

WEST MIDLANDS



PENSION FUND

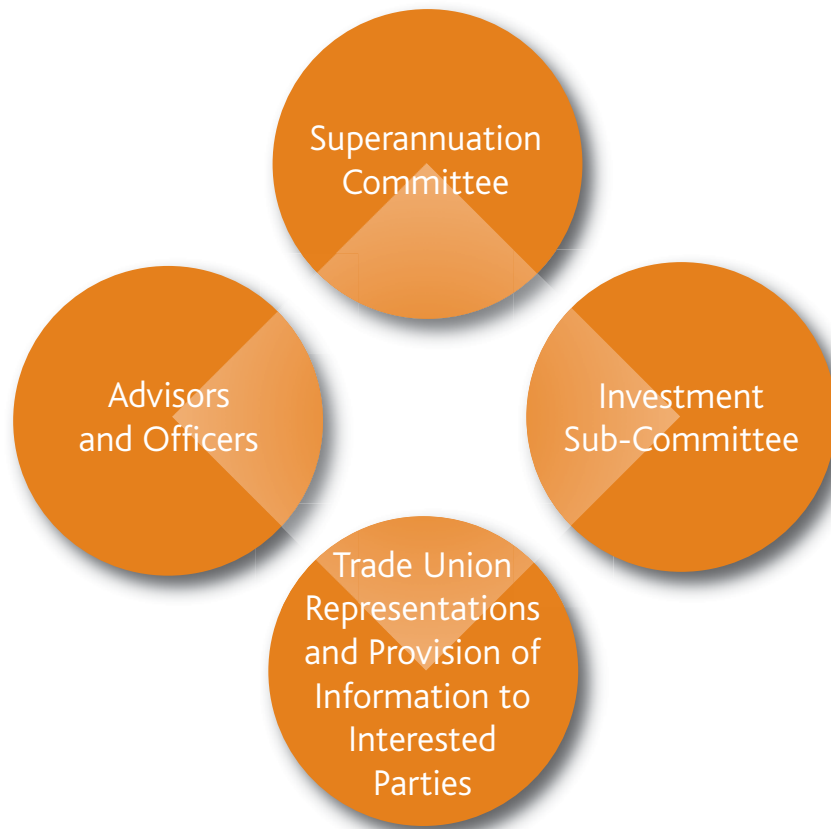


Governance Compliance Statement

July 2008

Governance of the Fund

The Fund's governance arrangement has four elements:



This statement is required under Regulation 73a of the Local Government Pension Scheme Regulations 1997.

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. To monitor compliance with legislation and best practice.
2. To determine admission policy and agreements.
3. To monitor pension administration arrangements.
4. To 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. To monitor policy.
6. To appoint committee advisors.
7. To 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 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) To monitor and review investment management functions.
- ii) To review strategic investment opportunities.
- iii) To monitor and review portfolio structures.
- iv) To 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.

The Director of Pensions implements the Committee policy and manages the day-to-day operational functions through the Chief Investment Officer and pensions administration staff. The Committee and members are advised and supported by the Chief Executive, Director of Pensions and Chief Legal Officer from Wolverhampton City Council.

Trade Union Representations and Provision of Information to Interested Parties

The Fund invites relevant trade unions to send local 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.

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.
- ii) Legal and general administrative advice and management from the Chief Legal Officer of Wolverhampton City Council who is also the monitoring officer for Wolverhampton City Council.
- iii) Financial and technical advice from the Director of Pensions who is the lead senior support officer 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) Senior pensions administration staff are responsible for pensions administration and communications.
- vi) Chief Finance Officer of Wolverhampton City Council is the Section 151 officer of Wolverhampton City Council and that responsibility applies to the Fund. The Chief Finance Officer is also the investment management monitoring officer as set out in the Fund's investment compliance manual.

vii) 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.
ING UK Real Estate Management	Commercial and industrial property matters, day-to-day management of properties and transactions involving the sale and purchase of UK 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 City 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 and the advisers listed earlier.

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 businesslike 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 pictured below.

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

Area	Superannuation Committee Reports	Presentation	Sub-Committee			
			Reports	Presentation	Conferences/Seminars	Visits
Investment governance	✓			Occasionally	LAPFF December Conference	Partial
Investments:						
i) Strategies	✓	Occasionally	✓	Occasionally		✓
ii) Asset use	✓			✓		✓
iii) Corporate governance	✓				✓	
iv) Economies	✓	Quarterly		✓		✓
Pensions administration	✓	Occasionally			JCP meetings	
Role of members	✓ (Annual/Website)					

Notes

1. Sub-Committee members attend LAPFF (Local Authority Pension Fund Forum) 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 (Joint Consultative Panel) meets three times a year and will receive presentations on administration matters, particularly new areas of activity or legislation.
5. There is a website for members to access as a data source for them.
6. The roles and responsibilities of members are presented annually to all members.

the purpose of the individual discharging their responsibilities and can be different for some members (for example, 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 defined benefit 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 (for example, 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.

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

Contact Information

West Midlands Pension Fund

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Telephone: **0300 111 1665**

Fax: **0845 230 1565**

Minicom/Typetalk: **01902 554607**

Website: wmpfonline.com

Email: PensionFundEnquiries@wolverhampton.gov.uk

Text WMPF + your message to 60066.

Standard short code network charges apply.

Lines are open during the following times:

8:30am to 5.00pm Monday-Thursday

8:30am to 4.30pm Friday

Calls may be monitored for training purposes

Help and Information

Further information

We will ensure that all of our members are provided with relevant further information on request.

Comments and complaints

We welcome and value your comments on the standards of service we provide. If you have any comments you wish to make, please contact us at the above address.

We would also like to hear from you if you are not satisfied with the way you have been treated. If you wish, you can speak to Brian Bailey, Director of Pensions, on his personal number (01902) 552020 on any weekday between 9.00 and 9.30am or via email: brian.bailey@wolverhampton.gov.uk

If you wish to make a formal complaint, write to:

Complaints and Compliments

Office of the Chief Executive, Civic Centre,
St. Peter's Square, Wolverhampton WV1 1NX

Data Protection

To protect any personal information held on computer, Wolverhampton City Council is registered under the Data Protection Act 1998. This allows members to check that their details held are accurate. The Fund may, if it chooses, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund, for example, the Fund's AVC provider. Members who wish to apply to access their data on Data Protection Act grounds should contact the City Council's Data Protection Officer on (01902) 554498, via e-mail at dataprotection@wolverhampton.gov.uk

This authority is under a duty to protect the public funds it administers, and to this end may use information for the prevention and detection of fraud. It may also share this information with other bodies administering public funds solely for these purposes.

Information produced by the Fund can be made available in several formats including large sight text, Braille and several community languages. If you have any special requirements or would like to speak face to face with a member of staff, please contact us to arrange how we may best meet your needs.

Please remember that special requirements may take a little longer than normal to organise, but you have our assurance that we will do our best to ensure you receive the information in the most appropriate and efficient manner possible.



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