



Pensions Committee

25 September 2013

Report Title	Compliance Monitoring	
Originating service	Pension Services	
Accountable officer(s)	Geik Drever	Director of Pensions
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Recommendation(s) for action or decision:

The Committee is recommended to:

1. Note the contents of the report and that no compliance issues have arisen in this period.

1.0 Purpose

- 1.1 As a matter of best practice, it has been agreed that a report on the findings of the quarterly Compliance Monitoring Programme together with any other compliance issues will be submitted to Members on a regular basis.

2.0 Background

- 2.1 There is in operation a Compliance Monitoring Programme for the Fund, which aims to ensure the investment management practices of the Fund, its external managers and those with whom it transacts business, follow best practice and operate to acceptable standards. The Member Administration Services Programme aims to provide assurance that member benefits have been calculated and communicated correctly and that where service standards are in place, they are being achieved.
- 2.2 Members of staff having direct and indirect operational involvement with Investments and Member Services undertake the comprehensive Compliance Monitoring Programme.

3.0 Current monitoring programme

- 3.1 The Compliance Manual has been distributed to all Officers having direct and indirect operational involvement with the investments of the Fund. Confidentiality statements are completed on an annual basis and declarations of personal dealing are required half yearly.
- 3.2 A full Fund compliance induction was completed with Mark Taylor, Assistant Director Finance and the Fund's Section 151 Officer.
- 3.3 Three compliance monitoring visits were undertaken during the period to Capital International, Mansford and Rockspring at which the manager's compliance and risk management procedures were reviewed. No issues arose as a result of these monitoring visits.
- 3.4 A sample of approximately 5% of total purchase and sale transactions during the period have been reviewed for timely and best execution by way of comparison of internal and counterparty records and market information. A selection of expenses charged to the Fund during the period has also been reviewed for accuracy and appropriateness and in the case of external managers, adherence to individual management agreements.
- 3.5 A sample of up to 5% of member transactions, including payment of pension benefits and associated transactions to the Fund's accounts, have been reviewed during the period for timely and accurate calculation and payment, along with appropriateness.
- 3.6 The Compliance Monitoring Programme for the period 1st April to 30th June 2013 is complete and no issues have arisen. All trades, invoices, payments and receipts sampled met with requirements and were recorded in line with regulatory standards. A reconciliation of physical stock certificates against electronic records was completed during the period, confirming no issue or entry items occurred and no discrepancies were identified.

4.0 Future reviews

- 4.1 The current compliance monitoring programme is to be reviewed and a risk based approach is to be adopted, linking the programme to the Fund's objectives and the risk register.

5.0 Matters arising

- 5.1 On-going monitoring of national, international and industry press coverage is conducted as part of the Compliance Monitoring Programme to identify any developments which may have a financial impact on the Fund.
- 5.2 During the period the US Federal Reserve announced plans to scale back on its stimulus programme, therefore sparking steep losses on European markets. The following week a further announcement was made declaring that this would not affect interest rates, and should therefore have minimal impact on share prices. On receiving this news the European markets returned to their pre-announcement levels.

6.0 Financial implications

- 6.1 This report contains no direct financial implications for the Authority.

7.0 Legal implications

- 7.1 This report contains no direct legal implications for the Authority.

8.0 Equalities implications

- 8.1 This report has no implications for the Council's equalities policies.

9.0 Environmental implications

- 9.1 This report has no implications for the Council's environmental policies.

10.0 Human resources implications

- 10.1 The report contains no direct human resource implications for the Authority

11.0 Schedule of background papers

- 11.1 There were no preceding background papers.