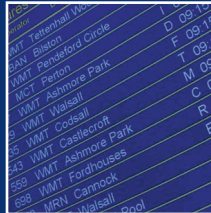




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Governance Compliance Statement

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.

Pensions Committee

The strategic management of the assets is fundamentally the responsibility of the Fund Committee established by the Passenger Transport Authority (PTA) – the administering authority – which has representation from the major admitted body. The Committee 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 for the PTA.

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.

4 To monitor compliance with legislation and best practice.

5 To determine and recommend investment policy:
a) Benchmark (medium-term)
b) Tactical (quarterly)

6 To monitor the implementation of investment policy.

7 To appoint committee advisors.

-
- 8 To review strategic investment opportunities.

 - 9 To monitor investment management arrangements.

 - 10 To appoint and dismiss external investment managers.
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The PTA delegation to Pensions Committee is there to exercise the functions of the PTA, in relation to the administration of the West Midlands Passenger Transport Authority Pension Fund, arising by virtue of the Local Government Pension Scheme Regulations 1997 and any subsequent related legislation.

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 Committee to receive appropriate and timely advice. This day-to-day support for the Fund is acquired from senior pension officers from the WMMAPF at Wolverhampton City Council.

Against this background, its principal advisors are as follows:

| | |
|---|--|
| Senior officers of the PTA | Oversight of the arrangements. |
| Mercer Human Resource Consulting | Actuarial matters. |
| Mercer Investment Consulting | Selection of investment managers, policy and investment matters relative to liabilities. |
| Wolverhampton City Council (officers of the WMMAPF) | General investment advice, oversight of cashflows and pension arrangements. |

Other specialist advisors are used as and when needed.

Role of PTA Members

The PTA is responsible for administering and discharging the functions as administering authority for the West Midlands Passenger Transport Authority Pension Fund. In addition to discharging the administration of benefits, recording of contributions, etc. the PTA is also responsible for the investment of the Fund monies.

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

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

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

| Area | Pensions Committee | | | |
|---------------------------|--------------------|--------------|------------------------------|-----------------------|
| | Reports | Presentation | Conferences/ Seminars | Background Reading |
| Investment governance | ✓ | Occasionally | LAPFF December Conference | ✓ |
| Investments: | | | | |
| i) Strategies | ✓ | Occasionally | | ✓ |
| ii) Asset use | ✓ | ✓ | | ✓ |
| iii) Corporate governance | Occasionally | Occasionally | | ✓ |
| iv) Economies | Occasionally | Occasionally | | ✓ |
| Pensions administration | | | | ✓ |
| Role of members | | | | ✓ |

Notes

1. Committee members are encouraged to attend LAPFF (Local Authority Pension Fund Forum) Conference, other training seminars.
2. Members are encouraged to attend LAPFF meetings.
3. Each Committee aims to have at least one presentation reviewing managers in rotation and one, per annum, reviewing overall investment strategy.
4. There is a website for members to access as a data source for them.
5. The roles and responsibilities of members are presented periodically to all members.

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

The scope of the knowledge required is as follows:

1. The Law Relating to Trusts

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

2. The Law Relating to Pensions

This is set out in the LGPS Regulations 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 West Midlands council employees were members of the West Midlands County Council Superannuation Fund with the county council as administering body. The 1986 reorganisation led to Wolverhampton Council becoming the administering body for the Fund (now known as the West Midlands Metropolitan Authorities Pension Fund - WMMAPF). This included the local government employees in the West Midlands, PTE staff and the then West Midlands bus company which was a public sector company. In 1991, West Midlands Travel Ltd became a private sector company which, because of the potential US withholding tax implications for the WMMAPF, led to the need for the Company's membership of the WMMAPF to cease. However, the then Secretary of

State agreed to a new administering authority for West Midlands Travel being created – the WMPTA Fund. Bus company employees were transferred to this pension fund, but no new employees of the company are admitted and all other employees of the councils remain in the WMMAPF. This is a unique arrangement in the country.

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

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

Administration of the Fund

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

- Collects employer and employee contributions.
- Invests surplus monies in accordance with the regulations and agreed strategy.
- Ensures that cash is available to meet liabilities as and when they fall due.
- Manages the valuation process in consultation with the Fund's actuary.
- Prepares and maintains an FSS (Funding Strategy Statement) and an SIP (Statement of Investment Principles), both after consultation with interested parties.
- Monitors all aspects of the Fund's activities and funding.
- Receives contributions from employees' pay.
- Pays all contributions as determined by the actuary, promptly by the due date.
- Exercises discretions agreed by the PTA within the regulatory framework.

- Collects additional contributions in accordance with agreed arrangements in respect of, for example, early retirement funding strain.
- Notifies the administering authority promptly of all changes to membership, or as may be proposed, which affect future funding.
- Discharges the responsibility for compensatory added years which the Fund (Wolverhampton City Council) pays on behalf of the PTA. The PTA is subsequently recharged for these appropriate amounts.

The Fund's actuary:

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

Provision of Information to Interested Parties

Further details of the publications available in respect of the West Midlands Passenger Transport Authority Pension Fund are available at the following address:

wmpfonline.com/pta



Contact Information

**West Midlands Passenger Transport
Authority Pension Fund
PO Box 3948
Wolverhampton
WV1 1XP**

Telephone: **0300 111 1665**

Fax: **0845 230 1565**

Minicom/Typetalk: **01902 554607**

Website: **wmpfonline.com/pta**

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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