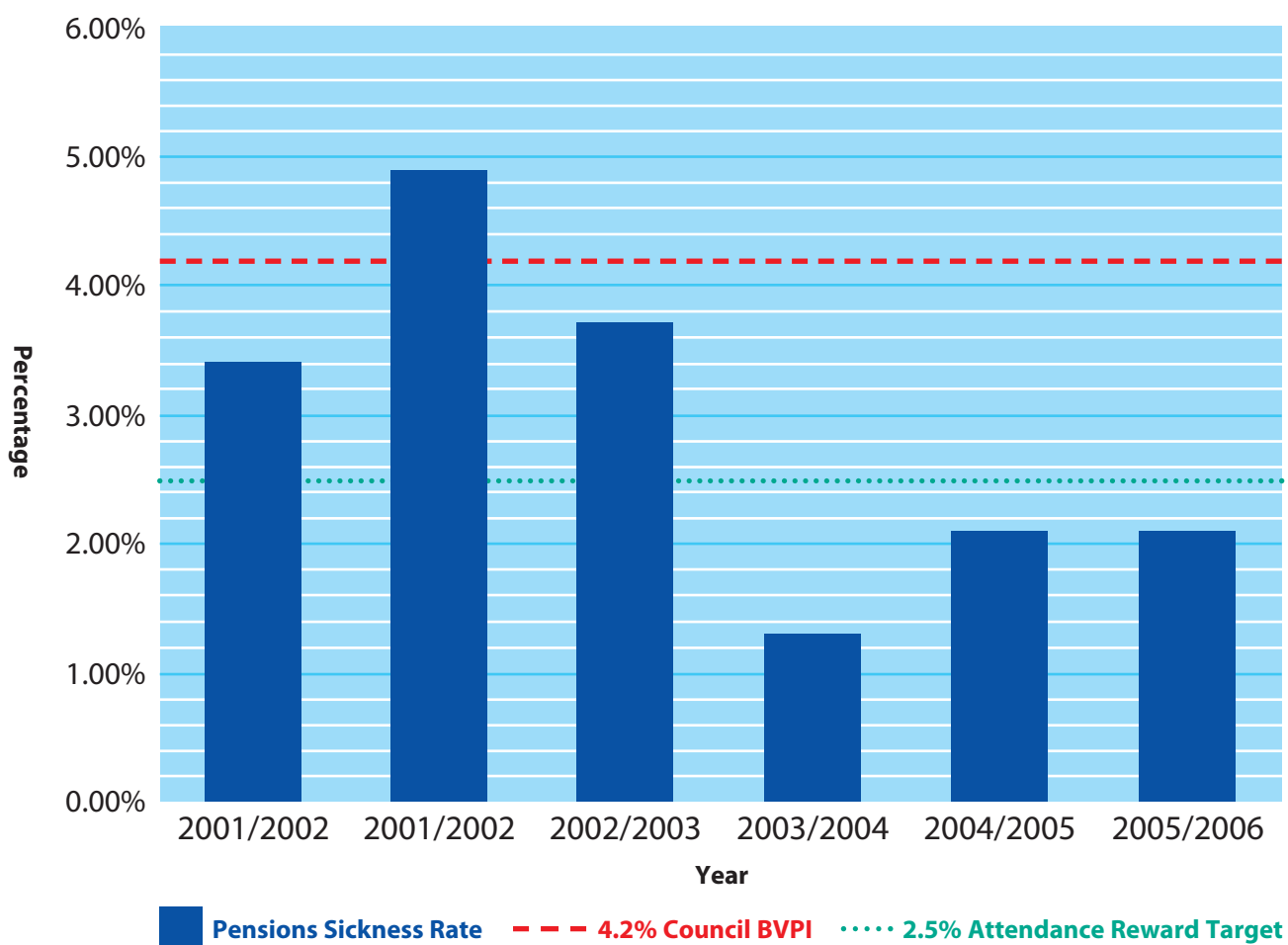
Payroll	Month	Edit Run	Main Payroll Run	Latest Date/ Time Final Pay Advices Ready for Collection from ICTS 9.00am	Posting Date	BACS Processing Date	Paydate	Month	BACS Processing Julian Date	Achieved
01, 02 M	1	07.04.06	10.04.06	13.04.06	20.04.06	24.04.06	25.04.06	1	06114	Yes
01, 02 M	2	12.05.06	15.05.06	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, 02 M+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

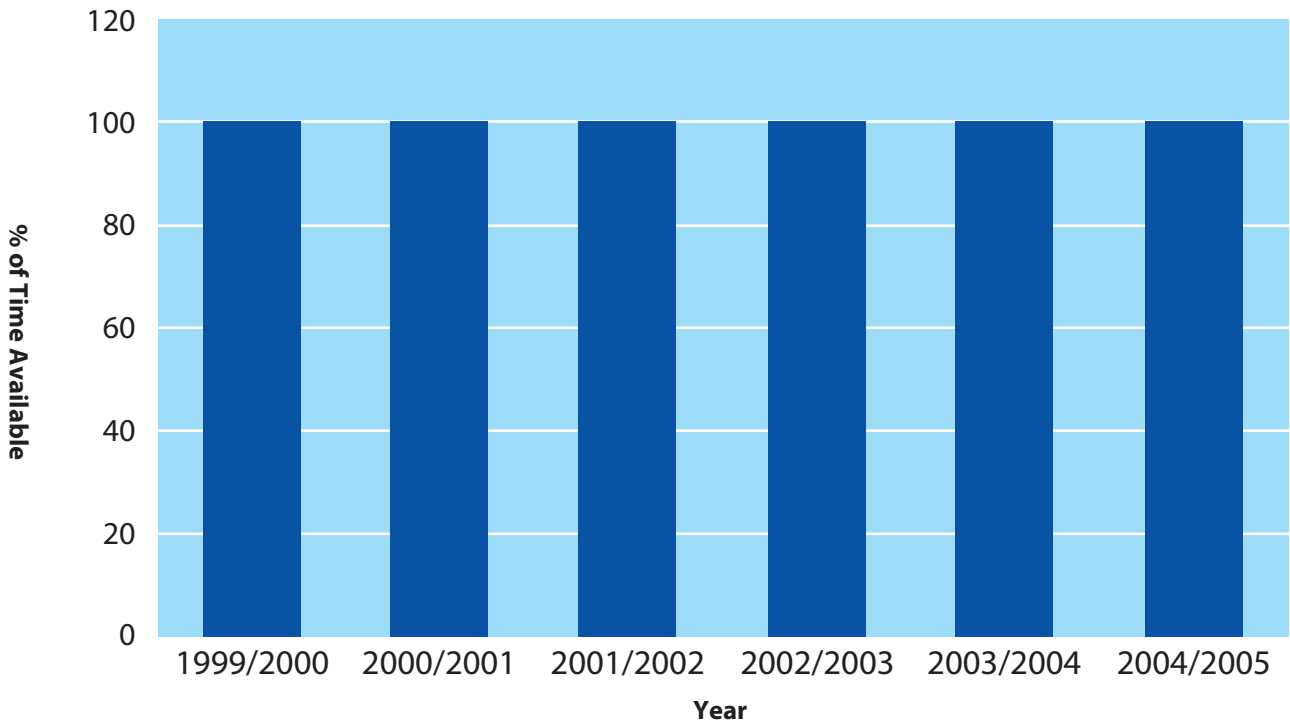
(SOURCE: ANNUAL SATISFACTION SURVEY/ONGOING CUSTOMER SATISFACTION SURVEY)



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



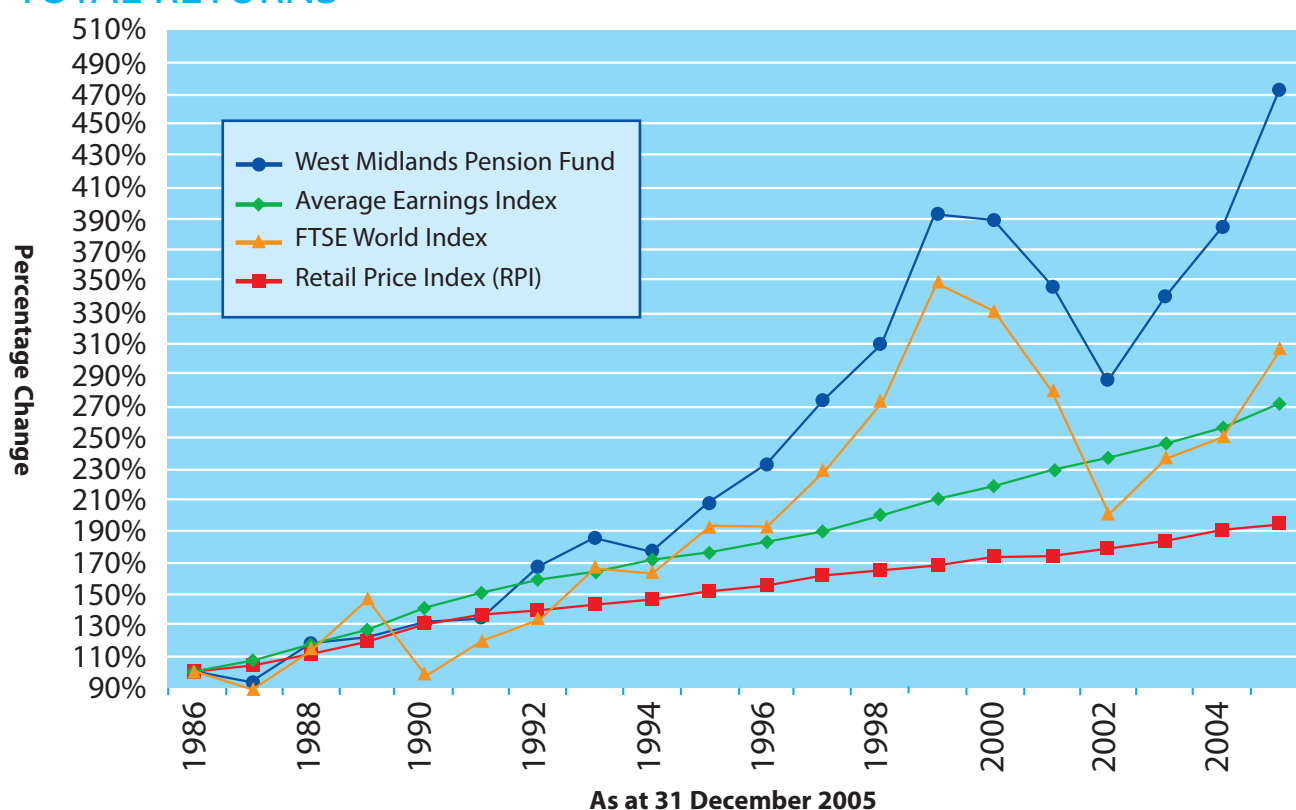
AVAILABILITY OF COMPREHENSIVE COMMUNICATIONS PLAN



Investments Returns

The graph below shows the cumulative movements of the Fund since 1986, resulting from the implementation of the Committee's approved investment policies. The returns are plotted against the FTSE World Index, Retail Price Index and Average Earnings Index for the same period.

TOTAL RETURNS



Over the last ten years the annualised returns have been of the order of 5% to 10% for equity markets, 8% for index-linked and nearly 13% for property.

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

During the ten year period, there has been significant market volatility, for example, UK equities -22.3% in 2002 to +21.9% in 2005 and Japanese equities -24.9% in 2000 to +40.7% in 2005. The focus of the Fund's investment strategy has been to consistently favour equity markets which, whilst in some years causes a movement away from the benchmark return and return of other funds, over time returns are less volatile and achieve funding objectives. The higher than average exposure to equities has generally, over the years, enabled the Fund to take advantage of the better performing markets. The exceptions to this trend being 2000-2002. In these years a greater exposure to bonds and reduced holding in equities would have been more beneficial.

	%
UK Equities	8.0
North America	7.8
Europe	9.9
Pacific	4.9
Japan	0.8
UK Bonds	8.4
Overseas Bonds	6.0
Index Linked	8.1
Property	12.8

The average fund returning 8.3%

The Pension Fund's overall return, relative to other funds over recent years, has until 2002 been close to the average fund return. Prior to 2001 the Fund's annual returns over the period 1994 to 2000 gave it upper quartile returns. The pattern returns is as follows:

Year	Other Large Pension Funds	West Midlands Fund	Relative Performance
	%	%	%
1996	10.5	11.3	+0.8
1997	17.0	17.1	+0.1
1998	14.2	12.9	-1.3
1999	21.6	25.3	+3.7
2000	-1.1	-1.4	-0.3
2001	-8.3	-11.8	-3.5
2002	-12.9	-17.6	-4.7
2003	17.0	16.2	-0.8
2004	11.5	11.6	+0.1
2005	20.3	21.1	+0.8

The increased equity returns from 2003 to 2005 have moved the Fund back towards its earlier better relative performance, with the Fund again achieving upper quartile returns in 2005.

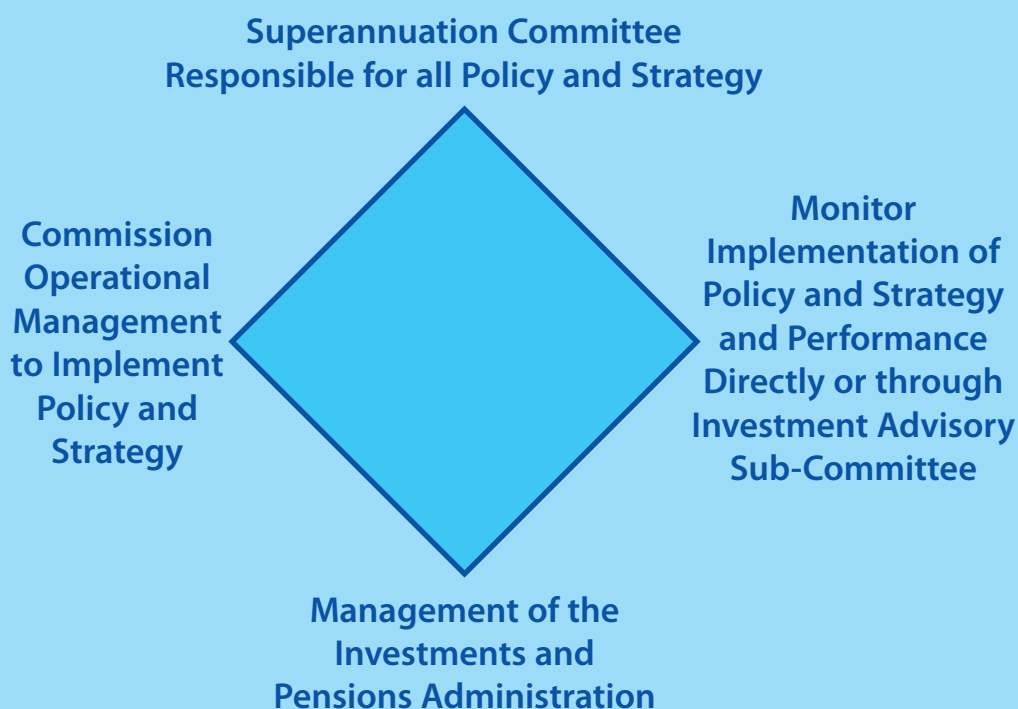
The range of returns earned by funds around the average in any one year tends to be plus or minus 4% to 5%. When the returns of individual funds are evaluated over a number of years, the variation narrows considerably to plus or minus 1.5% to 2%.

The Fund, has within the strategic asset allocation which is seen as key to achieving solid returns, used external managers to add value with specific targeted briefs. Managers will be changed for a number of reasons such as prolonged periods of underperformance or the departure of key personnel. Over recent years the changes have been as follows:

Appointment of new managers		
- Global Equities	MFS	December 2002
	Bank of Ireland	December 2002
	Putnam	December 2002
	BGI	December 2003
	Alliance Bernstein	October 2005
	Axa Rosenberg	October 2005
- UK Equities	State Street	November 2003
	Hendersons	November 2003
	GSAM	September 2005
- Corporate Bonds	Royal London	February 2003
- European Equities	DIAM	September 2005
	BGI	September 2005
- US Equities	Intech	November 2005
	Blackrock	November 2005
- UK Gilts	ECM	May 2006
	Legal and General	May 2006
Termination of manager contracts		
- UK Equities	UBS	March 1999
- American Equities	Amex	October 2001
- UK Equities	Aberdeen	April 2002
	Deutsche Bank	July 2003
	Gartmore	July 2003
- Global Equities	Putnam	December 2003
- Global Equities	Bank of Ireland	December 2004
- European Equities	Deutsche Bank	December 2004
- Emerging Markets	Russell	February 2006

OPERATIONAL MANAGEMENT

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

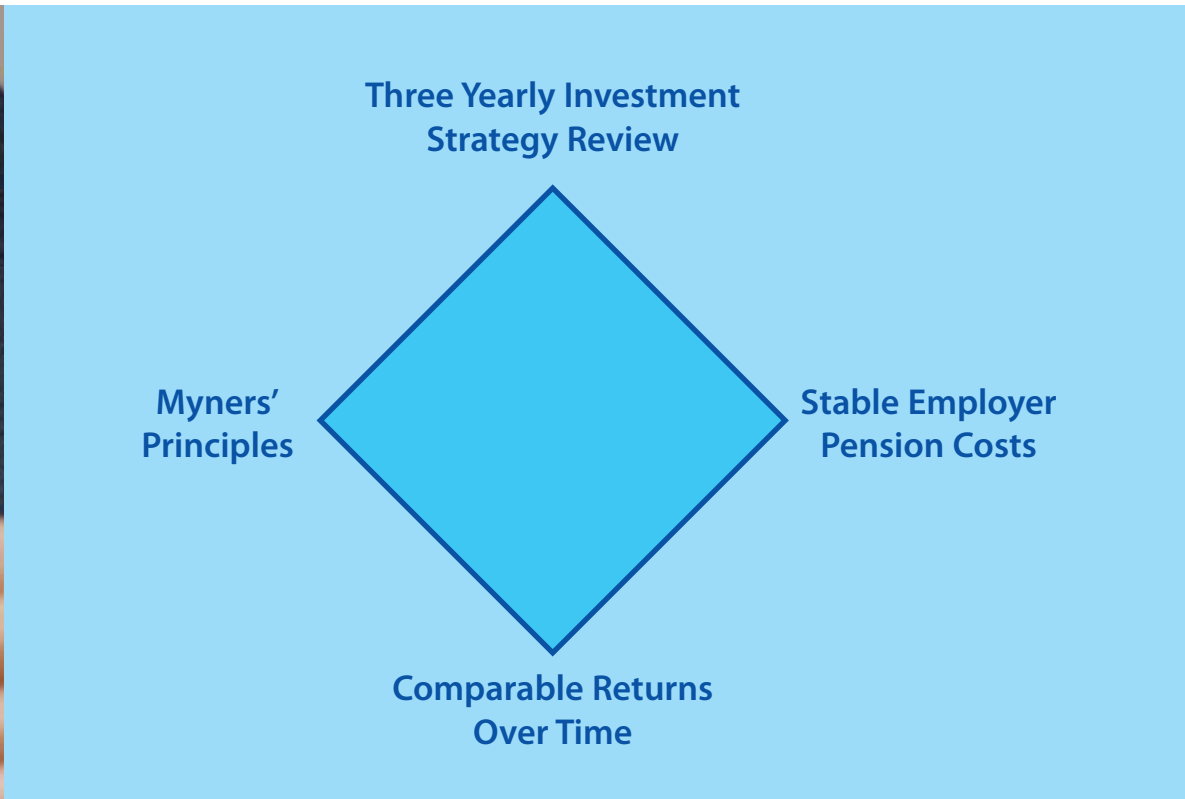


The management arrangements for the Fund are divided between two Divisions - Investments and Pensions Administration. These Divisions are the responsibility of the Director for Resources and Support to whom administration and investment management arrangements are delegated, subject to the reporting of all investment transactions undertaken to the next available Committee meeting.

The Fund 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. This results in a significant in-house provision but the use of outside services for a number of specialist activities, e.g. computer software, specialist technical advice or investment management, legal transactions, etc.

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.
- 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.

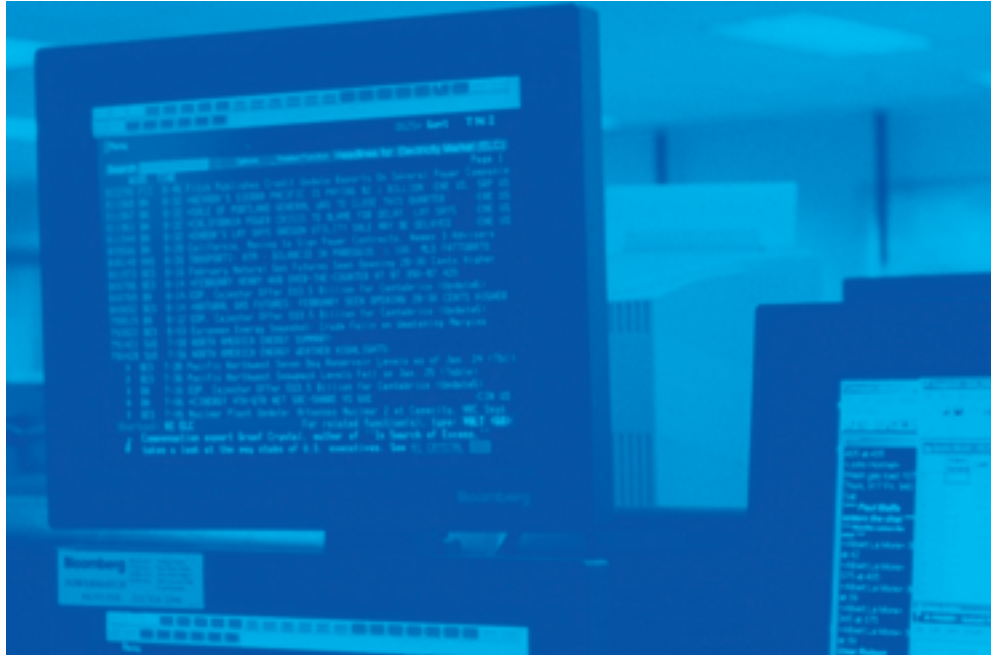
The actuary's Investment Strategy Review is important in setting the framework for determining a benchmark, as it balances the various risks associated with the main asset classes against the need to match the Fund's projected liabilities over the medium to long-term. The study is based on an analysis 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 Superannuation Committee at its meeting in December 2004. 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 a range of expert advisors in place to support its investment objectives detailed in its Statement of Investment Principles. A key element is the role of Fund officers described on page 11.

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

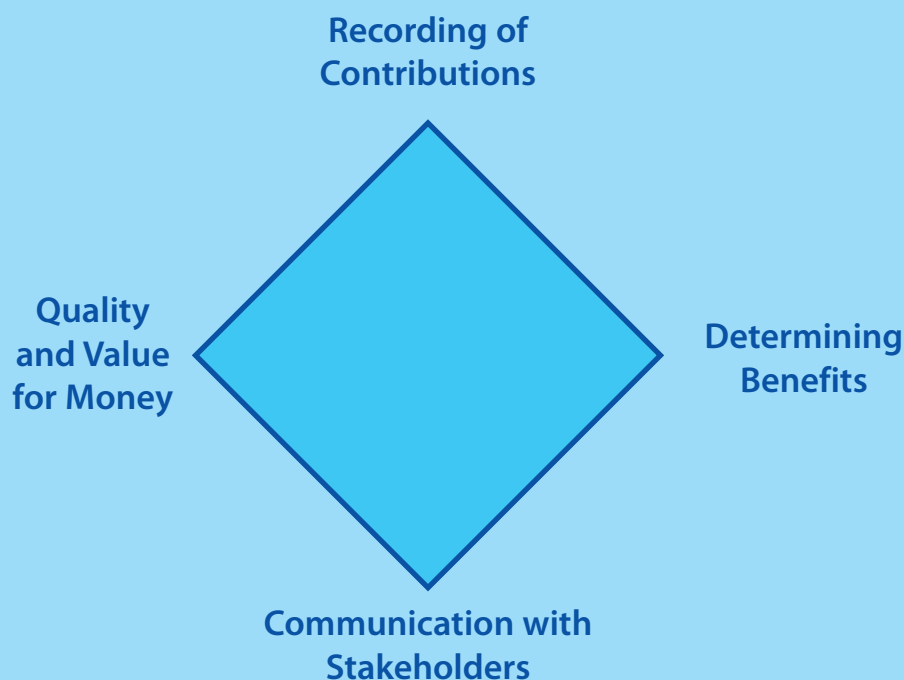


In particular, it will:

- i) Implement the decisions of the Committee and Sub-Committee.
- ii) To record and account for all investment activity.
- iii) To measure performance and investment returns (both in-house and externally managed portfolios) and monitor against Fund's objectives.
- iv) To report to Committee on significant issues and, on a quarterly basis, the implementation of investment strategy, movement of funds and quarterly investment activity.
- v) To operate within the agreed strategy and approved budget.
- vi) To keep under regular review investment opportunities and emerging issues.
- vii) To operate in accordance with the scheme of delegation.
- viii) To undertake direct investment activity in accordance with scheme of delegation, SIP, investment strategy and best performance practice.
- ix) To implement the Fund's corporate governance policy and active engagement with companies.
- x) To manage risks in accordance with the risk management framework.

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 Inland Revenue 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.



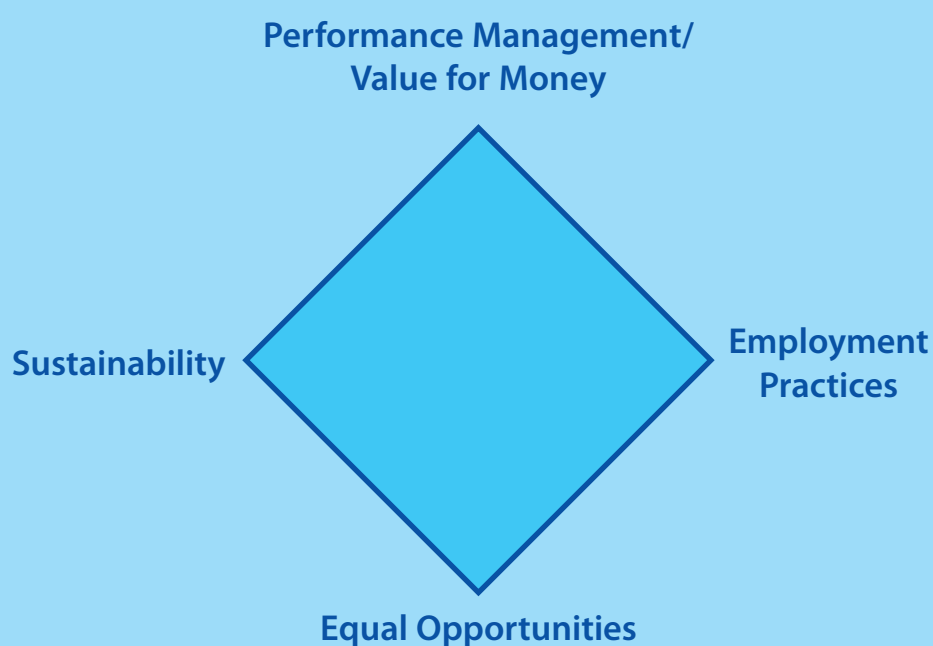
- Provides regular performance information reports on a quarterly basis to Committee.
- Operates within agreed strategy and approved budget.
- Regularly reviews the processes and systems utilised by the Service in support of the Pensions Administration function.
- Manages risks in accordance with the risk framework.
- Maintaining an up-to-date website: www.westmids-pensions.com
- 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 Scheme membership along with promoting 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 Administration Division activities are directed by the Superannuation Committee and the Division 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.

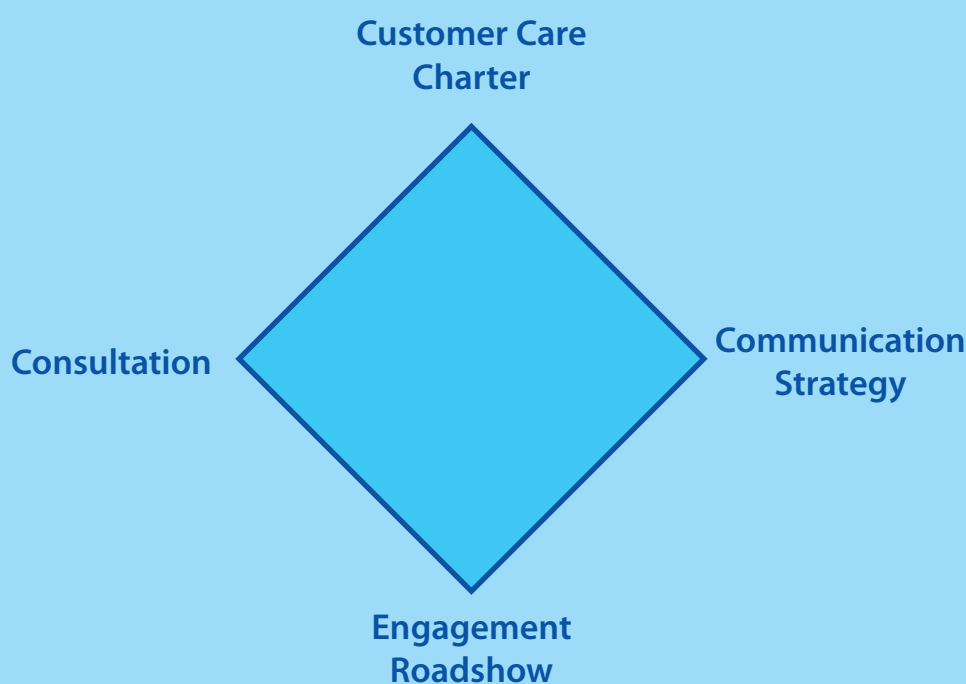
Sustainability

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
- Prospective 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

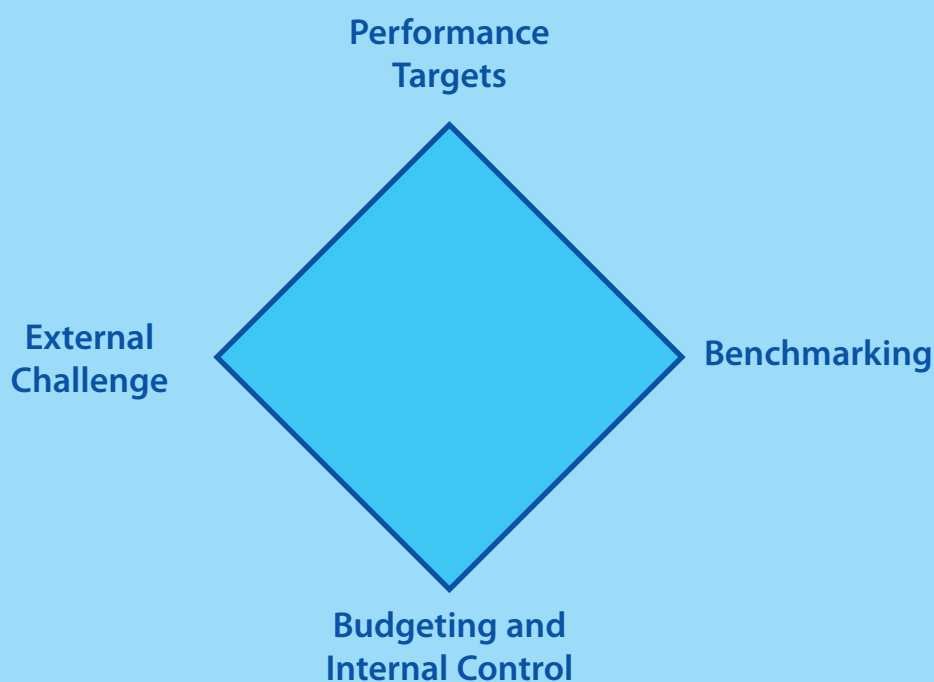
The individual members and potential members of the Fund are seen as priority customers and in order to respond to their needs, the Fund regularly goes out to their location of work to promote the Fund and deal with their queries. Around 3,000 individuals are engaged with through the roadshow.

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. Medium and long-term investment returns to at least match returns of other funds.</p>	<p>Return of 7.5% to 8% per annum on average. Match the five and ten year investment returns of pension funds, which are likely to be in the order of 7.5%.</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"> • Proxy votes cast at over 900 general meetings. Expand proxy voting outside UK. • Engage with companies through LAPFF.
<p>Investment management procedures follows best practice.</p>	<ul style="list-style-type: none"> • Quarterly compliance reports to Superannuation Committee. • Myners' compliant 	<ul style="list-style-type: none"> • No major compliance problems. • Practice all ten principles.

Benchmarking

The Fund aims to match and where appropriate exceed established best practice in the private and public sector. This is achieved by being able to demonstrate four key elements have been considered and addressed on a regular and ongoing basis:

- extensive public and service user consultation demonstrating the service provided is what the customer wants.
- benchmarking of costs and processes.
- development of a performance based culture.
- quality management approach and processes.

Benchmarking with comparable funds to demonstrate the Fund's performance is around the following quality and cost data:

- i) Unit Costs - Overall operational cost
 - Pensions administration costs
 - Investment management costs
- ii) Investment performance with due regard to risk
- iii) Awards for quality
- iv) External audit report

Details are provided in other sections.

The Fund's costs match the lowest and working processes and procedures have been developed through the use of external consultants, along with other organisations that are recognised as operating good practices is used order to ensure the Fund matches best practice.



INVESTOR IN PEOPLE



CUSTOMER SERVICE EXCELLENCE

Budgeting and Internal Control

The Fund sets detailed annual revenue budgets for its operational activities each year. These are monitored and delivered to on a regular basis (see *Details of the Fund* on page 16).

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

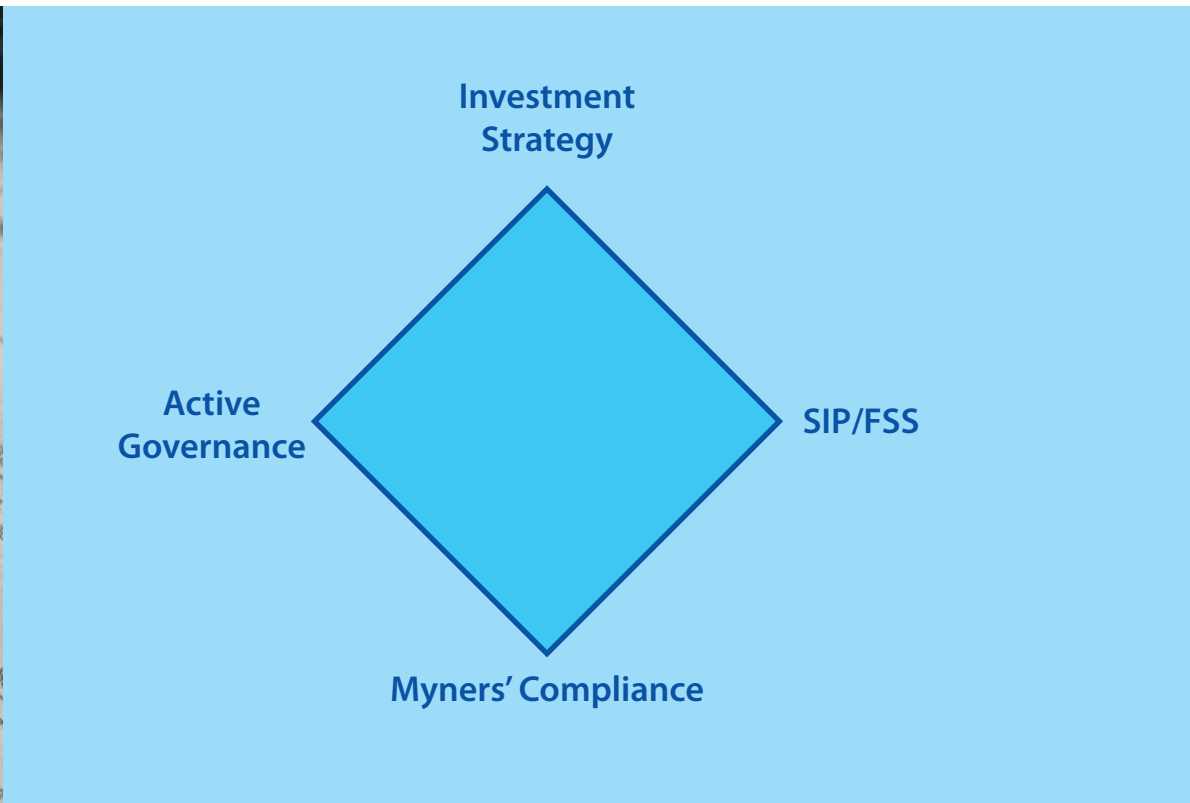
The Fund believes that external challenge is the spur to good performance and service delivery and puts in place a number and variety of processes and mechanisms for external challenges which are referred to in this document. In summary, some of the major external challenges are:

- i) External audit
- ii) Advisors
- iii) Interested third parties based upon information made available
- iv) Trade union representation
- v) National awards and quality accreditation



INVESTMENT MANAGEMENT

The Fund's investment objectives contained in its Statement of Investment Principles (SIP) are:



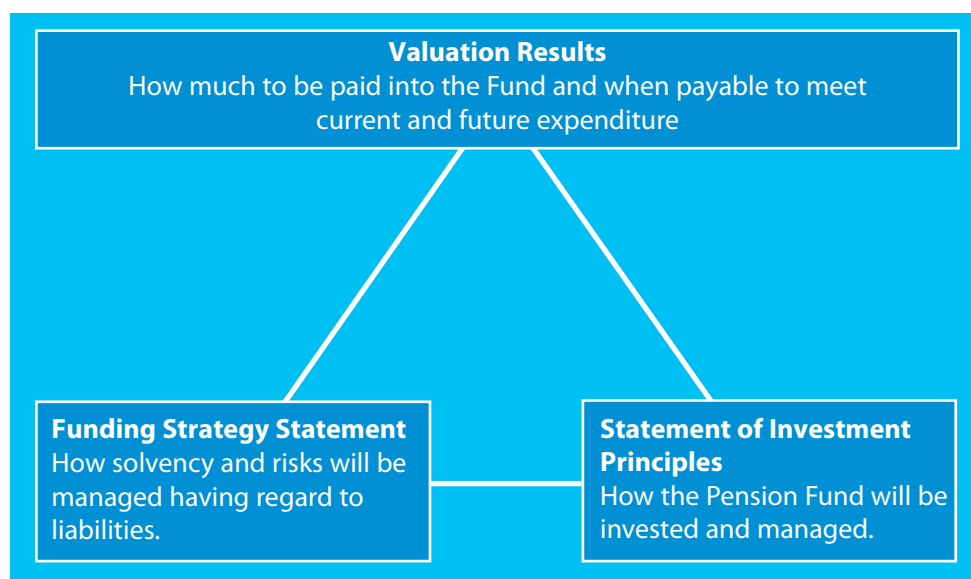
Investment Strategy

As referred to on pages 26, 27 and 28, the investment strategy is a key driver for achieving the Fund's investment objective and meeting the best possible investment return having agreed to the investments risks. The Superannuation Committee at each quarterly meeting reviews the investment strategy based upon advice from its advisors. The implementation of this investment strategy is monitored quarterly by the Investment Sub-Committee. The Superannuation Committee undertakes an annual review of how effective the strategy has been and the contribution from the various elements.

Over time, the process has been refined but remains broadly the same, delivering the investment objectives or indicating where action is required. The Fund's investment returns were strong in the 1990s reflecting its relatively high exposure to equities. The difficult equity markets in 2000 to 2002 depressed returns. Returns of over 16% in 2003 and 11.6% in 2004 helped offset some of the earlier negative returns. The 10 year returns of over 13% per annum dropped to 6.0% in 2003 rising back up to 7.4% in 2004. This is still significantly above inflation and pay awards at 2.7% and 4.1%

Statement of Investment Principles (SIP) and Funding Strategy Statement (FSS)

The Fund's investment strategy is contained in those documents, attached as Appendix (ii) and (iii), and relates as follows:



-Myners' Compliance

The 2001 Myners' Report into institutional investment has set best practice principles for the management of pension funds which the West Midland Pension 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.

The Fund regularly reviews its compliance with these principles reporting in its Annual Report and Accounts and highlighting further areas for development.

Active Governance

The Fund has a long standing policy of supporting good corporate governance in the companies in which it invests.

The corporate governance requirements on companies can be summarised as complying with the following:

- Companies Act
- UK Listing requirements
- Model Code covering
 - Insider trading
 - Financial services legislation
 - Market abuse issues
- Cadbury, Greenbury, Hampel reports
- Turnbull Report on governance requirements covering:
 - System of internal control
 - Financial risk
 - Operational risk
 - Reputational risk
 - Compliance
 - Risk management
- Myners' Report
- Higgs and Smith reports
- Overriding pensions legislation

- New combined code covering arrangements for:
 - Board of directors
 - Directors' remuneration
 - Relations with shareholders
 - Accountability and audit
 - Audit committees
- A robust response to socially responsible and sustainable issues relevant to their sector.

Social responsibility means giving consideration to issues that give rise to social concerns, e.g. employment practices, human rights, use of natural resources, environmental issues and external business standards. This links to and encourages the issues around sustainability that have a rapidly growing significance for companies from a legislative, reputation and practical operational stand point.

The Myners' principles indicate funds should follow an active shareholder engagement approach which the Fund does using its position to influence the corporate practices of companies in which it invests.

The reasons for shareholder engagement are:

- i) Recognised as good practice.
- ii) Expectation of pension funds by many interested parties (directly and indirectly).
- iii) To improve the position of companies by increasing the prospects of them creating wealth for shareholders and interested parties by minimising business risks and maximising business opportunities.
- iv) Address the risks to the funds assets that arise from poor governance.

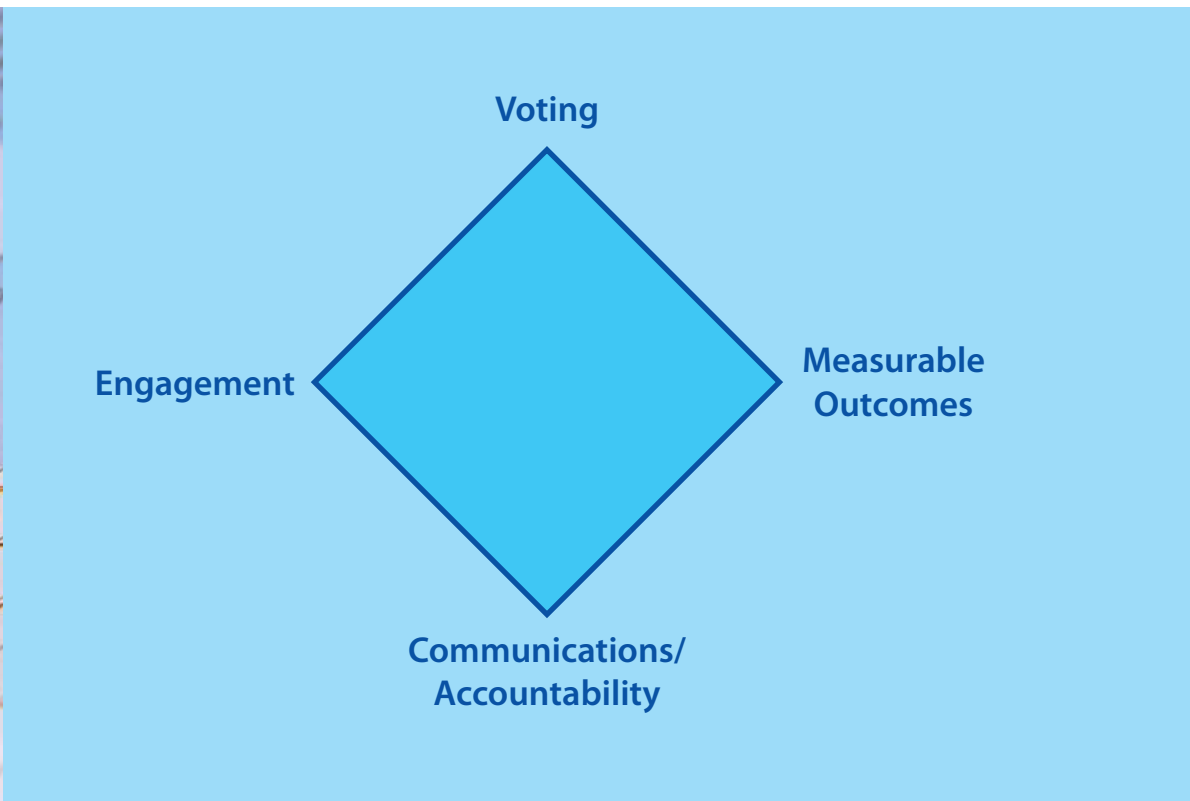
Shareholder engagement is achieved by:

- i) Writing to company management.
- ii) Special meetings with companies.
- iii) Questions and discussions with companies at routine meetings and AGMs.
- iv) Joining or supporting campaigning or pressure groups.
- v) Issuing public statements/briefings.
- vi) Proxy voting.
- vii) Preparing or supporting shareholder resolutions.
- viii) Investing in vehicles to improve governance standards through investment action.

The Fund uses its proxy voting rights at all UK company AGMs and EGMs and where possible its holdings in the US and Europe to encourage and support best company practice. It is seeking to expand its voting, carried out by PIRC, its voting partner, on behalf of the Fund using the Fund's agreed voting template. The Fund is a member of the Local Authorities Pension Fund Forum (LAPFF) which seeks to actively engage companies with poor practices to seek improvements. Reports of the activities of the Fund in these areas are made to the Superannuation Committee and summarised in the Fund's Annual Report and Accounts. Details are provided on the Fund's website. The Fund also holds investments aimed at more actively improving governance in poorer performing companies and funds aimed at promoting sustainable products and services.

Measuring The Fund's Governance Activity in its Investments

In responding to the responsibilities of seeking good governance of its individual holdings, the Fund has identified four key elements:



In analysing the Fund's action in these four areas it has identified the following as measures it is to achieve to demonstrate good governance of the assets it holds in a meaningful and measurable format.

Voting	Score
Voting policy	(1)
Detailed specific voting template	(1)
Votes cast in UK	(1)
Votes cast in US	(1)
Votes cast in Europe	(1)
Votes cast in other	(1)
Reports to members	(1)
Reports to interested parties	(1)
Clear accountability between shares held and votes cast	(1)
Costs of voting known	(1)
Maximum score	(10)

Measurable Outcomes

Percentage of votes cast	UK more than 50% of holding	(2)
	US more than 50% of holding	(2)
	Europe more than 50% of holdings	(2)
	Other more than 10% of holding	(1)
Example of changed company behaviour linked to Fund's voting		(3)
Maximum score		(10)

Engagement

Direct meetings with companies	(2)
Direct sponsorship of governance research	(2)
Joint engagement with others	(2)
Meets Myners' requirements	(4)
Maximum score	(10)

Communication/Accountability

SIP	(2)
FSS	(2)
Annual report	(2)
Information on website on governance	(2)
Information on website on votes cast	(2)
Maximum score	(10)

Whilst recognising the subjective nature of the areas, evaluating the position of the Fund gives a score of the order of 7 with plans to move towards 10 (see below).

It is difficult to measure outcomes and set priorities for active governance. The Fund's priorities are moving to being set by its approach to risk management – improving the governance of its individual holdings thereby reducing the risk of company failure and loss of value.

The Fund takes the opportunity to vote at AGMs and EGMs largely to express its support for the company management but also to express concern about company governance issues where appropriate. The concerns are identified by reference to:

- i) The Fund's voting policy statement.
- ii) Governance issues that may arise during the year that impact on a company's management and could impact on shareholder values.

The Fund also attempts to identify governance issues in its underlying investment holding companies which could damage its long term financial interests. This risk analysis is based upon the following potential adverse impacts on a company:

- i) Reputation.
- ii) Falling short of its peers on social, environmental or ethical trends.
- iii) Slow in responding to social changes and trends.
- iv) Falling short of its peers on meeting new OFR and other reporting standards.
- v) Comparatively weak board structure in terms of make up, expertise, independence.

By identifying these governance risks in companies, the Fund aims, through its engagement strategy, to improve the governance weaknesses and protect its long term share values.

The engagement process is through the following routes:

(i) Voting at AGMs and EGMs

As outlined in 1. the Fund, through a proactive voting policy, vote its shares constructively based upon a comprehensive analysis of company voting issues.

(ii) Action with Other Concerned Investors

The Fund recognises that to gain the attention of companies in addressing governance concern, it needs to join with other investors with similar concern. It does this through:

- (a) LAPFF
- (b) Voting on shareholder resolutions
- (c) Joining appropriate lobbying activities
- (d) Funding research into governance issues

In terms of its engagement approach with other investors, it is most significant through LAPFF. The governance issues addressed can be summarised as follows:

- (i) Specific company issues as they arise.
- (ii) Climate change and greenhouse gas emissions.
- (iii) Workforce management
- (iv) Responding to consultation on change in legislation and professional body practice requirements.

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) Separate audit fee negotiated with external auditor that reflects use of well-qualified and experienced staff supported by pensions partner and actuarial expertise.
- ii) Structured delegation of powers and reporting of activity.
- iii) Regular internal audit of Fund's activities with two major audits each year covering investments and administration.
- iv) Council-wide risk management approach involving members and senior officers.

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

Investment management risk is managed through the use of:

- i) Regular specialist external audit.
- ii) Regular internal audit.
- iii) Separation of accounting responsibilities between investments and accountancy.
- iv) Careful and continual monitoring of investment and investment management risks.

Investment and investment risk management is undertaken on a regular basis and has the following key elements:

- i) Three yearly asset allocation review analysing investment risk.
- ii) Quarterly monitoring and reporting of asset allocation relative to risk controlled benchmark.
- iii) Risk monitoring and target setting for portfolios and managers.
- iv) Quarterly test checking of internal investment transactions.
- v) Full reporting of all transactions quarterly to Investment Sub-Committee.
- vi) Externally framed compliance system based upon best practice.
- vii) Specialist compliance monitoring staff covering internal and external managers.
- viii) Separation of duties within investments.
- ix) Specialist systems to measure portfolio risks.

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. Develop a response to investment opportunities.	<ul style="list-style-type: none"> i) Monitor and highlight opportunities with due regard to risk. ii) Explore and evaluate options with Sub-Committee and interested parties.
7. 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.
8. 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.
9. Responding to investment corporate governance issues.	<ul style="list-style-type: none"> i) Develop voting and engagement strategy to reach more investments.
10. 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
6. Review new opportunities.	All relevant investment opportunities reviewed.	100%	Ongoing	Ongoing
7. Review all alternative investments.	All relevant alternatives reviewed.	2%	Ongoing	Ongoing
(ii) Member Training	<ul style="list-style-type: none"> • Wide range of knowledge building opportunities provided. • Educational visit 1 week in every 2 years. • 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

Key Reporting Framework

	Superannuation Committee	Sub-Committee
1. Annual Report and Accounts	October	
2. Benefits' activity	Quarterly	
3. Investment performance		
i) Overall	April	
ii) Ongoing		Quarterly
4. Investment opportunities		Quarterly
5. Members' knowledge	June Ongoing	Quarterly
6. Myners' compliance		Annually
7. Governance – investments	Quarterly	Quarterly
8. Operational estimates	December	
9. Legislative changes	As appropriate	

Note

- Annual Report and Accounts demonstrate Fund's activity over a number of key performance areas, e.g. VFM investment returns, Myners' compliance, etc.*
- The Joint Consultative Panel meets at least three times a year and focuses on services for employees and pensioners.*

BACKGROUND SUPPORTING PAPERS

- Annual Report and Accounts
- Investment Strategy Review

Appendix (i) Member Training Scheme

Guidance on the Scope of Trustee Knowledge and Understanding

Taken from the Pension Regulations Code (27 October 2005)

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 and with the trust deed and documents.

- The definition and nature of a pension trust.
- Fiduciary duties.
- Conflicts of interest.
- Professional advice and decision making.
- The role of advisors and suppliers to the scheme.
- The particular role and use of advisors where a scheme or employer is under threat or a scheme is in wind up.
- Fitness and properness to act as trustees.
- Taking office.
- Ceasing to hold office.
- Investing funds.
- Operating the scheme in accordance with the trust deed, rules and subsequent amendments.
- The role of the auditors.
- Protections offered to trustees.
- The importance of sound administration arrangements.

The Law Relating to Pensions

This includes occupational pensions legislation (in outline) and the key provisions of related legislation that affects pension schemes and impacts on the role and activities of trustees.

- Occupational pensions legislation.
- Disputes resolution.
- Pensions-related legislation.
- The tax privileges and requirements for occupational pension schemes.
- The interface between occupational schemes and state pensions provision.
- The particular powers of the regulator in the event of disagreement between the trustees and the employer.

Investment: Defined Benefit (DB) and Defined Contributions (DC) Scheme Occupational Arrangements (including AVCs)

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

- Capital markets.
- The major asset classes and their characteristics.
- The implications of overseas investment.
- The existence of specialised asset classes, instruments and techniques.
- Risk v reward.
- Valuation of assets (DB schemes only).
- With profit arrangements and how they work (as appropriate).

Funding: Defined Benefit (DB) Occupational Arrangements

This includes the principles relating to the funding of occupational DB schemes and the way in which funding is dependent upon the financial circumstances of the sponsoring employer and the value of the liabilities of the scheme.

- How the funding for occupational DB pension arrangement works.
- The nature of the employer/trustee relationship and the effect of pension liabilities on the sponsoring employers.
- The nature and strength of the employer covenant and its ability and willingness to meet the cost of members' benefits.
- How liabilities are valued.
- Funding targets.
- Potential risks to the scheme.
- The impact of trustee powers.
- Transfers and bulk transfers in and out of schemes.
- Additional pension funding by employees.

Contributions: Defined Benefit (DB) Occupational Arrangements

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

- The assumptions underlying the contribution calculations.
- The nature and status of professional advice.
- Funding deficits.

Strategic Asset Allocation: Defined Benefit (DB) Occupational Arrangements

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

- How to fund particular future benefits.
- The process of strategic asset allocation.
- Reviewing asset allocation decisions.

Funding: Defined Contribution (DC) Occupational Arrangements (including AVCs)

This includes the principles relating to the funding of occupational DC arrangements and the risks borne by scheme members.

- How the funding for occupational DC pension arrangements works.
- The risks borne by members.
- The implications of contracting out.

Investment Choice: Defined Contribution (DC) Occupational Arrangements (including AVCs)

This includes the principles relating to the choice of investments.

- Investment strategy and member investment choices.
- Administration procedures specific to DC arrangements.

Fund Management: Occupational Defined Benefit (DB) and Defined Contribution (DC) Scheme Arrangements (including AVCs)

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

- The statement of investment principles (SIP).
- Measuring performance including the use of indices.
- The ownership of assets.
- The structure of investment portfolios.
- The selection of fund managers.
- Continuing review of investment arrangements.

Guidance on the Requirement to be Conversant with Scheme Documents

Trustees need to be conversant with the documents that are particular to their own scheme so that they are able to make use of those documents in carrying out their functions.

The Scheme's Trust Deed and Scheme Rules

This includes any subsequent amending documents.

- The duties, powers and discretions of trustees.
- The balance of power between employer and trustees.
- Classes of members in the scheme.
- Benefits offered.

The Scheme's Statement of Investment Principles (SIP)

- Responsibilities for investment decisions.
- The investment objectives.
- The asset allocation strategy (DB schemes only).
- Investment mandates.
- Fee structures (DB schemes only).
- Charges (DC arrangements only).
- The type of investments undertaken (DC schemes only).
- Socially responsible investment and corporate governance.

The Scheme's Statement of Funding Principles (SFP) (Defined Benefits Schemes Only)

- Responsibilities for preparing the SFP.
- The Scheme's statutory funding objective.
- Contents of the SFP.
- Review of the SFP.

Other Relevant Scheme Documents

This includes the Scheme booklet, announcements and member communications, minutes of meetings that record current policy and the annual report.

- Scheme booklet, announcements and other member communications.
- Actuarial valuation and advice.
- Minutes of meetings.
- Annual report and accounts.
- Any significant insurance policy.
- Any significant agreement or contract.
- Any trustee approved procedures.
- Statement of compliance with the Myners' principles (where appropriate).
- Terms of reference of any sub-committee (where relevant).
- Memorandum and articles of corporate trustee (where applicable).
- The scheme business plan.
- Trustees should be aware of where all original documents are kept and of the arrangements for their custody, safekeeping and access.

Appendix (ii) Statement of Investment Principles

Introduction

The West Midlands Pension Fund has drawn up this Statement of Investment Principles (“the SIP”) to comply with the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998. In preparing this Statement, assistance has been provided by Mercer Investment Consulting and its other advisors. This statement is available to anyone with an interest in the Fund and the public generally.

Overall investment policy falls into two parts. The strategic management of the assets is fundamentally the responsibility of the Superannuation Committee established by Wolverhampton City Council (the administering authority) which has representation from the seven West Midlands metropolitan district councils and local trade unions. The Committee determines the strategic management of the assets based upon the professional advice it receives and the investment objectives as set out in *Investment Objectives and Risk* on page 60. The Investment Advisory Sub-Committee has oversight of the implementation of the management arrangements and comprises representatives from the seven district councils and two local trade unions. The Committees meet at least four times a year. A Joint Consultative Panel made up of local trade union members meets three times a year.

The roles of the members and Committee are as follows:

Role Of Superannuation Committee Member

Principal Accountabilities

1. To discharge the functions of the administering authority for the application of the Local Government Pension Scheme Regulations in the West Midlands.
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.

Key Duties

(a) Superannuation Committee Members

1. Monitor compliance with legislation and best practice.
2. Determine admission policy and agreements.
3. Monitor pension administration arrangements.
4. Determine investment policy -
 - (a) benchmark (medium-term)
 - (b) tactical
5. Monitor policy.
6. Appoint committee advisers.
7. Determine detailed management budgets.

(b) Investment Advisory Sub-Committee

1. Monitor investment management arrangements.
2. Review strategic investment opportunities.
3. Appoint and dismiss segregated managers.
4. Monitor implementation of investment policy.

The Council delegation to Superannuation Committee is as follows:

- (a) To exercise the functions of the Council in relation to the administration of the West Midlands Metropolitan Authorities Pension Fund arising by virtue of the Local Government Pension Scheme Regulations 1997, and any subsequent related legislation.
- (b) To exercise all the general powers and duties of the Council granted to cabinet teams and standing bodies provided that those parts of the Council's Financial Procedure Rules and Contracts Procedure Rules which relate to the acquisition and disposal of land and the approval of expenditure, shall not apply in relation to such acquisitions and disposals and expenditure in connection with the Pension Fund.
- (c) To ensure that equality issues are addressed in the development of policies and the provision of services and are appropriately monitored.
- (d) To ensure that consideration is given to the impact which the Committee's policies and provision of services have with regard to environmental matters.
- (e) To determine, in consultation with the Cabinet arrangements for the revision and delivery of services within the terms of the Best Value framework.

The delegation to the Investment Advisory Sub-Committee is as follows:

- (f) To advise on the establishing of policies in relation to investment management include the appointment and approval of terms of reference of independent advisers to the Fund.
- (g) To monitor investment activity and the performance of the Fund.
- (h) To oversee the investment management functions of the Pension Fund.

The Director for Finance and Physical Resources implements the Committee policy and manages the day to day functions as described in *Day-to-Day Management of the Assets* on page 62.

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

Investment Objectives and Risk

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 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 70% of the Fund's equity investments in highly diversified core holdings, with the objective of achieving near market rates of return at a relatively low cost. Although partially actively managed, the core has an overall approach of reflecting an index weighting and returns in all major markets. The remaining 30% approximately is managed on a more active basis looking to achieve above market returns with varying degrees of risk. It makes use of a number of external specialist managers, 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.

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 and in its FSS. This is reviewed at least every three years, after each actuarial valuation. Tactical asset allocation decisions are taken on a quarterly basis by the Superannuation Committee, based on advice from Gartmore Investment Management and its other professional advisors. The Authority believes that the investment strategy is currently appropriate for controlling the risks identified in the above section given the liability profile of the Fund and its financial position.

Day-to-Day Management of the Assets

Main Assets

The Authority invests the main assets of the Fund in portfolios operated by both internal and 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.

A significant amount of investment is carried out by the Fund's own Pension Fund Investment Division (PFID) and is designed to manage approximately 70% of the Fund's investments. The remainder is with external managers who have the specific skills to meet the portfolio's objective or where the objective is to out-perform a specific market index. The managers used are listed below.

Asset Class	Manager
Equities	
UK	PFID State Street Global Advisors Henderson Global Investors Goldman Sachs Asset Management
North America	PFID Intech Blackrock Financial Management
Europe	PFID Barclays Global Investors DIAM International
Japan	PFID Nomura Asset Management
Pacific (excluding Japan)	PFID Schroder Investment Management
Global	MFS Investment Management Barclays Global Investors Alliance Bernstein Axa Rosenberg Investment Management
Private equity	PFID through specialist funds
Fixed Interest	
UK Gilts	Legal & General European Credit Management
UK Index-Linked	PFID
UK Non-Government Bonds	PFID Royal London Asset Management
Cash	PFID
Property	Healey & Baker Investment Managers

PFID sometimes use pooled specialist funds to achieve the core objectives, e.g. pooled funds for small companies.

Special arrangements exist for the management of unquoted equities and emerging markets, which involves selecting specific funds. Bonds are managed in-house except for some of the UK non-government bonds which are managed externally and property is managed through specialist managers, subject to close in-house involvement and final decision taking on all, except minor, property matters. The Fund currently uses currency hedging when considered appropriate to protect the sterling value of some of its overseas holdings. The possibility of using hedge funds and other alternative classes of investments is under consideration.

External managers are paid inclusive fees (some with a performance related element) that are regularly benchmarked.

Investment Performance Benchmark

The benchmark from April 2005 is as set out below:

		Risk Bands
		%
Global Equities	6.0	4 - 8
UK Equities	37.0	32 - 42
Overseas Equities:	27.0	22 - 32
North America	8.0	6 - 10
Europe (excluding UK)	10.0	8 - 12
Japan	3.5	2.5 - 4.5
Pacific Basin	3.0	2 - 4
Emerging markets	2.5	1.5 - 3.5
Private equity	5.0	4 - 6
Alternative investments	2.0	0 - 3
Total equities	77% #	65% - 80%
UK fixed interest gilts	5	3 - 7
UK index-linked gilts	5	3 - 7
Overseas bonds	-	0 - 4
Corporate bonds (non-government)	5	3 - 7
Property	8	6 - 10
Cash	0	0 - 3
Total non-equities	23%	20% - 35%
Total	100%	100%

Alternative investment allocation is held in UK equities if no suitable investments are identified.

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.

The Investment Strategy Review 2004 indicated that with a target long term return of 7.9% the risks associated with that target are manageable. It is estimated that there is a 63% chance the funding level will improve at the next valuation and 37% chance it will fall. Further information is in the Investment Strategy Review Report.

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. The Fund operates at the limits set by the lower level of control under Regulation 11(2), except for contributions to partnerships where it has resolved to work to the upper limit of 15% under Regulation 11(2A). This reflects the level of investments planned for private equity and nature of some property holdings.

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.

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. There is no current policy on realising investments to meet benefit outgoings etc as the Fund’s cashflow is positive.

Monitoring the Investment Manager

The performance of the internally managed assets and of the external investment managers is independently measured by the WM Company. In addition, officers of the Fund meet the investment managers regularly to review their management of the portfolio together with the reasons for the background behind the investment performance. The Investment Advisory Sub-Committee meets at least quarterly to review markets and managers.

Advisors

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

Gartmore Investment Management

Investment policy, quarterly 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.

Cushman & Wakefield Investors

Commercial and industrial property matters, day-to-day management of properties and transactions, involving the sale and purchase of property (excluding agricultural).

John Fender Consultancy

Independent property advice

Knight Frank

Agricultural property management matters

DTZ

Independent property valuations

Savills

Independent agricultural property valuations.

Entec

Planning matters (agricultural holdings).

Lawrence Gould

Independent agricultural property advice.

Deloitte & Touche

Investment management practices and regulations.

PIRC

Company governance issues.

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

Socially Responsible Investment (SRI) and Environmental 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.
- (ii) The corporate performance of companies and their value as investments are increasingly affected by environmental 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 environmental excellence.
- Institute regular monitoring of their environmental impacts.
- Establish procedures which will lead to incremental improvements in environmental 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 attaining improved environmental standards.
- Seek to take all reasonable and practical steps to minimise or eliminate environmental damage.
- Actively and openly engage in discussion on the environmental ethical effects of their business.
- Take environmental matters seriously and produce an environmental policy which is effectively monitored.

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. The Authority considers it demonstrates best practice over and above the new combined code.
- (ii) In order to fulfil this responsibility, the Authority communicates with companies and exercises 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. It is the Authority's policy to vote against a company's report and accounts where there is insufficient disclosure on environmental, employee and community policy. A copy of the Authority's corporate governance policy and a summary of its voting actions can be found on our website at: www.westmids-pensions.org.uk

- (iii) The Authority uses the PIRC Corporate Governance Service for analysis of governance issues. The Authority has developed its own bespoke voting policy which PIRC executes on the Authority's behalf. 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. See the LAPFF website for further details: www.lapfforum.org
- (iv) The Authority is actively developing corporate governance partnerships as it believes this will maximise the influence of shareholders, will lead to best practice and will promote high standards on a global basis. Current partners include the Institutional Investors Group on climate change and the Council of Institutional Investors.

Compliance with this Statement

The Authority will monitor compliance with this Statement annually. In particular it will obtain written 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.

Compliance with Myners

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 and complies with the principles. Full details of compliance are on the Fund's website.

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.

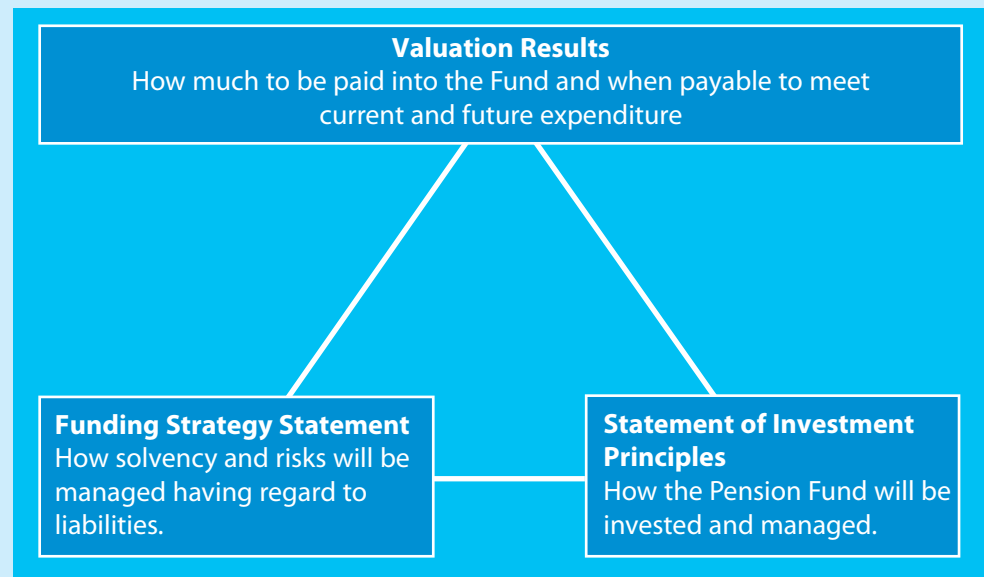
Appendix (iii) Funding Strategy Statement

Background

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 Pension Fund in accordance with the regulations and following consultation.

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.

The Statements relate as follows:



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.

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.

There is a considerable amount of debate in the press regarding the future of the Local Government Pension Scheme, particularly having regard to its current solvency. The first thing to realise is that the Local Government Pension Scheme is a long-established, well managed, funded final salary scheme. There is no immediate "crisis" and the work currently being carried out by the Department for Communities and Local Government through its stocktaking exercise is intended to ensure its sustainability into the longer term.

The Fund, like all similar public and private sector funded schemes, has seen a gap open up between its assets and pension liabilities.

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 authorities. These include:

- (a) recognising the long term nature of local government, so that deficits are recovered over time. At the last valuation, the period was thirteen years - the average remaining service life of an employee. However, active service and drawdown of benefits will occur over a much longer period going forward and this has been increased to 25 years which is the broad current average service life of employees;
- (b) phasing increases in contributions over six years;
- (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).

The Fund, since it was established in 1974, has seen variations in its funding level as did the earlier district funds. The funding level has previously dipped to 75% and recovered. Over this long period 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. The investment returns have, until the recent poor equity markets, given good long-term returns of 13.7% per annum. The poor market return years of 2001 and 2002 gave Fund returns of -11.8%, -17.6% with a recovery in 2003, when returns were 16.1% (calculated on calendar year end figures).

Purpose of the Funding Strategy Statement in Policy Terms

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.

The Fund currently has a strong net cash inflow. 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 Pension Fund acting on expert advice and following consultation.

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.

2.4. The solvency of the Fund is a long-term management issue. Currently the net cash inflow is £200M per annum but it is essential that funds are made available to ensure all future benefits payments can be met when they become due.

Aims and Purpose of the Pension Fund

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 taxpayers, scheduled and 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.

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.

Responsibilities of the Key Parties

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.

The administering authority (Wolverhampton City Council):

- 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 interested parties.
- Monitors all aspects of the Fund's performance and funding. Amends the FSS and SIP as appropriate.

The administering authority discharges its responsibilities with the active involvement from the major employers, the district councils and trade unions representatives combined with consultation with interested parties.

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 which the administering authority pays on their behalf and is subsequently recharged to them.

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.

Solvency Issues and Target Funding Levels

The Fund currently has a strong net cash inflow and can therefore take a medium to long-term view on determining employing body contribution rates to meet future liabilities through operating a fund with an investment strategy that reflects this long-term view. It allows short term investment market volatility to be managed so as not to cause volatility in employing body contribution rates.

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.

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

	2001	2004
Cost of ongoing pension liabilities	17.1%	15.8%
LESS employee contributions	5.9%	5.9%
PLUS adjustment for current funding gap	1.6%	6.1%
Average employer rate	12.8%	16.0%
Funding level	95.5%	74%
Fund value 31 March	£5.0bn	£4.7bn

Current market value £5bn at September 2004

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	1.75%	1.75%
Discount rate (pre-retirement)	6.6%	6.5%
Discount rate (post-retirement)	5.6%	6.5%
Price inflation	2.8%	2.5%
Earnings inflation	4.55%	4.25%
Pension increases	2.8%	2.5%

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 outperformance 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.

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.

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.

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

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.

Identification of Risks and Counter-Measures

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.

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 investment management decisions to reflect anticipated market changes are strictly controlled against the investment strategy or benchmark. 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, the Summary of Review of Investment Strategy Report and on the Fund's website.

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 Inland Revenue 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.

Major employing bodies are invited to make provision within their contribution rate or make contributions to the Fund as cases are approved for early retirement cases and other employing body discretions that when exercised alter future liabilities.

Governance

- Administering authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements).
- Administering authority not advised of an employer closing to new entrants.
- 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 employers to ensure changes are detected, discussed, evaluated and appropriate action agreed. This includes regular reviews of funding levels, bond arrangements where appropriate 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 phasing of increase, 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 all 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:

Low Risk

Scheduled and resolution bodies as statutory entities that are either required, or can choose to offer membership of the LGPS. This category would cover:

- A local authority, or equivalent.
- A body for which the Fund has a guarantee of liabilities from a local authority (or its equivalent).
- A body which receives funding from local or central government (e.g. colleges and universities).
- A body which has a funding deficiency guarantee from local or central government.
- A best value type body for which a local authority within the Fund effectively stands as the ultimate guarantor on the termination of the admission agreement as a result of Regulation 78(2A).

Medium Risk

Scheduled bodies not considered as low risk and admitted bodies with no statutory underpin but:

- Can provide satisfactory evidence of financial security (e.g. parent company guarantee, bond, indemnity, insurance).
- Is part of a group of related or pooled bodies which share funding on default.

High Risk

An admitted body:

- With no external funding guarantee or reserves.
- With a known limited lifespan or fixed contract term of admission to the Fund.
- Which has no active contributors and/or is closed to new joiners.
- Which relies on voluntary or charitable sources of income.

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 six distinct groups with whom the Fund needs to communicate:

- Trustees
- Scheme members
- Prospective 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 the trustees.

Knowledge building and training is provided via the Fund's officers, advisors and external experts with regards to investment and administration matters.

The role of the trustees through the Superannuation Committee is also supplemented by Sub-Committees such as the Investment Advisory Sub at which specific advice can be provided by officers and external advisors.

The seven district councils in membership of the Fund are represented at trustees' meetings, as are the trade unions who attend all meetings on an observer basis, but whose views are given equal weighting. The trade union representatives are also Scheme members.

The work of the trade union members is supported by a Joint Consultative Panel of trustees and trade union representatives.

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, e.g. 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

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 a biennial pensions roadshow where it visits the civic buildings of the seven district councils in membership of the Fund. 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.

Prospective Scheme Members**Scheme Booklet**

All new prospective Scheme members will be provided with a Scheme booklet upon appointment.

Website

The Fund's website will contain specific information for non-joiners. It will highlight the process by which a member should be given the relevant information to make an informed choice, as well as detailing the administrative process that should be followed to "opt-out" of the Scheme.

Non-Joiner Campaigns

The Fund will request formal notification of non-joiners from Scheme employers. The information will be used to market the Scheme to specific groups, with dedicated literature and campaigns being formulated in conjunction with Scheme employers from time to time.

Corporate Induction Courses

Fund officers will attend corporate induction events in order to present to prospective Scheme members the benefits of joining the LGPS. A "one-on-one" surgery will also be offered to take account of individual queries that may be raised at such meetings.

Pension Roadshows

As well as being a valuable aid for pensioners and current Scheme members, roadshows will be used to target specific non-members with support being enlisted from the DWP and in-house AVC providers. This will ensure members receive the information required to make an informed choice with regards to their pension provision.

Pay Advice

Prospective Scheme members will be identified via payroll, and pay advices containing marketing information will be used in specific campaigns carried out in conjunction with Scheme employers. Pay advices will also be used to inform members and prospective Scheme members of changes to the Scheme.

Trade Unions

We will work with the relevant trade unions to ensure the Scheme is understood by all interested parties. Training days for branch officers will be provided upon request, and efforts will be made to ensure that all pension related issues are communicated effectively with the trade unions.

Scheme Employers

Dialogue Meetings

A monthly dialogue meeting is held between the Fund and district councils 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.

Technical Newsletter

A technical newsletter, entitled *'The Brief'*, is issued periodically to all employers. This medium is also used to communicate any issues that are currently under debate. Changes to the Regulations which impact upon the 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.

Access to Computerised Pensions Administration System

Each major employer has access through the internet to the pension records of their current employees, together with a calculation suite for the provision of estimates direct to employees.

It is intended, through development of a second generation version of our current computerised pensions administration system to achieve greater web compatibility and the transmission of data electronically.

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

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	Major Employers Others	Monthly 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 under TUPE transfers in order to ensure, whenever possible, continued access to the Local Government Pension Scheme.

National Information Forum

The Fund 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.

Joint Consultative Panel

A Joint Consultative Panel meets quarterly at which elected representatives from the district councils in membership of the Fund are present, together with a wide audience of trade union representatives. These meetings are informed of the issues being discussed by Scheme trustees and broader pensions matters which may be of interest to trade unions and their members.

Appendix (v) Customer Charter

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:

These are our standards of service. They specify the maximum turnround times in which we aim to take the action indicated.

- 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.
- To match or exceed the agreed investment performance criteria.
- To continually monitor overall arrangements.
- To maintain adequate management and accounting procedures/ records.
- To comply with Investment Management Regulations.
- To provide a highly professional service that compares favourably with the best service providers in the public and private sector.

Our Commitment To Our New Members

Membership Certificate

We will issue a Membership Certificate to a new member within ten days of receiving a completed notification from the member's employer.

Transfers In

We will calculate the estimated benefits that a transfer value will buy for the member in the Local Government Pension Scheme (LGPS) and issue a quotation within ten days of receiving details from the member's previous scheme and any additional essential information required from the Inland Revenue (Department for Work and Pensions - DWP). We will request payment of the transfer value within five days of receiving confirmation from the member that the transfer is to be made.

We will confirm the actual benefits purchased by the transfer value to the member within ten days of receiving payment from the member's previous scheme and confirmation (where necessary) of the member's accrued Guaranteed Minimum Pension from the Inland Revenue (DWP).

Our Commitment To Our Existing Members

Benefit Estimates

We will issue a quotation within ten days of receiving the member's special request for an estimate of prospective benefits.

Annual Benefit Statements

Provided pay details are received from employers promptly after the close of each financial year and provided we hold all of the relevant information, we will send each year an Annual Benefit Statement to each member at their home address showing the estimated current value of their accrued benefits, the value of their prospective benefits at normal retirement age and the estimated current value of their death-in-service benefits.

Paying Extra Contributions

We will provide information within two days of receiving a request from a member wishing to pay extra contributions to buy an additional period of LGPS membership.

Retirements

We will send details of the benefits payable and pay the member's tax-free cash lump-sum within ten days of receiving all of the information required from the member's employer and/or the member.

Deaths

We will send details of the benefits payable within seven days of receiving all of the information required from the late member's employer and we will pay the lump-sum death grant within five days of receiving Grant of Probate (or other appropriate documentation).

Early Leavers

We will send details of the benefit options available within ten days of receiving all of the information required from the employer.

Refunds

We will pay a refund, where applicable, within five days of receiving the member's formal request for payment.

Transfers Out

We will issue a quotation, guaranteed for three months, within ten days of receiving the member's request and confirmation of the member's accrued Guaranteed Minimum Pension/State Second Pension (S2P) from the Inland Revenue (DWP).

We will pay a transfer value within five days of receiving confirmation from the member that the transfer is to be made and all of the information we require to make payment.

Our Commitment To Our Deferred Members

Benefit Statements

We will provide a Benefit Statement within ten days of receiving the deferred member's special request for details of the current value of their preserved benefits (as increased in line with the Retail Prices Index).

Periodic Benefit Statements

We will provide each deferred member with a Benefit Statement periodically showing the current value of their preserved benefits (as increased in line with the Retail Prices Index).

Preserved Benefits into Payment

Provided we hold a current address, we will send details of the benefits payable so that they are received by the deferred member not later than the day before they are due to come into payment and we will pay the deferred member's tax-free cash lump-sum so that it is received on the day payment is due.

If we do not hold a current address, we will make every effort to trace the deferred member and we will send details of the benefits payable and pay the deferred member's tax-free cash lump-sum within ten days of receiving all of the information we require to make payment.

Our Commitment To Our Pensioners

Changes in Personal Particulars

We will acknowledge receipt of a pensioner's written notification of a change in name, address, bank or building society details and make the appropriate amendments to the pensioner's payroll record within three days of receiving the written notification.

Change of Tax Code

We will update a pensioner's payroll record with a revised tax code within two days of receiving notice of the change from the Inland Revenue. However, due to the nature of payroll administration, any such changes may not take effect until a subsequent payroll has been run.

Deaths of Pensioners

We will acknowledge receipt of a notification of the death of a pensioner and start action to put into payment any dependants' benefits within five days of receiving the notification.

Newsletter

We will send a newsletter to each of our pensioners at least four times a year.

Contact Information

Write: West Midlands Pension Fund
PO Box 3948
WOLVERHAMPTON
WV1 1XP

Tel: 0845 230 1665 (Helpdesk)

Fax: 0845 230 1565

Minicom: 01902 554607 (Typetalk facilities)

Website: westmids-pensions.com

E-mail: PensionFundEnquiries@wolverhampton.gov.uk

Calls may be monitored for training purposes.

