



Pensions Committee

25 September 2013

Time 1.30pm **Public meeting?** YES **Type of meeting** Finance

Venue Civic Centre, St Peter's Square, Wolverhampton WV1 1SH

Room Committee Room 3 (3rd floor)

A buffet lunch will be provided for members of the committee from 12.30pm.

Membership

Chair Cllr Bert Turner (Lab)

Vice-chair Cllr Zahid Shah (Lab)

Labour

Cllr Peter Bilson
Cllr Steve Evans
Cllr Andrew Johnson
Cllr Lorna McGregor
Cllr John Reynolds
Cllr Sandra Samuels
Cllr Tersaim Singh

Conservative

Cllr Neil Clarke
Cllr Mark Evans

Liberal Democrat

Cllr Mike Heap

District members

Cllr Muhammad Afzal (Birmingham City Council)
Cllr Zahid Ali (Walsall Metropolitan Borough Council)
Cllr Damian Gannon (Coventry City Council)
Cllr Rachel Harris (Dudley Metropolitan Borough Council)
Cllr Alan Martin (Solihull Metropolitan Borough Council)
Cllr Vic Silvester (Sandwell Metropolitan Borough Council)

Trade union observers

Mr Malcolm Cantello
Mr Martin Clift
Mr Ian Smith

Information for the Public

If you have any queries about this meeting, please contact the democratic support team:

Contact Martin Fox

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Wolverhampton WV1 1RL

Copies of other agendas and reports are available from:

Website <http://wolverhampton.cmis.uk.com/decisionmaking>

Email democratic.support@wolverhampton.gov.uk

Tel 01902 555043

Some items are discussed in private because of their confidential or commercial nature. These reports are not available to the public.

Agenda

Part 1 – items open to the press and public

Item No. *Title*

MEETING BUSINESS ITEMS:

1. **Apologies for absence**
2. **Substitute members**
3. **Declarations of interest**
4. **Minutes**
 (a) Pensions committee – 26 June 2013
 [for approval]
 (b) Investment advisory sub-committee – 3 July 2013
 [for adoption]
 (c) Pensions Joint Consultative Forum – 4 September 2013
 [for information]
5. **Matters arising**
 [To consider any matters arising from the minutes]

DECISION ITEMS

6. **Pension administration report 1 June-31 July 2013**
7. **Transforming rehabilitation pensions proposal**

INFORMATION ITEMS

8. **Combined governance activity April-June 2013**
9. **Service Plan monitoring 2013/14**
10. **Compliance monitoring**

EXCLUSION OF PRESS AND PUBLIC

11. **Exclusion of press and public**
[To pass the following resolution:

That in accordance with Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following items of business as they involve the likely disclosure of exempt information on the grounds shown below.]

Part 2 – exempt items, closed to the press and public

<i>Item No.</i>	<i>Title</i>	<i>Grounds for exemption</i>	<i>Applicable paragraph</i>
12.	Actuarial Valuation 2013 – update	Information relating to the financial or business affairs of any particular person (including the authority holding the information).	3
13.	Pension Fund 2012/13 – Draft report and accounts	Information relating to the financial or business affairs of any particular person (including the authority holding the information).	3
14.	Economic and market update – September 2013	Information relating to the financial or business affairs of any particular person (including the authority holding the information).	3
15.	Valuation of investments – document to be available at the meeting for inspection	Information relating to the financial or business affairs of any particular person (including the authority holding the information).	3



Pensions Committee

Minutes – 26 June 2013

Attendance

Members of the Committee (Wolverhampton)

Cllr Bert Turner (chair)
Cllr Neil Clarke
Cllr Mark Evans
Cllr Steve Evans
Cllr Mike Heap
Cllr Lorna McGregor
Cllr John Reynolds
Cllr Sandra Samuels
Cllr Zahid Shah

District members

Cllr Zahid Ali (Walsall MBC)
Cllr Damian Gannon (Coventry CC)
Cllr Rachel Harris (Dudley MBC)
Cllr Alan Martin (Solihull MBC)
Cllr Vic Silvester (Sandwell MBC)

Trade union observers

Mr Martin Clift (Unite)

Staff

Geik Drever	Director of Pensions
Mark Taylor	Assistant Director - Finance
Michael Webb	Head of Service - Delivery
Nadine Perrins	Chief Pensions Service Manager
Claire Duggan	Compliance and Risk Manager
Mike Hardwick	Investment Manager
Jane Hazeldine	Pensions Assistant
Martin Fox	Democratic Support Officer

External advisers

Mike Daggett (CBRE
Global Investors)
John Fender (John
Fender Consultancy)
Mick Roult (CBRE
Global Investors)

Apologies

Apologies for absence were received from Cllrs Peter Bilson, Tersaim Singh, Muhammad Afzal (Birmingham City Council) and Steve Eling (Sandwell MBC), Malcolm Cantello and Ian Smith (Trade union observers).

Part 1 – items open to the press and public

<i>Item No.</i>	<i>Title</i>	<i>Action</i>
MEETING BUSINESS ITEMS		
2.	Substitute members Cllr Silvester attended the meeting on behalf of Cllr Eling (Sandwell MBC).	
-	Chair's announcements The Chair gave a briefing about the challenges facing the Local Government Pension scheme and the Pension Fund in the coming year, including: <ul style="list-style-type: none">• LGPS 2014 – New Scheme• Governance/Trustee knowledge and understanding• Merger/consolidation of 89 LGPS funds in England and Wales• Actuarial valuation 2013• Investment strategy review	
3.	Declarations of interest No interests were declared.	
4.	Minutes (a) Pensions committee (17 April 2013) Resolved: That the minutes of the meeting held on 17 April 2013 be approved as a correct record and signed by the Chair. (b) Investment advisory sub- committee (3 April 2013) Resolved: That the minutes of the meeting held on 3 April 2013 be adopted.	Martin Fox
5.	Matters arising There were no matters arising.	

DECISION ITEMS

6. **Appointment of sub-committee and forum and dates of meetings 2013/2014**

Martin Fox

Resolved:-

- (a) That the following Members be appointed to the Investment Advisory Sub-Committee for the ensuing municipal year:-

Councillor Bert Turner - Chair
Councillor Zahid Shah- Vice Chair
Councillor Bilson- Wolverhampton City Council
Councillor Heap- Wolverhampton City Council
Councillor Muhammad Afzal- Birmingham CC
Councillor Zahid Ali - Walsall MBC
Councillor Damian Gannon- Coventry CC
Councillor Rachel Harris- Dudley MBC
Councillor Allan Martin- Solihull MBC
Councillor Vic Silvester- Sandwell MBC
3 Trade Union Observers

- (b) That the following Members be appointed to the Pensions joint consultative forum for the ensuing municipal year:-
All Members of the Investment advisory sub-committee
1 Representative of the Council's Cabinet (Resources) Panel
Councillors Mark Evans and John Reynolds – Representing the Pensions committee
11 Representatives of the Trade Unions representing employees who participate in the benefits of Local Government Pension Scheme

- (c) That, during the ensuing municipal year, meetings of the Pensions committee be held on Wednesdays at 1330 hours on:-

25 September 2013
8 January 2014
26 March 2014

- (d) That, during the ensuing municipal year, meetings of the Investment advisory sub-committee be held on Wednesdays at 1330 hours on:-

3 July 2013
11 September 2013
11 December 2013
12 March 2014

- (e) That, during the ensuing municipal year, meetings of the joint consultative forum be held at 1330 hours on the following dates:-

4 September 2013
4 December 2013
5 March 2014

- (f) That the Chair and Vice-Chair of the Pensions committee be appointed to serve in the same capacity on the sub-committee and forum.

DECISION ITEMS

7. **Pensions administration report from 1 April – 31 May 2013** Nadine Perrins
Resolved:
(a) That the work undertaken by Pensions member services and other operational matters during the period be noted.
(b) That the admitted bodies applications as detailed in paragraph 6.0 of the report be approved.
(c) That the proposal to review the fund administration KPI's in line with future pension regulator data requirements and provide an assurance that costs are deducted and quality maintained be approved.
(d)

INFORMATION ITEMS

8. **New member update information** Geik Drever/
Resolved: Nadine Perrins
That the report providing an outline for existing and new members to the pensions fund, the management arrangements and clarification of future trustee training requirements be noted.
9. **Trustee training activity and forward plan** Geik Drever
The Director of Pensions submitted a report which reviewed activity in 2012/13 against the Trustee Training Policy and detailed proposed training for 2013./14. In discussion, members mentioned difficulties in taking time off work for training courses and asked whether more flexible arrangements could be introduced and whether training and suggested reading material could be sent regularly to members and count be towards the training requirements. The Director undertook to be flexible in the approach to training.
Resolved:
That the report be noted.

10. **Compliance monitoring** Mark
Resolved: Taylor/Geik
That the report detailing the findings of the compliance Drever
monitoring programme and any other compliance issues for
the period 1 January – 31 March 2013 be noted.
11. **Combined governance activity – June 2013** Geik Drever
The Director of Pensions submitted a report which detailed the
issues being raised by the Local Authority Pension Fund Forum.
Cllr Reynolds raised a question about Apple (AGM) – USA and it
was suggested that future reports should highlight the view of the
Fund should the issue be raised again.
Resolved:
That the issues being raised and discussed by the Local
Authority Pension Fund Forum be noted and that a copy of
the “Investing for Growth” report be sent to Cllr Reynolds.
12. **Local Government Pension Scheme 2014 – Update on progress** Geik Drever
The Director of Pensions submitted a report which noted activity
and progress to date in respect of the new LGPS scheme.
Resolved:
That the report be noted.
13. **Investment policy and performance report 2012/13** Geik Drever
The Director of Pensions submitted a report which advised
members of the investment policy, investment strategy and
investment returns earned on the pension fund as at 31 March
2013 and earlier years.
Resolved:
That the report be noted.

EXCLUSION OF PRESS AND PUBLIC

14. **Exclusion of press and public**
Resolved:
That in accordance with Section 100A(4) of the Local
Government Act 1972, the press and public be excluded
from the meeting for the following item(s) of business as
they involve the likely disclosure of exempt information
falling within the paragraphs of Schedule 12A of the Act set
out below:

<i>Item No.</i>	<i>Title</i>	<i>Applicable paragraph</i>
15.	Recovery of overpayments and write-off procedures	3

16.	Property portfolio review and annual strategy 2013-14	3
17.	Employer covenant update report	3
18.	Statement of accounts 2012/13	3
19.	Economic and market commentary	3
20.	Global emerging markets manager appointment	3
21.	WMPF Restructure update	3
22.	Valuation of investments as at 31 March 2012 – document to be available at the meeting for inspection	3

Part 2 – exempt items, closed to the press and public

15. **Recovery of overpayments and write-off procedures** Geik
The Director of Pensions submitted a report which asked the committee to formalise the recovery of overpayment and write off Drever/Nadine
procedures for the Fund and to agree the application of these Perrins
procedures to existing and future cases. A question arose about unclaimed pensions and whether the funds could be donated to charity rather than reverting to the Treasury. Employees undertook to check whether a question could be added to the nomination form giving members the option to donate to charity.
Resolved:
That the overpayment and write off policy for the West Midlands Pensions Fund, together with the write off of the sum of £16041.97 be approved.

16. **Property portfolio review and annual strategy 2013-14** Geik Drever
The Annual Property Review was presented and consisted of a summary report, a more detailed report, which was tabled at the meeting, and a presentation. The representatives responded to questions raised by Members, including issues such as the geographical spread of properties.
Resolved:-
That the report be received.
17. **Employer covenant update report** Geik Drever/Nadine Perrins
The Director of Pensions submitted a report which updated members on Employer Covenant Monitoring. A question was raised about liabilities on a particular case and the Director responded as appropriate
Resolved:
That the report be noted.
18. **Statement of accounts 2012/13** Geik Drever
The Director of Pensions submitted the draft accounts for the Pension Fund.
Resolved:
(a) That the accounts be approved and submitted to the External Auditor for audit purposes.
(b) That the operating budget outturn and service planning, as detailed in the report, be noted.
19. **Economic and market commentary** Geik Drever
The Director of Pensions submitted a report prepared by the Fund's advisor, Hymans Robertson, which reviewed conditions in the global economy and investment markets and reviewed current tactical asset allocation policy.
Resolved:
That the report be noted, together with the fact that current tactical asset allocation decisions have been temporarily suspended until full implementation of the Strategic Investment Allocation Benchmark has taken place.
20. **Global emerging markets manager appointment** Geik Drever
The Director of Pensions submitted a report which provided an update on the appointment of a panel of managers that will provide investment management services for the global emerging markets portfolio.
Resolved:
That the report be noted.

21. **WMPF Restructure update** Geik
Drever/Nadine
Perrins
The Director of Pensions submitted a report which detailed progress on the implementation of the new organisational structure. It was also noted that interviews for the post of Assistant Director – Investments would be held on 5 July 2013.
Resolved:
That the report be noted.
22. **Valuation of investments as at 31 March 2012** Geik Drever
The valuation document had been made available at the meeting for inspection.
Resolved:
That the valuation be received.



Investment Advisory Sub-Committee

Minutes – 3 July 2013

Attendance

Members of the Sub-Committee

Cllr Bert Turner(chair)
Cllr Peter Bilson
Cllr Councillor Mike Heap

District Members

Cllr Damian Gannon (Coventry CC)
Cllr Rachel Harris (Dudley MBC)
Cllr Alan Martin (Solihull MBC)
Cllr Vic Silvester (Sandwell MBC)

Trade Union Observers

Malcolm Cantello - UNISON
Ian Smith - UNITE

Staff

Geik Drever	Director of Pensions
Michael Hardwick	Investment Manager
Michael Webb	Head of Service, Legal Services
Linda Banbury	Democratic Support Officer

Advisors

Graeme Johnston and William Marshall Senior Investment Consultants, Hymans Robertson

Part 1 – items open to the press and public

<i>Item No.</i>	<i>Title</i>	<i>Action</i>
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BUSINESS ITEMS

- Apologies for Absence**
Apologies for absence were submitted on behalf of Cllr Muhammad Afzal (Birmingham CC), Cllr Steve Eling (Sandwell MBC) and Martin Clift (Union Observer)
- Substitute members**
Cllr Silvester attended the meeting on behalf of Cllr Eling (Sandwell MBC)

3. **Declarations of interest**

No interests were declared.

4. **Minutes**

Resolved:

That the minutes of the meeting held on 3 April 2013 be approved as a correct record.

5. **Matters Arising**

There were no matters arising from the minutes.

EXCLUSION OF PRESS AND PUBLIC

6. **Exclusion of press and public**

Resolved:

That in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the remaining items of business as they involve the likely disclosure of exempt information falling within the paragraph 3 of Schedule 12A of the Act.

Part 2 – exempt items, closed to the press and public

DECISION ITEMS

7. **Investment presentations**

The Sub-Committee received a presentation from Bridges Ventures. They were represented by Michelle Giddens, Philip Newborough and Simon Ringer. The presentation was accompanied by a written document which gave a background to the organisation and provided an overview of investment activity and performance of the Fund's investments.

Following a period of questions, the Chair thanked the representatives for their attendance at the meeting and they withdrew.

A further presentation was then received from Hymans Robertson, represented by Graeme Johnston and William Marshall, on the Absolute return portfolio. The presentation was accompanied by a written document. The representatives responded to various questions raised by the Sub-Committee. The Director drew attention to current Sub-Committee training

requirements which would address some of the questions raised in more detail.

Resolved:

That the presentations be received.

8. **Pensions infrastructure platform**

The Director of Pensions presented a report, which provided a further update on the progress to date of the National Association of pension Funds (NAPF) infrastructure initiative.

Resolved:

That the report be received.

9. **Strategic investment allocation benchmark (SIAB) – progress on implementation**

The Director of Pensions presented a report, which provided an update on the implementation of the 2012 SIAB. Appendix A, detailing the updated implementation plan, was circulated at the meeting.

Resolved:

That the report be received.

10. **Investing for growth initiative**

Geik Drever

The Director of Pensions presented a report which provided an introduction and update on the progress to date of the Local Authorities Pension Fund Forum (LAPFF) initiative, designed to identify investments that provide a dual benefit of financial returns and a positive economic/social impact locally, regionally or nationally.

Resolved:

That the report be received and proposals outlined in regard to the investing for growth initiative approved.

11. & **West Midlands Pension Fund investment management activity from 1 January to 31 March 2013**

12

The Director of Pensions presented a report, which provided an overview of investment management activity between 1 January and 31 March 2013. The transaction list was also made available for inspection. The Director referred to a planned property tour scheduled for the following week and reminded those attending to take photograph identification with them.

Resolved:

That the report be received.

- **Date and time of next meeting**

Resolved:

That the next meeting of the Investment Advisory Sub-Committee be rescheduled to take place in the Civic Centre at 1330 hours on 12 September 2013, instead of 11 September as previously agreed.



Pensions Joint Consultative Forum

Minutes – 4 September 2013

Attendance

Members of the Committee (Wolverhampton)

Cllr Bert Turner (chair)
Cllr Peter Bilson
Cllr Mike Heap
Cllr John Reynolds

Trade union observers

Mr Malcolm Cantello (UNISON)
Mr Martin Clift (UNITE)
Mr Ian Smith (UNITE – retired)
Mr Andy Wilkins (UNISON)

District members

Cllr Rachel Harris (Dudley MBC)
Cllr Vic Silvester (Sandwell MBC)

Staff

Geik Drever	Director of Pensions
Mark Chaloner	Assistant Director-Investments
Claire Parlor	Head of Governance
Amy Whiles	Project Officer
Martin Fox	Democratic Support Officer

Apologies

An apology for absence was received from Cllr Mark Evans (Wolverhampton City Council),

Part 1 – items open to the press and public

<i>Item No.</i>	<i>Title</i>	<i>Action</i>
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MEETING BUSINESS ITEMS

2. Substitute members

Cllr Silvester attended the meeting on behalf of Cllr Eling (Sandwell MBC).

3. **Declarations of interest**

No interests were declared.

4. **Minutes**

Martin Fox

Resolved:

That the minutes of the meeting held on 5 December 2012 be approved as a correct record and signed by the Chair.

5. **Matters arising**

There were no matters arising.

6. **Dates of meetings 2013/14**

Resolved:

That it be noted that meetings of the Forum will take place at 1330 hours on the following dates:

4 December 2013

5 March 2014

INFORMATION ITEMS

7. **Pensions administration report 1 June – 31 July 2013**

Geik Drever/

The report advised the Forum of the work undertaken by Pensions Member Services and other operational matters during the period.

Nadine

The report included applications received for admission to the Pension Fund which had been approved or were awaiting approval by the Director of Pensions, the Chair and Vice Chair and the Pensions Committee. Cllr Reynolds asked for more information about the application by Places for People Leisure Limited as the guarantee status had been given by Wolverhampton City Council. The Chair suggested that further information be obtained prior to this application being approved. Cllr Harris asked why only 7 out of 14 employees had opted in to the scheme regarding Aspen Services Ltd. The Director undertook to seek further information although added that employers are not permitted to discourage employees from joining the scheme.

Perrins/

Jane

Hopkins

Resolved:

(a) That the report be noted.

(b) That the applications for admission body status be noted, and that further information be obtained about the applications from Aspen Services Limited and Places for People Leisure Limited and that the Director in consultation with the Chair and Vice-Chair be authorised to approve the latter, following the receipt of additional information.

8. **Trustee training activity and Forward Plan** Geik Drever
The Director of Pensions submitted a report which reviewed activity during 2012/13 against the trustee training policy and detailed proposed training for 2013/14. Cllr Reynolds asked whether there was an option to carry out training online and whether recent and future material could be circulated to members. The Director undertook to respond to this request.
Resolved:
That the report be noted.
9. **New member update information** Geik Drever/
Nadine
Perrins
The Director of Pensions submitted a report which provided an update for new and existing members on the West Midlands Pension Fund, the management arrangements and the special role of members in respect of the discharge of the functions associated with the relevant pensions regulations and legislation.
Resolved:
That the report be noted.
10. **Scheme changes and consultations – presentation** Geik Drever
Amy Whiles and Claire Parlor gave a presentation on the implementation of the Local Government Pension Scheme 2014, covering the key principles, fundamental changes and key areas of work for the Fund. The presentation also included recent consultation and the Fund's response and an overview of the call for evidence on the future structure of the scheme. The Director and officers responded to questions as appropriate and the Chair thanked the officers for the presentation.
Resolved:
That the presentation be noted.
11. **Transforming rehabilitation pension proposals** Geik Drever
The Director of Pensions submitted a report which detailed an invitation from the Ministry of Justice for Administering Authorities to notify the Ministry of Justice if they would like to be considered as the LGPS fund in which all of the Community Rehabilitation Companies and the National Probation Service will participate. The Chair had written to all members on 30 August indicating that the Fund had expressed an interest in the proposal and had submitted a bid to the MoJ. Responding to questions, the Director of Pensions indicated that a number of Funds had expressed an interest and submitted proposals and that a final interview is scheduled on 10-11 September. The Director undertook to keep members fully informed of progress.

Resolved:

That the report be noted and that the submission of the proposal to the Ministry of Justice be ratified.



Pensions Committee

25 September 2013

Report Title	Pension Administration Report from 1 June 2013 to 31 July 2013	
Originating service	Pension Services	
Accountable officer(s)	Nadine Perrins	Head of Pensions Administration
	Tel	01902 55(2727)
	Email	Nadine.perrins@wolverhampton.gov.uk

Recommendation(s) for action or decision:

The Committee is recommended to:

- 1 Approve applications received for admission to the West Midlands Pension Fund.

Recommendations for noting

1. The Committee is asked to note the contents of the report.

1.0 Purpose

- 1.1 To inform the Committee of the work undertaken by Pensions Member Services and other operational matters during the period 1 June 2013 – 31 July 2013.

2.0 Scheme Activity

- 2.1 The number of scheme members in the Fund in all three categories stands at 263,766 with an overall increase since 31 May 2013 of 1,278. Of the active membership of 98,388, 47% are full-time and 53% part-time. This is a reflection of the flexible working conditions amongst employers. The longer-term trend over an 11 year period in membership is set out in (Appendix A) which illustrates a move into a more mature profile whereby active memberships are falling and pensioners and deferreds are increasing.
- 2.2 The process analysis statistics show details of overall workflow within the Pensions Administration Service during the period 1 June 2013 – 31 July 2013 (Appendix B).
- 2.3 During the period covered by this report 24,509 administrative processes were commenced and 22,634 completed. On 31 July 2013 there were 15,595 items of work outstanding. Of this 5,360 items were pending as a result of information awaited from a third party e.g. scheme members, employers or transferring authorities. Within pensions administration, 10,235 processes can now either proceed to the next stage of the process or through to final completion.
- 2.4 Following the recent Fund restructure resources are being planned to target the standing 15,000 items of work outstanding across the operational administration function whilst the teams continue to process the new incoming work each period. This outstanding workload will be reduced on a month by month basis and the results will be identified via Committee reports.
- 2.5 A detailed analysis of the key processes across all operational functions e.g. calculating benefits for retirements, pensioner member data changes as well as the maintenance of updating membership details is shown in (Appendix C).
- 2.6 The Fund continues to see an increase in employer membership due mainly to the establishment of academies and outsourced local government contracts, with 27 new organisations being admitted to the fund during the period 1 June 2013 – 31 July 2013. The current number of employers as at 31 July 2013 is 383. The level of ongoing work being processed at the end of the period is as follows:-
- 59 admission agreements
 - 54 academies
 - 19 employer terminations
- 2.7 Admission bodies within the Fund cease when they no longer have any active scheme members which results in the termination of an admission agreement and can occur for a number of reasons, principally:

- The last active member of the admission agreement leaves, retires or transfers to another employer and ceases to be a member of the Fund and the employer does not wish to admit any more employees to that admission agreement.
- The contract to which the admission agreement relates, comes to an end or it is terminated prematurely.
- The employer ceases to exist, e.g. it goes into liquidation or is taken over by/merged with another organisation.

When an admission agreement terminates, the Regulations require that a termination valuation is undertaken with the purpose of determining the level of any surplus or deficit in an employer's share of the Fund as at the date of termination of the admission agreement.

Payment of the exit liabilities upon termination is the responsibility of the admission body and, in the event that the admission body is unable to pay, the guarantor will pay any excess when the admission body is only able to pay part of the exit liabilities.

- 2.8 An analysis of employer telephone calls is shown which details the immediate response provided by the Fund when addressing fundamental pension queries for all our employers (Appendix D). We continue to aim to provide a high quality response rate at first point of contact both for scheme members, the 7 districts, admitted bodies and academies with a target response rate of 90% of all calls answered.
- 2.9 Overall items scanned are consistent with the yearly trend and remain slightly lower than the previous year. The number of items scanned during the month of June was slightly lower. However, for July there was an increase due to actuarial valuation data received by the Fund from employers. Please refer to Appendix E.

3. Administration performance proposal

- 3.1 As part of the implementation of the new organisational restructure and the requirement to relocate staff into new functions KPI performance for processing has been temporarily suspended. It is proposed that new KPI's are established which have a cross-cutting benefit for all administration purposes and activities, by tracking end to end processes resulting in a more meaningful performance measurement. This would also incorporate a specific KPI related to pension scheme data records to increase quality and drive individual and team ownership for this function.
- 3.2 The Pensions Regulator has issued guidance on pension scheme record keeping which will result in Trustees and employers having precise information relating to financial liabilities at triennial valuation periods. The Regulator will set targets for completed and accurate data held by funds and the performance will be reviewed with a requirement to resolve data issues quickly or be forced to improve by the regulator.

3.3 The following types of data will be tested by the Regulator:-

- Common data – data which identifies a unique scheme member
- Conditional data – scheme specific data which is required for the effective administration of the scheme.
- Numerical Information – e.g. the numbers of the scheme members in a particular category, part-time, AVC payers.

3.4 By reviewing the KPI framework over the next 3 months alongside the Regulator data requirement the fund will be able to report on data accuracy and focus on reducing the risks of misstated liabilities and customer data errors. The funds pension system (UPM) already reduces the need to process manually through automatic calculations provided that experienced staff deal with the non-standard pension issues. In future staff will receive focused in-house training which identifies a range of processing errors and the correct solution to deliver the best results for all customers.

4. **IDRP (Internal Dispute Resolution Procedure) casework**

4.1 So far in the 2013/2014 financial year five cases have been received. Two have been dismissed and three cases are in progress.

The two cases dismissed related to the exercise of employer discretion on the early payment of deferred benefits from age 55.

5. **Death grant**

5.1 In this financial year three cases have been referred to the Legal Department for consideration. Two case decisions have been made and the other case is ongoing.

6 **Application for admission body status**

6.1 Organisations must satisfy one or more of the admission criteria before they can be admitted to the Fund following Pensions Committee approving the applications. Sometimes, a decision is required which is not compatible with the cycle of Pensions Committee meetings and admission agreements cannot be backdated (LGPS Regulations). In these circumstances, Pensions Committee has delegated responsibility for approving such applications to the Director of Pensions in consultation with the Chair and Vice Chair.

6.2 The table below lists the applications received for admission to the West Midlands Pension Fund which are awaiting approval by the Director of Pensions, the Chair and Vice Chair and Pensions Committee.

Committee is requested to approve these admissions:-

Employer name	Guarantee Status (Agreement)	Number of employees (Scheme members)	Status
1. Aspen Services Ltd	Sandwell MBC	14 (7)	Awaiting approval
2. Places for People Leisure Limited	Wolverhampton MBC	6 (6)	Awaiting approval

- 6.3 JCF approved 5 applications received for admission to the Fund and deferred approval of case 2, Places for People Leisure Limited, due to no leisure contracts having been let by WCC and therefore further information was requested. A further query was raised in terms of the low percentage of members joining the scheme from Aspen Services Ltd.

The Chair was advised that the lower percentage of members joining was not unusual where employees were relatively low paid and did not represent a particular issue with Aspen Services Limited. The Chair was also advised that Places for People Leisure Limited was not a new contract, rather a novation of an existing agreement due to a name/status change. The Fund is awaiting his approval of the admission, following which a note will be circulated to Members.

7 Pensions in payment

- 7.1 The gross annual value of pensions in payment in July 2013 was £394.6m, of which £18.4m (£8.7m for pensions increase and £9.7m for added year's compensation) was recovered from employing authorities and other bodies as the expenditure was incurred.

- 7.2 Monthly payroll numbers were:

June 2013	-	77,069
July 2013	-	71,736

The June figures include pensioners paid on a quarterly basis.

In July 2013 we successfully implemented the HM Revenue & Customs change to PAYE called Real Time Information (RTI). Our 'go live' date was 6 July 2013 with the first submissions on 25 July 2013. This has been achieved successfully and will now continue on a monthly cycle which replaces the End of Year process.

In July the Fund issued 2.5% of paid members with a paper pension advice slip. We continue to receive a low volume of requests for addition paper payslips, approximately 500 which has reduced by half from the previous reporting period, we continue to work with members towards using the web portal.

8 Communications & marketing activity

8.1 Communicating with members

AVC presentations were held during June and July and we continue to use Local Authority venues across the West Midlands, as feedback from the February and March events suggested that these venues were preferable to the hotels used for previous events. Attendance levels also increased with a higher percentage of members actually attending their selected event resulting in a lower cancellation rate.

The one hour AVC session focused on people who require further information about the benefits of being a member of the LGPS and the options to increase pension savings. The success of the events will be reviewed at the next monthly meeting with Prudential to determine the future content for events planned in September.

The Fund's web portal facility is demonstrated at each of the presentations, with 89% of the survey monkey respondents finding the demonstration helpful and informative.

The details of the events are as follows:

Date	Venue	11.30 am	1.30 pm	4.15 pm	6 pm	Total attendees
04.06.13	Oldbury	12	8	14	7	41
11.06.13	Wolverhampton	25	19	31		75
24.06.13	Dudley	17	16	15		48
25.06.13	Solihull	15	6	9	8	38
08.07.13	Wolverhampton			26		26
12.07.13	Birmingham	14	15	15		44

An extra presentation was held at Mander House, Wolverhampton due to high demand for the main event on 11 June. A total of 18 presentations were held, attracting 272 members.

8.2 Presentations

During the period Fund officers have continued to deliver presentations requested by employers, however, the emphasis is on retaining membership and educating scheme members on the proposed changes due to be implemented in 2014.

Examples of activity during the period are as follows:

7 June	Coventry City Council	Pre-retirement presentation
11 June	Birmingham City University	Planning for retirement presentation
26 June	Wolverhampton City Council	Redeployment workshop

3 July	West Midlands Fire Service	AVC presentation
8 July	Walsall College	Market place event
16 July	Walsall College	Surgery
22 July	Stourbridge College	AVC presentation

8.3 Benefit statements

Deferred benefit statements were dispatched successfully on the 18 June to 66,334 deferred pension members. Approximately 90,000 statements will be distributed to active scheme members during week commencing 2 September, including those with a pension sharing order. The Fund will contact approximately 10,000 active scheme members where we are unable to provide an annual benefit statement due to incomplete information e.g. personal/employer details are incorrect. The Fund is currently finalising the content of the Councillor Pensions annual benefit statements. Councillor statements will be distributed during week commencing 24 September.

8.4 Business support

During the period, the Fund issued 17,209 items of postal communication direct from Mander House, an average of 8,605 items per month. The number of items received and processed through the Business Support office during the period was 12,601 including 167 cheques and 376 certificates.

8.5 Employer mid-year review meeting

The mid-year review meeting for employers was held on Wednesday 17 July, 2013 at the Molineux Stadium, Wolverhampton attracting 33 attendees representing 25 of the fund's employers. Overall, the meeting was successful with the Fund receiving positive feedback from attendees who thought the interactive format of the event consisting of roundtable discussions was excellent. The content of these discussions focused on consultation questions on the Actuarial Valuation 2013, which were aligned to Funding Strategy objectives and previous employer feedback. Information from the event will be published in an edition of the employer brief.

8.6 Pensioner magazine replacement

Club Together, the replacement of the Fund's pensioner magazine, Superlink, were distributed to 73,670 pensioner member's week commencing 19 August. As part of the first distribution, pensioners will be given the option to opt-out of receiving the Club Together magazine and any marketing information connected to the group. Following the first distribution, pensioner members will receive Club Together annually in the month of April.

9.0 Financial implications

9.1 The report contains financial information which should be noted.

- 9.2 Employees of organisations who become members of the Local Government Pension Scheme will contribute the percentage of their pensionable pay as specified in the Regulations. The Fund's actuary will initially, and at each triennial valuation, set an appropriate employer's contribution rate based on the pension assets and liabilities of the individual employer.

10.0 Legal implications

- 10.1 The fund on behalf of the Council will enter into a legally binding contract with organisations applying to join the Local Government Pension Scheme under an admission agreement.

11.0 Equalities implications

- 11.1 This report has implications for the Council's equal opportunities policies, since it deals with the pension rights of employees.

12.0 Environmental implications

- 12.1 The report contains no direct environmental implications.

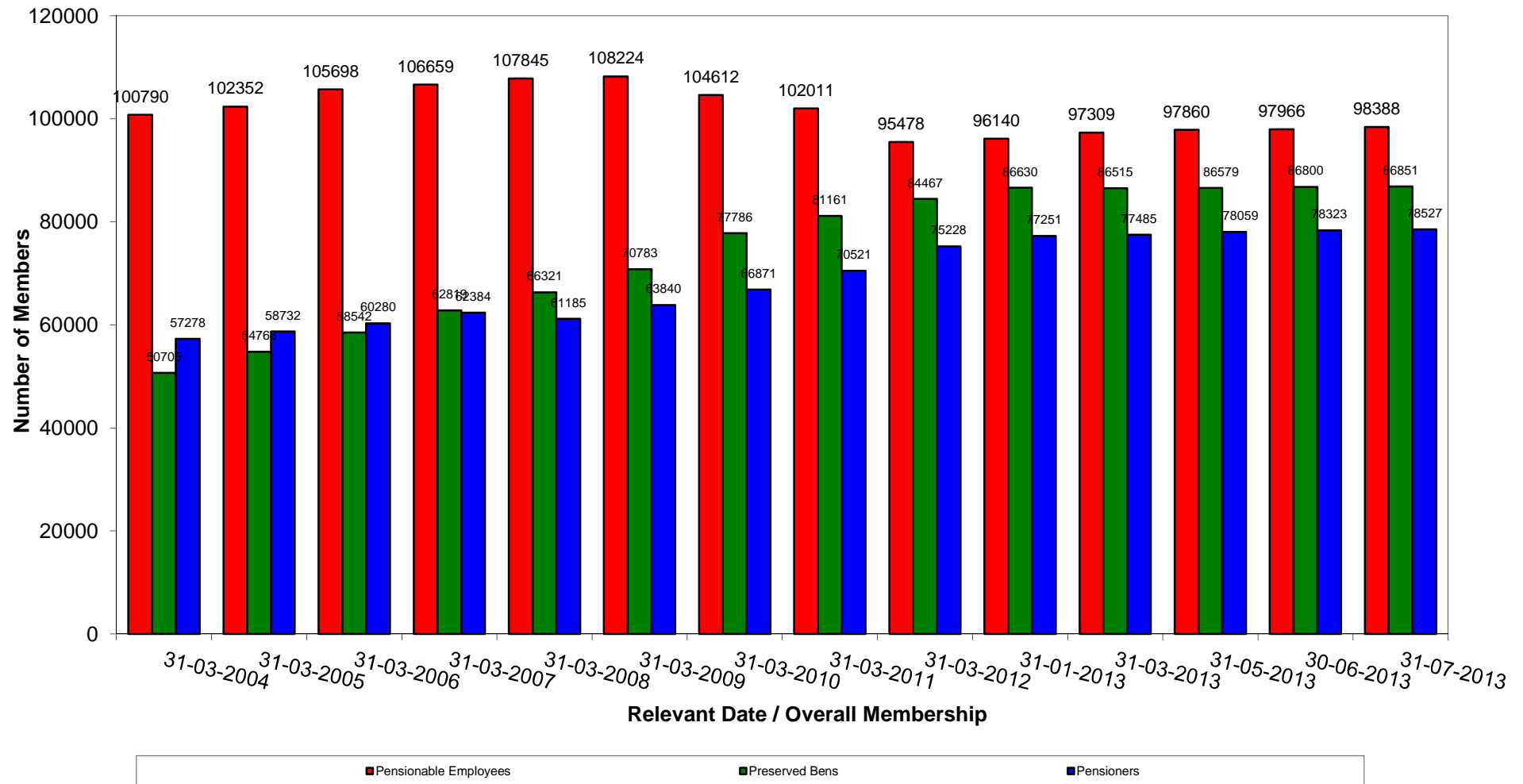
13.0 Human resources implications

- 13.1 This report contains no direct human resources implications.

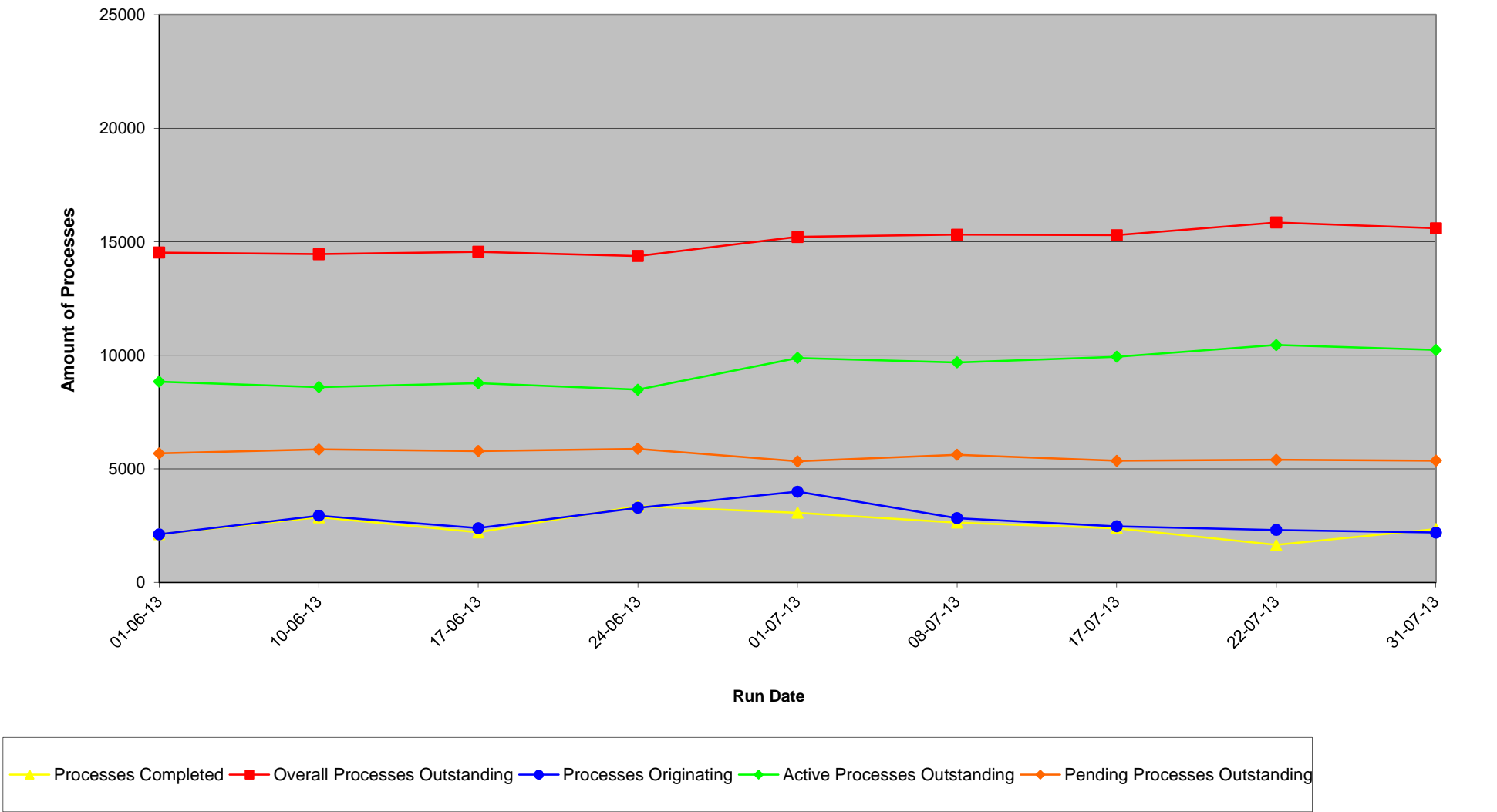
14.0 Schedule of background papers

- 14.1 There are no preceding documents.

Overall Membership



Process Analysis



Pension Committee Statistical Report
Detailed Process Analysis

2013/14

2009/10	2010/11	2011/12	2012/13		April	May	June	July	YTD 2013/14

Active & Deferred members

Process type										
Joiners and Rejoiners	11,437	8,763	6,403	11,138		792	840	1,128	1,083	3,843
Changes in circumstances eg change in hours	27,341	18,759	15,303	12,385		824	1,149	765	545	3,283
Deferments	6,915	5,939	7,818	5,741		411	409	426	235	1,481
Active Retirements (Employer retirements)	2,652	3,317	3,950	2,475		237	184	163	179	763
Deferred Retirements	4,106	3,332	2,970	2,971		221	277	195	248	941
Deaths of members	253	295	262	287		18	30	19	28	95

Pensioner members

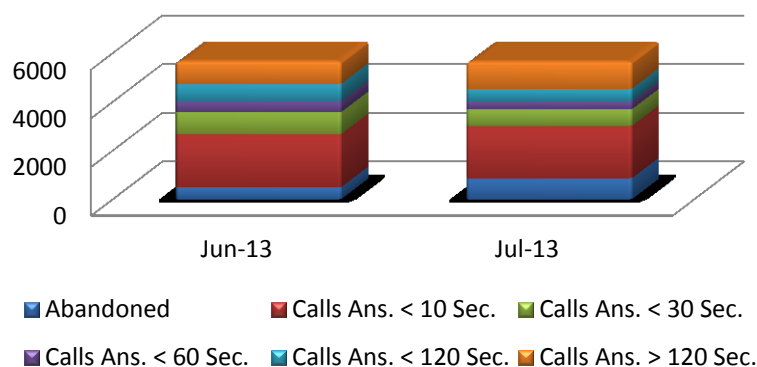
Process type										
Changes in circumstances:-										
Data eg Passwords, NI Numbers	7,407	1,310	1,804	1,865		183	310	143	177	813
Changes of Address	2,222	2,420	2,681	2,131		193	162	135	162	652
Changes of Bank	1,125	2,927	2,531	2,783		377	198	198	253	1,026
Deaths of pensioners	2,014	2,085	2,145	2,101		208	168	181	262	819

Payroll						Monthly	Monthly	Quarterly	Monthly	
Actual number paid	763,022	792,724	837,189	870,804		71,143	71,360	77,069	71,736	291,308

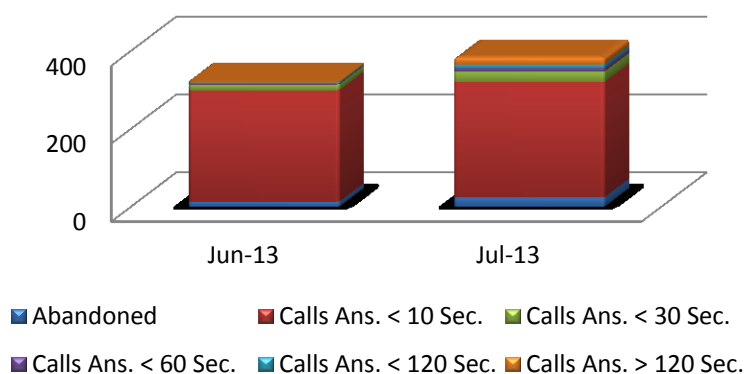
Customer Service Telephone Statistics

1st June 2013 – 31st July 2013

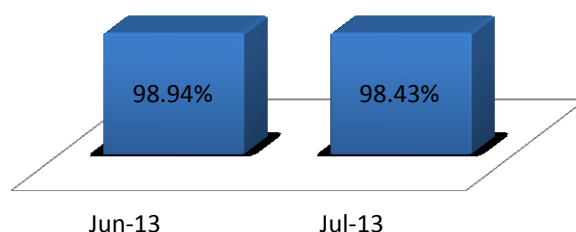
Customer Line



Employer Line



Calls answered at first point of contact

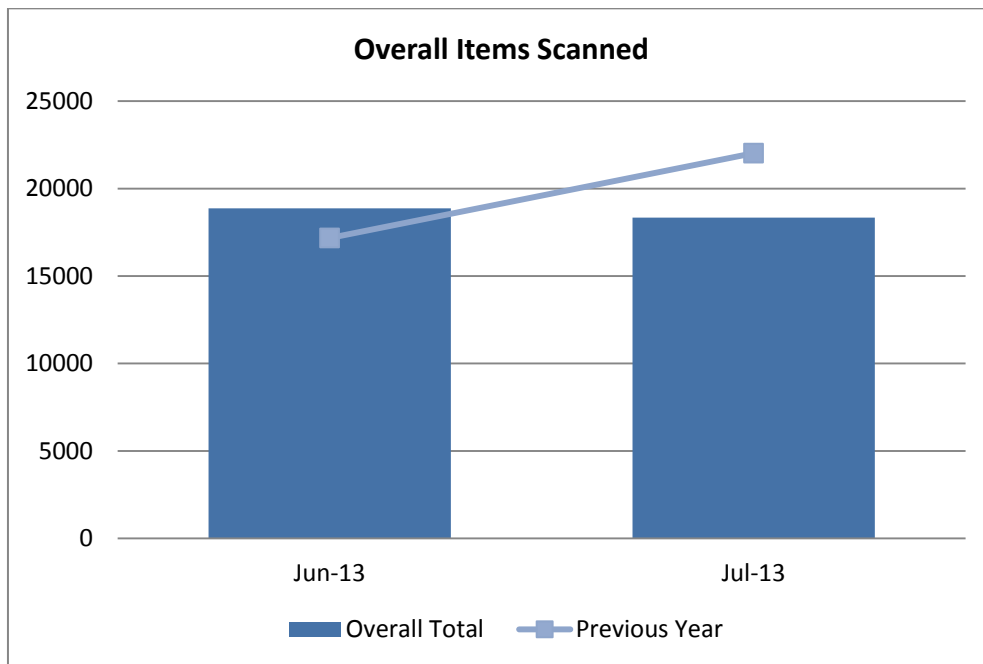


An account of the total calls from June 2013 – 31 July 2013

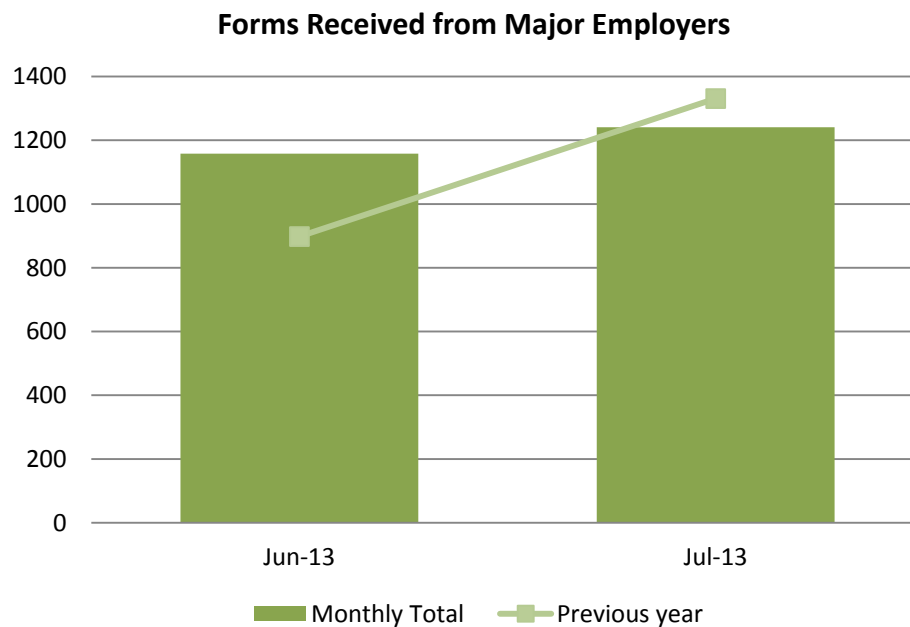
	Offered	Answered	% Ans
Total Calls	12040	10638	88.36
Cus. Calls	11335	9970	87.96
Emp. Calls	705	668	94.75

Data Quality Statistics

1st June 2013 – 31st July 2013



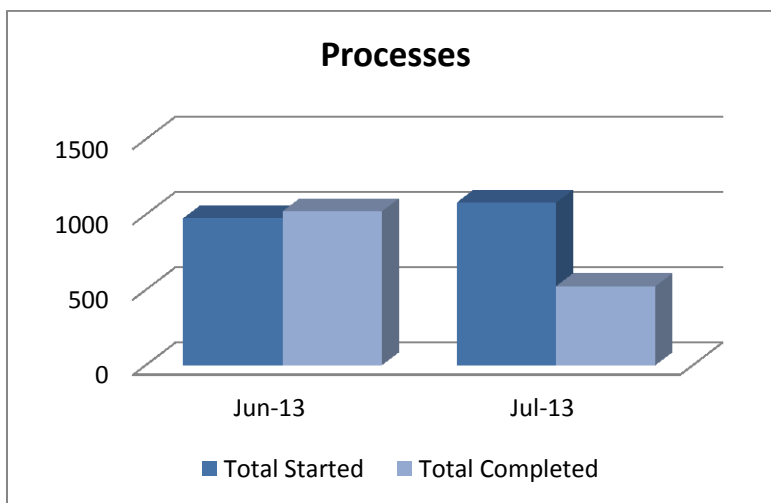
	Overall Total	Previous Year
Jun-13	18874	17171
Jul-13	18336	22026



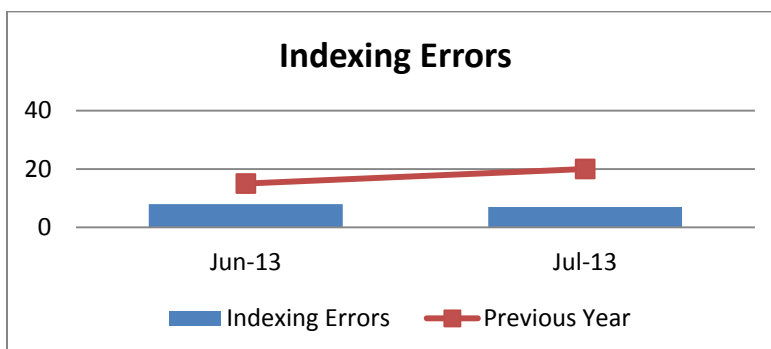
	Monthly Total	Previous year
Jun-13	1158	898
July-13	1241	1331

Data Quality Statistics

1st June 2013 – 31st July 2013



	Jun-13	Jul-13
Total Started	975	1078
Total Completed	1021	524



	Indexing Errors	Previous Year
Jun-13	8	15
Jul-13	7	20

Indexing errors are errors made while attaching an electronic imaged document to a member's record. It is identified and then corrected.

The issue could range from a document going onto an incorrect record or being assigned the wrong document type.

	Overall Scanned	Indexing errors	%
Jun-13	18874	8	0.042
Jul-13	18336	8	0.043



Pensions Committee

25 September 2013

Report Title	Transforming rehabilitation pensions proposal	
Originating service	Pension Services	
Accountable officer(s)	Geik Drever Tel Email	Director of Pensions 01902 55(2020) Geik.drever@wolverhampton.gov.uk

Recommendations for decision:

1. The Committee is asked to ratify the decision to approve submission of a proposal to become the “one Fund” for the Probation Service and approve the expenses incurred in preparing the bid.
2. Ratify the decision to accept the position as the one Fund if selected on 20 September 2013.

1.0 Purpose

- 1.1 Members are requested to note the content of the report and ratify the expedited decision of the Chair and Shadow Chair to accept the position as one Fund if selected by the MoJ.

2.0 Background

- 2.1 In May 2013, the MoJ published the Government response Transforming Rehabilitation: A Strategy for Reform, setting out a programme of reform that offers a step change in the way offenders are rehabilitated by opening up community offender management to a diverse range of providers and encouraging innovative approaches to rehabilitation.
- 2.2 As part of these reforms, the part of offender management which will remain within the public sector will be provided by a new National Probation Service and the existing 35 Probation Trusts will be wound up. Critical to the success of these changes is protecting the pensions of existing and retired probation staff.
- 2.3 Furthermore in May a paper was issued to Administering Authorities for comment setting out proposals for the proposed structure of the probation service, through the transfer of the probation trusts into 21 private limited companies which will be owned and operated initially by the Secretary of State for Justice (SSJ) and the National Offender Management Service (NOMS), an executive agency of the MoJ and the subsequent proposals for the management of LGPS pensions.
- 2.4 On 23 July 2013, the Ministry Of Justice issued a further paper, inviting Administering Authorities to notify the MoJ if they would like to be considered as the LGPS fund in which all of the Community Rehabilitation Companies (CRC's) and the National Probation Service (NPC) will participate.

3.0 Transition of Probation Trusts

- 3.1 Currently there are 35 Probation Trusts being administered by different LGPS pension funds nationally. There are approximately a total of 40,000 active, deferred, pensioner members within these funds with total assets of £2.6bn.
- 3.2 Following discussions with the Chair of the Pensions Committee the Fund expressed an interest in becoming the one Administering Authority to administer the LGPS for the probation service on 26 July and a full proposal was submitted to the MoJ on 16 August.
- 3.3 As one of the largest funds in the LGPS, the Fund believes it is well positioned to manage the size and scale of this transition. The officers of the Fund and their advisors have relevant experience and knowledge of managing bulk transfers into the Fund which are very similar to this project and we see this as a distinct advantage for the transformation activity.

- 3.4 A copy of the final submission and clarification questions is stored at the Fund offices at Mander House.
- 3.5 On the basis of the final submission and clarification questions, the Fund was shortlisted as one of three funds invited to attend a final interview on 12 September (the other shortlisted funds were interviewed on 11 September and 13 September respectively). The Fund was asked to prepare based on set questions as part of the interview process, but to also be aware that the panel could ask questions not included on the list.
- 3.6 The Fund was represented at the interview by a team consisting of;
- Geik Drever, Director of Pensions
Mark Chaloner, Assistant Director of Pensions
Amy Whiles, LGPS 2014 Project Lead
Simon Taylor, Employer Relationship Manager
Paul Middleman, Mercer and WMPF's actuary
- 3.7 The interview was structured over an hour and a half and was conducted by a panel of ten, including MoJ representatives and their advisors (legal, actuarial, financial and implementation).
- 3.8 The MoJ implemented a deadline of 13 September 2013 for confirmation of satisfactory approval for the Fund's bid. As a result, the Fund enacted the urgent decision procedure which enables the Chief Executive of Wolverhampton City Council to take the appropriate action in respect of matters delegated to the Pension Committee, provided that action is discussed with, and approved in writing, by the Chair (or in the Chair's absence the Vice Chair) and Shadow Chair (or in the Shadow Chair's absence the Vice Shadow Chair) of the Pension Committee. This written authorisation was granted and includes detail of the proposal and justification for using the expedited procedure.
- 3.9 The Fund requests that the Committee ratify the urgent decision procedure approved by the Chair and Shadow Chair as part of this meeting (given the timing of the preparation of papers for Committee, the Fund will already be in a position to know whether it has been successful in its bid by the time this report is tabled).

4.0 Timescales

- 4.1 Following consideration of the submissions and the final interviews of each of the three funds, the MoJ will notify the successful fund by Friday 20 September.
- 4.2 The proposed timescales for the transition of members and gaining admitted body status and scheme employer status for the CRC's and NPS is by April 2014, with a mid 2014 timescale for the transfer of assets and liabilities.

5.0 Financial implications

- 5.1 The bid submission process and the final interview will incur costs of between £20,000 to £30,000, which will be contained within the Fund's internal budget. The final breakdown of these costs is yet to be outlined, but will include the fees of the Fund's advisors as part of this bid. Significant parts of the work undertaken by these advisors will be utilised by the Fund in future business and therefore the associated costs would have been incurred any way.
- 5.2 This transfer will be supported by a Secretary of State for Justice Guarantee (SSJ Guarantee). The intention is that the SSJ Guarantee will cover the CRCs' liability to make employee and employer contributions to the chosen LGPS fund on the insolvency, liquidation or winding-up of the CRC in respect of the employees who are either:
- (a) employees of the Probation Trusts at the point of transfer of the probation services to the CRCs and who transfer to the CRCs; or
 - (b) employees who join the CRCs before they are transferred to a service provider;
and who participate in the LGPS or are eligible to participate in the LGPS
- 5.3 In addition, there will be one off costs that will be charged to the project and on-going costs will be attributable to the new asset base, which may assist to reduce WMPF's total cost base.
- 5.4 WMPF will ensure that no additional costs will fall onto the Fund and a full and final costing will be carried out as the project develops.
- 5.5 The bid highlights an additional resources requirement comprising amongst other expenses, recruitment of a number of staff to cover the project take-on and also for ongoing work. The final numbers will be agreed with the MoJ, but indicative numbers show a requirement of 15 staff to service 40,000 members and a £2.6bn fund.

6.0 Legal implications

- 6.1 The SSJ Guarantee is in draft form and the Fund have sought legal advice on its content and if successful with this proposal, the legal agreements will need to be finalised.

6.0 Equalities implications

- 6.1 This report has no implications for the Council's equal opportunities policies.

7.0 Environmental implications

- 7.1 The report contains no direct implications for the Authority's Environmental Policies

8.0 Human resources implications

8.1 The report contains no direct implications for the Authority's Human Resources Policies

9.0 Schedule of background papers

9.1 There were no preceding background papers.



Pensions Committee

25 September 2013

Report Title	Combined Governance Activity April to June 2013	
Originating service	Pension Services	
Accountable officer(s)	Geik Drever	Director of Pensions
	Tel	01902 55(2020)
	Email	Geik.drever@wolverhampton.gov.uk

Recommendations for noting:

The Committee is asked to note:

1. The Fund's voting activity for the three months ending 30 June 2013.
2. The issues being raised and discussed by the Local Authority Pension Fund Forum (LAPFF) as described in the attached minutes of the Business meeting held on 19th June 2013. Also attached are the Quarterly Engagement Report and the Summer Newsletter.

1.0 Purpose

- 1.1 This report is submitted for Members' information.

2.0 Background

- 2.1 For a number of years, the West Midlands Pension Fund has adopted an approach of wanting to position itself by following good corporate governance practices. One way this is reflected in its approach to active proxy voting and the Fund aims to vote at the majority of company meetings both in the UK and overseas where it has a direct interest. The Fund's voting policy is summarized in the annual report and accounts and published on the web-site.

3.0 Voting Activity

- 3.1 During the period the Fund voted at a total of 1,747 company meetings – 208 UK, 187 European, 393 US, 415 Japanese, 438 Global and 106 Asian. In respect of these meetings (a mixture of EGMs and AGMs) the Fund opposed, abstained or withheld* 6,820 resolutions out of a total of 21,962, representing approximately 31% of all resolutions. During this period there were 128 meetings where the Fund supported all the resolutions put forward by companies.
- 3.2 The Fund has a bespoke template for voting at UK meetings, however, the Fund currently follows the voting advice of the Pensions and Investments Research Consultants Ltd (PIRC) for European US and Japanese company meetings.

**(It should be noted that due to a combination of US state law and individual company bye-laws, votes pertaining to individual directors cannot be cast as "oppose" but have to be cast as "withheld").*

4.0 UK Voting Analysis

4.1 The major issues of contention during the period are typically illustrated in the examples in the table below:

Company	Meeting	Resolutions Causing Shareholder Concern	Shareholders Opposing or Abstaining
BUMI PLC	AGM	Issue shares for cash	74%
BUMI PLC	AGM	Issue shares with pre-emption rights	74%
Afren PLC	AGM	Approve the Remuneration Report	73%
Glencore Xstrata PLC	AGM	Re-elect Sir John Bond	72%
Glencore Xstrata PLC	AGM	Re-elect Con Fauconnier	67%
Glencore Xstrata PLC	AGM	Re-elect Ian Strachan	63%

Although the Fund may often oppose a resolution, it will support a resolution if it believes the company has followed best practice, even if there is significant opposition from other shareholders. Background details on some of these resolutions where opposition was significant are detailed below:

4.2 Bumi PLC (AGM)

Following on from the recent EGM, Bumi again found itself facing resilience from shareholders at the AGM.

As previously reported, information was received from a whistleblower that there were financial irregularities in the Group. Mr Rothschild who was a director at the time, made that information public.

It has now been confirmed that a "black hole" of \$201 million exists, which the audited accounts describe as "expenses without business purpose". The accounts also set out examples of related party transactions which are as yet unresolved by the Company.

On the basis that the auditors have qualified the accounts and a substantial sum of money is not accounted for and proper records have not been kept, the Fund was unable to support the approval of the annual report and accounts.

There are additional concerns related to payments made to the President of PT Berau, given the recent governance problems and the "black-hole" uncovered in the accounts. The Remuneration Committee claims not to have been made aware of these payments, which raises concerns about the remuneration practices at the subsidiaries, and the ultimate nature of the governance oversight of the BUMI remuneration committee.

The Fund opposed the resolution to approve the annual report and accounts

However, following the board reshuffle at the EGM, the new composition appears to be more favourable to shareholders, with a sufficient number of independent directors.

The resolutions for authority to issue new shares also received a high level of shareholder opposition, but the Fund was able to support these proposals as they were well within accepted limits and were accompanied by an acceptable level of director independence.

The Fund supported the resolution to issue new shares

4.3 Afren (AGM)

Afren's AGM saw the highest level of shareholder opposition so far at this year's meetings.

Investors' anger was again directed towards the company's remuneration policy and leadership. 80% of shareholders were opposed to the £3.4m pay package for the CEO and co-founder Osman Shahenshah. Considering a further 8% abstained, this was one of the biggest ever shareholder revolts over executive pay in the UK.

Afren's remuneration plans were opposed because it was deemed that the company's 2012 variable pay was excessive. Despite a historic shareholder revolt the vote remains nonbinding. Therefore, Mr Shahenshah is expected to receive his full package, comprising a £625,000 basic salary, generous benefits and a pension pot, as well as a cash bonus of £1.3m and £1.3m in shares under Afren's long-term incentive scheme.

Afren had previously lost the vote on its remuneration report at its 2011 AGM. This makes it the first company to lose such a vote in the UK twice. Incidentally, at the 2010 AGM its remuneration report only barely passed with little more than 50% approval, while 20 per cent of votes were withhold.

The Fund opposed the resolution to approve the remuneration report

4.4 Glencore Xstrata (AGM)

The re-election of various directors at Glencore Xstrata also attracted a high level of opposition. There were concerns with the proposed new board as some members could not be truly independent due to involvement with either company prior to the merger.

Sir John Bond received the most opposition with a vote against his re-election of over 80%. One of the reasons for Bond being voted off, was investor anger at retention awards provided to Xstrata directors.

The Fund opposed the resolution to re-elect Sir John Bond

Con Fauconnier, Peter Hooley and Ian Strachan were also unpopular with some shareholders and accordingly voted off. However, the overall level of independent representation on the board allowed the Fund to vote in favour.

The Fund supported these resolutions to re-elect directors

Bond's departure also means that former BP chief executive Tony Hayward becomes chair of the FTSE 100 constituent on an interim replacement whilst a replacement is sought. This in turn raises question over his time commitments due to ongoing legal wrangles.

The Fund opposed the resolution to re-elect Anthony Hayward

Overseas Issues

4.5 Deutsche Bank (AGM) – Europe

The biggest German bank witnessed significant opposition at its AGM.

The biggest oppose votes at Deutsche Bank's AGM were cast against the re-election of the prominent German industrialist Henning Kagermann. More than 26% of shareholders objected to his re-election, which included several institutional investors. The vote represents a clear sign of shareholder discontent with the past performance of the bank's supervisory board.

Mr Kagermann is one of a few remaining board members to have overseen the bank's haphazard search for a successor to Josef Ackermann, former CEO, as a result of which some strong candidates were deterred from applying for the position. Shareholders were also concerned that he sits on too many company boards. Several other supervisory Board members also received noticeable shareholder opposition.

The Fund voted abstained from the resolution to re-elect Dr Kagermann

Investors also voiced concerns about the high levels of pay at Deutsche Bank for staff below board level in comparison with the level of dividends paid to shareholders.

The compensation of the Management Board received 11 per cent opposition.

The Fund voted against the compensation system for Management Board members

4.6 Wal-Mart (AGM) – USA

Shareholders of Wal-Mart Stores also expressed significant opposition to the company's management at its annual meeting.

At its AGM, 12% of voting shares were cast against Chief Executive Mike Duke. Board chairman Robson Walton, son of the founder Sam Walton, received a 10% vote against them and Christopher Williams, chair of the audit committee, received a 12% vote against him. The votes reflect shareholders dissatisfaction with Wal-Mart's response to allegations of violations of U.S. law prohibiting bribery in foreign countries, its treatment of workers and its safeguards to ensure that its products are made in humane conditions.

The Fund opposed the resolutions

There was also a vote of more than 17% in favour of a shareholder proposal to empower the board to call for a special shareowner meeting in order to vote on important matters. The request for this arose in the shadow of the recent disasters at textile factories in Bangladesh, which supply also Wal-Mart.

The Fund voted in favour of this resolution

5.0 Shareholder Engagement

5.1 The Fund's second approach to responsible investing involves engaging with companies in partnerships with like-minded investors.

This approach is implemented through the Fund's membership of the Local Authority Pension Fund Forum. Joining with other pension funds that have similar views to the Fund, produces a large shareholding group which companies are more likely to take note of and respond to. LAPFF has a current membership of 56 public sector pension funds in the UK with combined assets of over £115bn.

The mission statement of the Forum is "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, commensurate with statutory regulations".

LAPFF members regularly meet together to discuss social, environmental and governance issues and ways to promote high standards of corporate behaviour at investee companies. A programme of shareholder engagement is undertaken and the latest issues and achievements in this area are highlighted in the attached quarterly engagement report.

6.0 Shareholder Litigation

- 6.1 In addition to voting, the Fund works in partnership with a US lawyer and a class action monitoring agent to return value back to the Fund through litigation where shareholder value has been lost through fraudulent or irresponsible corporate behaviour. These partners are able to identify where litigation has been successful and submit claims on behalf of the Fund. As a result, during the three months to June 2013 almost \$24,000 has been recovered.

7.0 Financial implications

- 7.1 The promotion of good corporate governance amongst companies in which the Fund invests is complementary to the Fund's objective of maximising financial returns, as it is widely believed that good corporate governance improves shareholder value in the long term.

8.0 Legal implications

- 8.1 The report contains no direct legal implications for the Authority.

9.0 Equalities implications

- 9.1 This report has no implications for the Council's equal opportunities.

10.0 Environmental implications

- 10.1 Environmental implications are addressed through the Fund's corporate governance policy.

11.0 Human resources implications

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

12.0 Schedule of background papers

- 12.1 There were no preceding background papers.

Local Authority Pension Fund Forum

Business Meeting Minutes

Wednesday, 19 June 2013

Minutes

1. Apologies

Received from:

Dylan Jones
Cllr Sian Thomas
Cllr Peter Brayshaw
Cllr Toby Simon
Cllr John Gray
Cllr Pat Glasman
Peter Wallach

Dyfed
Dyfed
LB Camden
LB Enfield
LB Newham
Merseyside Pension Fund
Merseyside Pension Fund

Present:

Cllr Mike Drew
Liz Woodyard
Cllr Doug McMurdo
Nick Buckland
Mark Lyon
Graeme Russell
Tom Harrington
Cllr Kieran Quinn
Cllr Caroline Roberts
Peter Taylor
Bridget Uku
Richard Law-Deeks
Howard Bluston
Cllr Alec Kellaway
Cllr Ann Jackson
Cllr Nick Buckmaster
Keith Bray
Cllr Cameron Rose
Mike Taylor
David Murphy
Robert Mayes
Alex Younger
Caroline Mann
Cllr Alastair Bews

Avon Pension Fund
Avon Pension Fund
Bedfordshire Pension Fund
Dorset CC
East Riding Pension Fund
Greater Gwent (Torfaen)
Greater Manchester Pension Fund
Greater Manchester Pension Fund
Gwynedd Pension Fund
LB Camden
LB Ealing
LB Hackney
LB Harrow
LB Newham
LB Tower Hamlets
LB Waltham Forest
LAPFF Officer
Lothian Pension Fund
LPFA
NILGOSC
Norfolk Pension Fund
Norfolk Pension Fund
North East Scotland Pension Fund
North East Scotland Pension Fund

Tim Bush	PIRC Ltd
Ashley Hamilton	PIRC Ltd
Janice Hayward	PIRC Ltd
Martin Marzidovesk	PIRC Ltd
Alan MacDougall	PIRC Ltd
Tom Powdrill	PIRC Ltd
Tessa Younger	PIRC Ltd
Jane Firth	South Yorkshire Pensions Authority
Melanie Stokes	Staffordshire
Andy Hill	Teesside Pension Fund
Geik Drever	West Midlands Pension Fund
Cllr Bert Turner	West Midlands Pension Fund
Rodney Barton	West Yorkshire Pension Fund
Ian Greenwood	West Yorkshire Pension Fund
Catherine Dix	Wiltshire Pension Fund

2. Declarations of interest

None.

3. Approve Minutes of LAPFF Business Meeting held on 20 March 2013

The minutes were agreed.

There were no matters arising not covered on the current Business meeting agenda.

4. Note minutes of LAPFF Executive meeting held on 5 June 2013

The minutes were noted.

5. Report of the Hon Treasurer

Geik Drever presented the report.

Alex Younger asked where the conference income was accounted for in the LAPFF accounts. GD advised that under the terms of the contract with PIRC, the conference was financially underwritten by PIRC so that LAPFF does not bear any financial risk and therefore it does not appear in the LAPFF accounts. GD added that each member fund has two free places at the conference as part of their membership subscription.

The report was noted.

6. Forum's officers report

Keith Bray presented the report.

The report was noted.

7. LGPS reforms: Review of developments

Rodney Barton presented a verbal update.

The LAPFF Executive had agreed to nominate Cllr Kieran Quinn, LAPFF chair, and Vice Chair Ian Greenwood of West Yorkshire Pension Fund as member nominees to the Investment and Engagement Sub-Committee

Also letters from the LGA were sent on the 14 June to the Heads of Pension Funds and copied to Administering Authority Chief Executives asking for nominations with regard to the election of officers to the Shadow Scheme Advisory Board and the five sub committees, including the Investment & Engagement Sub-Committee of particular interest to LAPFF.

Votes need to be cast by **21 June** and all information relating to the procedure for voting can be found on the LGA's website.

<http://www.local.gov.uk/web/lgaworkforcepensions/shadowsab>

Mike Taylor also advised that a consultation document calling for evidence on the future structure of the LGPS would be sent out to funds soon with a return date of around the end of September.

8. Quarterly Engagement report

TY presented the report and gave an overview of the quarter's achievements and also drew attention to the voting alerts that had been issued so far this year, on topics of Executive Pay, separation of powers, capital adequacy, carbon management and employment concerns. Outcomes from a Rio Tinto meeting on carbon management were discussed.

AH gave an overview of other engagement meetings and Executive members also reported on their attendance at meetings with ABF, L&G, Morrisons, Centrica, and Societe Generale.

AH reported that M&S is to tender its audit contract for the first time since 1926. They would not commit to a policy on audit rotation, but would consider adopting a policy of mandatory re-tendering.

It was agreed that a LAPFF AGM voting alert should be issued in support of the report and accounts. It was also agreed that a LAPFF representative should attend the M&S AGM on 9 July 2013.

TP presented on labour practices at Deutsche Post, National Express and Tesco.

TP also reported on two meetings that had taken place with earlier on 19 June with 'Hacked off' the campaigning group that had taken up the cause of the individuals whose phones had been hacked. TP also reported on a meeting with Trinity Mirror to discuss their exposure to hacking.

IG had attended the meetings and proposed that LAPFF should revisit those media companies LAPFF had previously engaged with on this issue.

IG also proposed that LAPFF should take a view on which model of regulations is the appropriate one for the press.

The report was noted.

9. Tobacco – verbal update on company meetings and meeting with Association of Directors of Public Health

AH reported on the meeting with Imperial Tobacco. IG also contributed as he had attended the engagement meeting.

AM reported on the meeting with the President of the Association of Directors of Public Health. KQ attended the meeting and reported that the association was very keen to have a dialogue on this issue and made a number of points on strategy.

10. Reliable Accounts – verbal update

TB updated the meeting and presented a powerpoint of the key issues relating to the report of the Parliamentary Committee on Banking Standards and on the QC Opinion on IFRS and true and fair view.

DM thanked TB for his work on this project for LAPFF.

11. Communications and Profile

TP presented the report.

The recommendations were agreed.

12. Investor Forum

AM advised that the IMA had now announced the representatives on the working party to consider the formation of an Investor Forum.

LAPFF had not been asked to join the working party, but will be interviewed by members of the IMA working party on LAPFF's engagement work. It was agreed

that LAPFF should write to the IMA to request a meeting to enable KQ to formally present on the work of LAPFF to the working party.

It was also agreed that LAPFF would continue to meet with pension funds outside of LAPFF regarding this initiative.

13. Charles Abel Smith – Investor action on carbon management: the role of the Green Investment Bank

Charles Abel Smith made a powerpoint presentation (which is available on the LAPFF members site).

KQ thanked Charles for his presentation.

14. Any other business

None

The date of the next LAPFF business meeting is Wednesday 16 October 2013.

QUARTERLY ENGAGEMENT REPORT

APRIL TO JUNE 2013



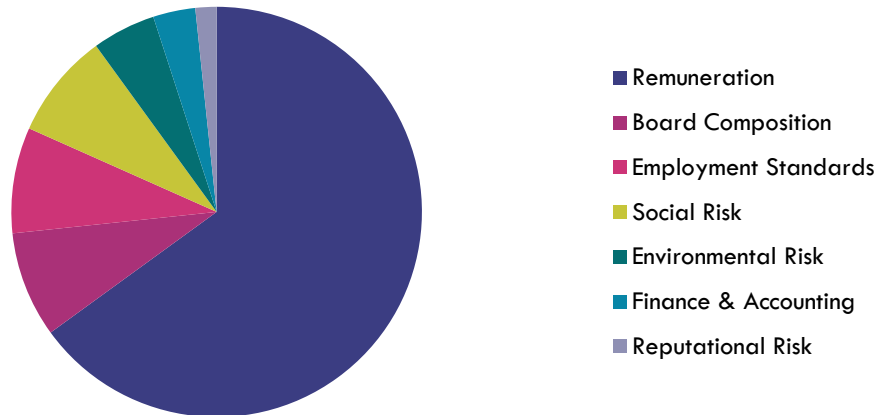
Local Authority Pension Fund Forum

LAPFF exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders whilst promoting social responsibility and corporate governance at the companies in which they invest. Formed in 1990, the Forum brings together a diverse range of local authority pension funds in the UK with combined assets of over £115 billion.

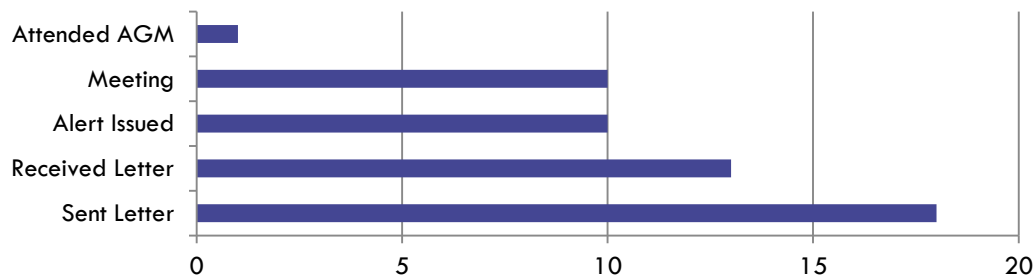
ENGAGEMENT SUMMARY

APRIL TO JUNE 2013

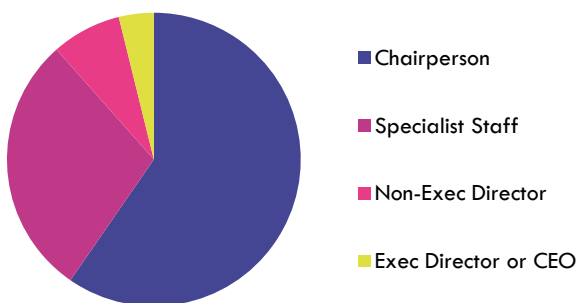
Topics



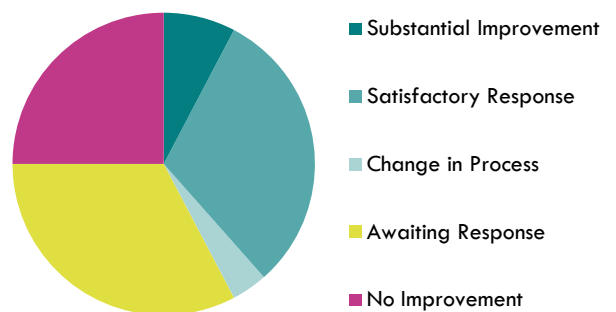
Activities



Company Contact



Outcomes



ACHIEVEMENTS

- Issued ten voting alerts in the proxy season on a number of issues including on executive pay, joint Chair/CEO and carbon management: **Carnival, AstraZeneca, Barclays, National Express, BAE Systems, Aviva, Royal Bank of Scotland, Prudential, Comcast, JP Morgan, ExxonMobil.**
- Met with the Chair of **Associated British Foods** regarding supplier employment standards following the Bangladesh factory tragedy. LAPFF also signed an investor statement calling for improvements to factory standards for workers' safety.
- Sent LAPFF's new **Expectations on Executive Pay** to the FTSE 350 seeking feedback from a list of 16 companies in advance of their AGMs.
- Held meetings with **Société Générale, WM Morrison Supermarkets, and Legal & General** on executive pay.
- Met with **Imperial Tobacco** to discuss the health risks of tobacco products and the company's harm-reduction strategy.
- Discussed climate change disclosure with representatives of **Rio Tinto**, and received feedback from **Centrica** regarding opportunities and risks in the UK shale gas market.
- Met with the Chairman of **Standard Chartered** regarding Board structure and renewal.

THE FORUM IN THE NEWS

LAPFF questions RBS' accounts

[The Times](#), [Financial News](#), [Bloomberg](#), [The Scotsman](#)

National Express questioned on labour standards

[EIN News](#), [PR Newswire](#)

Investors push for independent Chair at News Corp

[Professional Pensions](#), [The Guardian](#)

LAPFF opposes Barclays' accounts

[The Independent](#), [The Wall Street Journal](#), [Fox Business](#), [Bloomberg](#)

LAPFF recommends against AstraZeneca's pay

[The Telegraph](#), [Financial Times](#), [Reuters](#), [The Independent](#), [Bloomberg](#)

View more press coverage: <http://lapfforum.org/TTx2/press/in-the-news>

COMPANY ENGAGEMENT

LEADERSHIP ON KEY CAMPAIGNS

In response to member concerns regarding the social and public health concerns associated with tobacco companies, LAPFF met with representatives of **Imperial Tobacco**. The issues discussed included harm reduction initiatives, regulatory risks, marketing and advertising practices, and global supply chain standards.

LAPFF also met with the Chairman of **Standard Chartered** at the Company's request to discuss ongoing changes at the Board level. Increasingly, companies are approaching LAPFF to initiate proactive discussions regarding governance, which demonstrates the progress LAPFF has made in terms of developing mutually beneficial relationships with the companies our members invest in.

PROMOTING GOOD GOVERNANCE

Global Focus List Engagement

Engagement with our focus list of companies on governance issues continued this quarter. Our activities focused more on issuing voting alerts in the run up to company annual meetings. We issued an alert on **JP Morgan**, recommending members vote for a shareholder proposal to appoint an independent Chair, and to vote against the re-election of Jamie Dimon, the Company's Chairman and CEO. The shareholder proposal received support from 32% of shareholders. LAPFF first initiated engagement with JP Morgan in 2012 in relation to the joint Chair/CEO role and on executive pay.



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LAPFF issued a similar alert on the joint Chair/CEO role at **Comcast Corporation**, a 2013 Global Focus List company. In this case, LAPFF recommended a vote against the Chairman and CEO, and against the Chairman of the Nomination Committee.

Financial Reporting & Audit

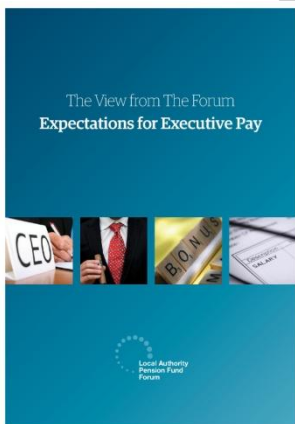
The Forum continues to be one of the leading advocates on the need for accounting standards to properly reflect a true and fair view of companies' financial position. The Forum is concerned that the true and fair view has been misrepresented, equating it to proper reporting against the accounting standards, rather proper reporting in line with the spirit of the law.

This quarter, we issued voting alerts at **Royal Bank of Scotland** and **Barclays**, recommending members vote against the report and accounts on the basis that the companies' true financial position is not accurately reflected in their reports due to the use of International Financial Reporting Standards (IFRS). The Forum is concerned that the banks' reporting has implications for capital adequacy, noting that the Financial Policy Committee is making material adjustments to the public accounts. Press reports on the true capital positions of the banks are very similar to numbers LAPFF published in its [Bank Post Mortem](#) in 2011. RBS which has the largest capital gap by both LAPFF's calculations and press reports, has not made any public disclosure of the company's estimate of the size of the gap.

LAPFF is also closely monitoring the outputs of the **Parliamentary Commission on Banking Standards**, which is expected to report in June. We have submitted evidence to the Commission, which we consider will be significant in highlighting the serious concerns LAPFF has regarding IFRS. A special bulletin will be sent to LAPFF members once the LAPFF evidence is made public, as it is currently subject to Parliamentary embargo.

Executive Pay

In April, LAPFF launched its "Expectations for Executive Pay" document, which outlines LAPFF's new strategy on executive pay. There are a total of fifteen "expectations" set out for companies, some of which reference several long-standing LAPFF policies, such as "no golden hellos," the provision of fair pension arrangements, and exercising "reasonableness" with regard to the quantum of pay. The document also sets out several new policy positions, including the phase out of long-term incentive plans, the consideration of employee views, transparency in the executive recruitment process, and the publication of pay ratios.



Copies of the document were sent to the Chairmen of the FTSE 350 for their information, and a subset of 16 companies was asked for their specific response to our new proposals. Thirteen companies from the FTSE 350 list responded to indicate they had circulated the document to their Remuneration Committees, with two companies (**Centrica** and **Dunelm Mill**) indicating their Committees would specifically consider the document at upcoming Board meetings.

Four voting alerts recommending a vote against companies' remuneration reports were issued on the back of the launch of the Expectations document. At **AstraZeneca**, concerns were raised regarding a golden hello payment to the incoming CEO. For **Aviva**, **BAE Systems** and **Prudential**, LAPFF had concerns regarding the overall quantum of awards. On **Barclays**, LAPFF recommended an abstain vote on the remuneration report, in recognition of the Company's intention to review pay practices next year with a mind to simplifying the bank's pay strategy.

LAPFF also held meetings with **WM Morrisons Supermarkets** and **Legal & General** to receive feedback on the Forum's new approach to pay.

MANAGING ENVIRONMENTAL RISK

Climate Change

LAPFF was joined by the Church Commissioners and the Church of England at a meeting with **Rio Tinto** to discuss the company's approach to carbon management. This is part of a wider investor initiative, 'Aiming for A' which aims to support companies working towards a transition to low-carbon production and to encourage improvement in CDP (carbon disclosure project) scorings. Rio Tinto agreed to continue communications regarding its business strategy for long-term sustainability.

"Adopt quantitative goals, based on current technologies, for reducing total greenhouse gas emissions from the Company's products and operations and report to shareholders...on its plans to achieve these goals"

- Shareholder Resolution at ExxonMobil

In keeping with previous years, LAPFF issued a voting alert at **ExxonMobil** recommending a vote in favour of a shareholder proposal asking the Company to set out greenhouse gas emissions reduction goals. The proposal has been filed at the Company for several consecutive years, and last year received 27% shareholder support. A recommendation was also made to vote for a proposal asking Exxon to appoint an independent Chair.

Environmental Risk Management

LAPFF met with **Centrica** this quarter to understand the Company's views on the potential risks and benefits of developing a UK shale gas market. Shale gas has been discovered in the UK and many believe it has the potential to provide a stable source of energy that will help bring energy prices down. However there are a number of risks associated with the extraction process, which uses hydraulic fracturing. Centrica shared its views on the potential for large scale shale gas development in the UK, and how it believes the environmental and social risks can be managed.

TARGETING SOCIAL ISSUES

Employment Standards

Following the tragic factory collapse in Bangladesh, LAPFF wrote to **Associated British Foods (ABF)** to seek a meeting to discuss the Company's response. ABF and LAPFF have a history of engagement on the issue of overseas supply chains, and met with the company several times between 2005 and 2011. After several improvements in the Company's reporting and disclosure, LAPFF determined it was satisfied with the Company's progress. However following the tragedy in Bangladesh, clearly there was a need to re-initiate our discussions in an effort to support the Company as it works collaboratively with other companies to improve overseas factory standards.



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In response to a complaint about labour practices filed by unions under the OECD multinational enterprises guidelines, LAPFF held a conference call with the head of investor relations at **Deutsche Post DHL**. The company agreed that employment practices in some markets, such as Turkey, had fallen short of its expectations, and it was looking to roll out global standards across the group. Dialogue will continue once the response to the OECD is clear.

As part of its continuing engagement with **National Express** over employment issues in its US schoolbus business, LAPFF signed a statement calling on the company to improve oversight and reporting of human capital issues. LAPFF issued an Alert ahead of the AGM, and vice-chair Ian Greenwood attended and spoke at the meeting. The company continues to defend its stance and has offered a further meeting with the LAPFF chair.

The Forum held a meeting with **Tesco** to discuss the announced review of its US business Fresh & Easy. LAPFF had previously engaged with Tesco over employment issues, and the former chair met with Fresh & Easy employees in the US, at which point it became clear that the business was in difficulties and a further meeting was sought. LAPFF asked whether the company had learned lessons from the US experience and could have engaged with employee concerns earlier. The company agreed that earlier engagement may have been beneficial and said that lessons had been learned, but that there had also been benefits to the US experience.

CONSULTATIONS & PUBLIC POLICY

CONSULTATION RESPONSES

The Forum submitted several consultation responses this quarter. We expressed support for the **Financial Reporting Council's (FRC)** proposed reforms to require the auditor's report to address risks of material misstatement, materiality and a summary of the audit scope. LAPFF also issued a response to **The Sharman Enquiry** on Going Concern. In its paper, LAPFF highlighted that assessing going concern requires prudent accounting policies, and that this assessment is not consistent with IFRS in several material respects. LAPFF co-signed a paper to the **UK Competition Commission** to advocate in favour of mandatory audit rotation, and backed a letter to the **Financial Conduct Authority (FCA)** raising concerns regarding the failure of the listing regime to provide basic corporate governance protections for investors.

All consultation responses submitted by LAPFF can be viewed online at:

<http://www.lapfforum.org/consultations>.

NETWORKS & EVENTS

Representatives of LAPFF regularly attend conferences and events on behalf of members. A list of recent events is listed below.

- **Barclays annual meeting**
- **National Express annual meeting**
- **Unburnable carbon** - UKSIF sponsored event
- **Commodities trading** – UKSIF sponsored event
- **30% Club Seminar** – hosted by Bloomberg
- **RI Europe Conference** – hosted by responsible-investor.com
- **Investors and Diversity Panel** – hosted by BNY Mellon

COMPANY PROGRESS REPORT

Company	Topic	Outcome
Anglo American	Remuneration	Satisfactory Response
Associated British Foods	Employment Standards, Social Risk	Satisfactory Response
AstraZeneca	Remuneration	No Improvement
Aviva plc	Remuneration	No Improvement
BAE Systems	Remuneration	No Improvement
Barclays	Finance & Accounting, Remuneration	No Improvement
British Sky Broadcasting	Remuneration	Awaiting Response
Burberry	Remuneration	Awaiting Response
Carnival Corp	Remuneration	Awaiting Response
Centrica	Environmental Risk, Social Risk	Satisfactory Response
Comcast Corp	Board Composition	No Improvement
Deutsche Poste DHL	Employment Standards	Change in Process
Dunelm Mill	Remuneration	Satisfactory Response
Enterprise Inns	Remuneration	Satisfactory Response
ExxonMobil	Environmental Risk, Board Composition	No Improvement
Freeport McMoran	Board Composition, Social Risk	No Improvement
Fresnillo	Remuneration	Satisfactory Response
Glencore International	Remuneration	Awaiting Response
Hays	Remuneration	Satisfactory Response

Company	Topic	Outcome
Imagination Technologies	Remuneration	Awaiting Response
Imperial Tobacco	Social Risk, Reputational Risk	Satisfactory Response
JP Morgan	Board Composition	No Improvement
Laird PLC	Remuneration	Satisfactory Response
Land Securities	Remuneration	Satisfactory Response
Legal & General	Remuneration	Substantial Improvement
Meggitt	Remuneration	Satisfactory Response
Melrose plc	Remuneration	Satisfactory Response
National Express	Employment Standards	No Improvement
Petra Diamonds	Remuneration	Satisfactory Response
Prudential	Remuneration	No Improvement
Resolution Ltd	Remuneration	Awaiting Response
Rio Tinto	Environmental Risk	Change in Process
Royal Bank of Scotland	Finance & Accounting	No Improvement
SABMiller	Remuneration	Awaiting Response
Smith & Nephew	Remuneration	Awaiting Response
Société Générale	Remuneration	Substantial Improvement
Standard Chartered	Board Composition, Remuneration	Satisfactory Response
Tesco	Employment Standards	Change in Process
Vesuvius (formerly Cookson)	Remuneration	Awaiting Response
Weir Group	Remuneration	Satisfactory Response
WM Morrison Supermarkets	Remuneration	Substantial Improvement
WPP	Remuneration	Awaiting Response



Local Authority Pension Fund Forum

The Local Authority Pension Fund Forum was established in 1991 and is a voluntary association of local authority pension funds based in the UK. It 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 its members invest. The Forum's members currently have combined assets of over £115 billion.



Report prepared by PIRC Ltd. for the
Local Authority Pension Fund Forum

PIRC

www.lapfforum.org

Aberdeen City Council
Avon Pension Fund
Bedfordshire Pension Fund
Camden LB
Cheshire Pension Fund
City of London Corporation
Clwyd Pension Fund
Croydon LB
Derbyshire CC
Devon CC
Dorset County Pension Fund
Dyfed Pension Fund
Ealing LB
East Riding of Yorkshire Council
Enfield
Falkirk Council
Greater Gwent Fund
Greater Manchester Pension Fund
Greenwich Pension Fund
Gwynedd Pension Fund
Hackney LB
Haringey LB
Harrow LB
Hillingdon LB
Hounslow LB
Islington LB
Lancashire County Pension Fund
Lewisham LB
Lincolnshire CC
London Pension Fund Authority
Lothian Pension Fund
Merseyside Pension Fund
Newham LB
Norfolk Pension Fund
North East Scotland Pension Fund
North Yorkshire CC Pension Fund
Northamptonshire CC
NILGOSC
Nottinghamshire CC
Rhondda Cynon Taf
Shropshire Council
Somerset CC
South Yorkshire Integrated Transport Authority
South Yorkshire Pensions Authority
Southwark LB
Staffordshire Pension Fund
Surrey CC
Teesside Pension Fund
Tower Hamlets LB
Tyne and Wear Pension Fund
Waltham Forest LB
Warwickshire Pension Fund
West Midlands Pension Fund
West Yorkshire Pension Fund
Wiltshire CC
Worcestershire CC

Summer 2013 edition
www.lapffforum.org



**Local Authority
Pension Fund
Forum**

the view from the forum

**LAPFF calls for
judicial review of
accounting standards
as applied to banks**

**Forum to be
represented on
Investment and
Engagement
Committee of LGPS
Shadow Advisory
Board**

**Quarterly
Engagement Report**

**Improving our
communication
services**



The Local Authority Pension Fund Forum (LAPFF) is a voluntary association of 56 public sector pension funds based in the UK. LAPFF exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders in promoting corporate social responsibility and high standards of corporate governance among the companies in which they invest.

For more information about the Forum, contact Forum Officer, Keith Bray on 07811 800612.

Alternatively, you can email postmaster@keithbray.plus.com or visit our website at www.lapffforum.org

LAPFF membership as at 1 June 2013

- Avon Pension Fund
- Bedfordshire Pension Fund
- Cheshire Pension Fund
- City of London Corporation
- Clwyd Pension Fund
- Derbyshire County Council
- Devon County Council
- Dorset County Pension Fund
- Dyfed Pension Fund
- East Riding Pension Fund
- Falkirk Pension Fund
- Greater Gwent Fund
- Greater Manchester Pension Fund
- Gwynedd Pension Fund
- Lancashire County Pension Fund
- London Borough of Camden
- London Borough of Croydon
- London Borough of Ealing
- London Borough of Enfield
- London Borough of Hackney
- London Borough of Haringey
- London Borough of Harrow
- London Borough of Hillingdon
- London Borough of Hounslow
- London Borough of Islington
- London Borough of Lewisham
- London Borough of Newham
- London Borough of Southwark
- London Borough of Tower Hamlets
- London Borough of Waltham Forest
- Lincolnshire County Council
- London Pension Fund Authority
- Lothian Pension Fund
- Merseyside Pension Fund
- Norfolk Pension Fund
- Northamptonshire County Council
- North East Scotland Pension Fund
- Northern Ireland Local Government Officers Superannuation Committee (NILGOSC)
- North Yorkshire County Council
- Nottinghamshire County Council
- Rhondda Cynon Taf Pension Fund
- Royal Borough of Greenwich
- Shropshire Council
- Somerset County Council
- South Yorkshire Pensions Authority
- South Yorkshire Integrated Transport Authority
- Staffordshire Pension Fund
- Surrey County Council
- Teesside Pension Fund
- Tyne and Wear Pension Fund
- Warwickshire County Council
- West Midlands Pension Fund
- West Midlands PTA Pension Fund
- West Yorkshire Pension Fund
- Wiltshire Pension Fund
- Worcestershire County Council

LAPFF calls for judicial review following leading counsel's opinion that there are legal flaws with accounting standards as applied to banks

The Forum has called for a judicial review of the process of setting accounting standards having received counsel's opinion which confirms substantial legal flaws with International Financial Reporting Standards (IFRS).



The LAPFF was part of a group of investors which sought the opinion of leading counsel, George Bompas QC of Lincolns Inn.

The opinion suggests that directors must override IFRS and instead comply with existent company law, and also ignore the legal advice obtained by the Financial Reporting Council on this issue.

The LAPFF believes that the issues identified in the opinion raise fundamental concerns about accounting practices in recent years, which have had a particularly damaging effect on the UK and Ireland's banking sectors. This in turn raises

significant questions about those decisions taken on the strength of numbers produced under the IFRS framework.

The Forum is therefore calling for a judicial review into how the faulty standards were adopted, including consideration of whether the existing financial reporting regime requires structural reform. LAPFF also believes that the role of accounting firms, both in setting standards and in signing off faulty accounts, must be properly scrutinised. Given the significance of the

continued overleaf →

opinion, the investor group submitted it immediately to the Parliamentary Commission on Banking Standards and agreed not to make it public until the Commission produced its final report.

Forum chairman Cllr Kieran Quinn (pictured below) said: “Over the past two years, the LAPFF has repeatedly made clear its view that the IFRS framework is legally faulty. The FRC has consistently denied that. However, this opinion suggests that something has indeed gone very badly wrong in the standard setting process, leading to the conclusion that IFRS should be overridden.”

“These are extremely significant issues, given that they directly affect the accounting practices of systemically important financial institutions, and in turn affect the decisions made by those institutions, including the legitimacy of dividends paid since 2005. This also suggests that the accounts used for banks’ rights issues were in fact defective.”



“At the least this requires a full review of the standard setting process, independent of existing bodies, with a view to structural reform. The Forum also believes the role of accounting firms in signing off accounts that did not comply with law must be scrutinised, as must the heavy involvement of particular firms in setting these defective standards. Shareholders must be directly involved in these processes.”

The LAPFF highlights the following from Mr Bompas’ opinion.

- in his opinion, the specified accounting outcomes required by IAS 39 (the standard particularly applicable to banks) are contrary to the true and fair view requirement of the law. These being:
 - marking up to model profit taking and marking up to market,
 - not accounting for likely losses,
 - not dealing with the distributability of profits (ie, whether they are realised or not and whether expected losses have been accounted for properly). This is particularly damaging as these are the areas that have given particular

problems for banking solvency and remuneration. Further, if the accounts of company have not given a true and fair view, then any dividend paid off those accounts is unlawful.

- in his opinion, these defective accounting outcomes of IFRS should be overridden by invoking the overriding true and fair view requirement of the law.

On this basis, the accounts of banks have been faulty since at least 2005 (earlier given that some IFRS measures had been incorporated early into Accounting Standards Board standards).

The opinion also raises significant questions about how the FRC has dealt with the matter:

Mr Bompas cannot reach the same conclusions as the legal advice obtained by the FRC. He cannot reach the same conclusion as at the time of that opinion, and further the opinion is also out of date.

Mr Bompas notes that the FRC continues to publicise its advice on its website. He is concerned that directors may in fact not be able to rely on it in discharging their statutory obligations to not approve accounts that do not give a true and fair view.



He also raises the question of the EU's adoption process:

a defective accounting standard could be challenged on the grounds of "illegality....on the grounds of lack of competence and infringement of an essential procedural requirement... the failure of the adopted standard to satisfy the threshold condition in Article 3(2) of the IAS Regulation".

LAPFF has been consistently concerned not only with the quality and effect of IFRS (adopted in the EU in 2005), which can cause insolvent and loss making banks to appear solvent and profitable, but whether IFRS adoption by the EU was contrary to the "true and fair view test" required by EU and UK law.

The full opinion is available on the Forum's website.

Forum to be represented on Investment and Engagement Committee of LGPS Shadow Advisory Board

At the end of 2012 the Forum was invited by the Local Government Association to send two representatives to a working party convened to establish a Shadow Scheme Advisory Board for the LGPS in England and Wales as required by the Public Services Pensions Act 2013.

LAPFF Chair at that time, Ian Greenwood, and Forum Officer, Keith Bray represented the Forum on the working party which included representation from scheme employers, scheme members, the education sector, professional groups such as CIPFA, county treasurers, metropolitan treasurers, London treasurers, Welsh treasurers, NAPF, actuaries, legal advisers and, of course, the DCLG and the Pensions Regulator. The working party held its first meeting in December 2012 and has now completed its task having met several times since then.

The Scheme Advisory Board's core role will be to make recommendations to the Secretary of State, the Pensions Regulator and to local boards to improve the effective administration, governance, performance and cost management of the LGPS. The Board will have no statutory powers of its own, but rather would seek to work with existing regulatory and advisory bodies to achieve its objectives. To inform and test the process of operation of the Board, prior to its statutory formation in 2014, ministers have agreed the establishment of a Shadow Board which is intended to hold its first meeting in June/July 2013.

In making its recommendations, the working party sought to:

- provide for an independent chair of the Shadow Board
- ensure that the membership of the Shadow Board reflects the widest possible range of stakeholders
- ensure that each Shadow Board member will be subject to a transparent process of appointment and be fully accountable to their constituencies
- ensure that recommendations made by the Shadow Board have the widest possible support as demonstrated by a consensus of the Board membership

Five sub-committees will be appointed to assist the Shadow Board

- Standards and Governance
- Investment and Engagement
- Administration and Communication
- Value for Money
- Cost Management and Contributions

The Forum will be represented on the Investment and Engagement Sub Committee of the Shadow Scheme Advisory Board by LAPFF Chair, Councillor Kieran Quinn and Deputy Chair, Ian Greenwood.

Quarterly Engagement Report



During the April to June quarter, the Forum:

- issued ten voting alerts in the proxy season on a number of issues including on executive pay, joint Chair/CEO and carbon management: Carnival, AstraZeneca, Barclays, National Express, BAE Systems, Aviva, Royal Bank of Scotland, Prudential, Comcast, JP Morgan, ExxonMobil.
- met with the Chair of Associated British Foods regarding supplier employment standards following the Bangladesh factory tragedy. LAPFF also signed an investor statement calling for improvements to factory standards for workers' safety.
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- held meetings with Société Générale, WM Morrison Supermarkets, and Legal & General on executive pay.
- met with Imperial Tobacco to discuss the health risks of tobacco products and the company's harm-reduction strategy.
- discussed climate change disclosure with representatives of Rio Tinto, and received feedback from Centrica regarding opportunities and risks in the UK shale gas market.
- met with the Chairman of Standard Chartered regarding Board structure and renewal.

Improving our communication services

The LAPFF already has a good public profile as an investor body. However, a number of changes to our communications practices are proposed to make improvements to the way the Forum gets its message across.

LAPFF currently publishes two overviews of its engagement work - the Quarterly Engagement Report (QER) and the Annual Review. The QER compiles all the activity undertaken by the Forum within a particular period in an easily readable format, while the Annual Review provides a summary of the whole year's activity. As such, these publications provide a useful overview of LAPFF's work in practice which we believe will be of interest to others who are not so familiar with what the Forum does. It is therefore proposed that, the Annual Review and the QER will be distributed electronically to other investors, including non-LAPFF local authority funds, or other asset owners and opinion formers.

It remains the case that institutional investors rarely attend the AGMs of the companies in which they hold shares. In addition, when large investors do attend AGMs it is usually to voice concerns about

the direction a company is taking, and this is also true of the Forum, though LAPFF does always try to offer a constructive perspective, even where it has concerns.

There are, however, plenty of cases where a company has dealt effectively with an issue of concern, or improved its performance, or simply continues 'to do the right thing', which pass without comment. Given the Forum's belief in the value of long-term constructive engagement with companies, the LAPFF will highlight cases which fall into one or more of these categories and will in some instances attend the AGMs to speak in support of the companies' actions.

Finally, the Forum will be using its recently opened Twitter account:

- To promote LAPFF content, such as new reports, press statements etc.
- To provide commentary on issues relevant to the Forum - for example tweeting from AGMs that LAPFF members attend;
- To serve as a contact point for external parties such as journalists interested in the LAPFF's activities.

A date for your diary

4th to 6th December 2013
Bournemouth

LAPFF Annual Conference

Further details to be announced later



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Pensions Committee

25 September 2013

Report Title	Service plan monitoring 2013/14	
Originating service	Pension Services	
Accountable officer(s)	Geik Drever	Director of Pensions
	Tel	01902 55(2020)
	Email	Geik.drever@wolverhampton.gov.uk

Recommendations for noting:

The Committee is asked to note:

1. Members are requested to note the financial monitoring along with the Fund's key performance indicators.

1.0 Purpose

- 1.1 At the February 2013 meeting, Members approved the update to the 2015 Medium Term Financial Plan and 2013/14 Operating Budget. This report provides an update to the plan along with the Fund's financial and business plan monitoring.

2.0 Medium term plan

- 2.1 The nine key priorities in the Business Plan are detailed in Appendix 1, which represents a summarised update of activities; Pensions Committee received a detailed report on the individual priorities in the 'Assurance Framework and Annual Governance Statement' in April 2013.
- 2.2 The plan provides the supporting medium-term financing statement to the Fund's Business Plan which was approved at the Committee meeting on 6 April 2011, a full copy of which is available on the Fund's website www.wmfonline.com.
- 2.3 Activities against the plan continue in line with objectives; the key points to note being the 2014 new scheme, implementation of the trustee training policy, the 2013 actuarial valuation exercise and the comprehensive review of the Fund's investment strategy.

3.0 Key performance indicators

- 3.1 As part of the implementation of the new organisational restructure and the requirement to relocate staff into new functions, KPI performance for processing has been temporarily suspended. It is proposed that new KPI's are established which have a cross-cutting benefit for all administration purposes and activities, by tracking end to end processes resulting in a more meaningful performance measurement.
- 3.2 An abridged summary of performance is included at Appendix 2, where it can be seen that with the exception of external accreditation, performance has improved in each criteria possible.

4.0 Operating budget 2013/2014

- 4.1 The summary operating budget for pension services and current projected outturn as at 31st July 2013 for 2013/14 are shown below:

	2013/14 Budget	2013/14 Projection	2013/14 Over/(Under)
Employees	4,755,005	4,755,005	-
Premises-related	319,770	320,799	1,029
Transport-related	110,300	108,500	(1,800)
Supplies and services			
- Communications and IT	941,550	872,674	(68,876)
- Investment management & advice	10,327,066	10,327,066	-
- Other (including actuarial fees)	1,617,780	1,575,393	(42,387)
Support services	681,500	681,500	-
Service development	690,000	690,000	-
Total expenditure	19,442,971	19,330,937	(112,034)
Miscellaneous income	(276,460)	(276,460)	-
Net expenditure	19,166,511	19,054,477	(112,034)

- 4.2 The projected underspend of £0.01m is based on expenditure to date, however it is too early in the financial year to determine detailed variances at this stage.
- 4.3 The Fund, like all public sector bodies, continues to review its operating costs and procedures, with many key operational processes having been reviewed under the LEAN programme and associated efficiencies implemented accordingly.

5.0 Financial implications

- 5.1 The projected financial outturn is as detailed in paragraph 4 above.

6.0 Legal implications

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

7.0 Equalities implications

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

8.0 Environmental implications

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

9.0 Human resources implications

9.1 The report contains no direct human resource implications for the Authority

10.0 Schedule of background papers

10.1 There were no preceding background papers.

PRIORITY AND OPERATIONAL ACTIVITY	PROGRESS UPDATE
1. Maintain quality procedures and practices:	
<ul style="list-style-type: none"> – Maintain quality accreditations – Invest in leading technologies – Respond to best practice shown by others – Respond to legislative changes 	<ul style="list-style-type: none"> – The Fund has undertaken re-evaluation for the Customer Service Excellence accreditation and successfully retained the award. – Systems and technologies are monitored and maintained by a professional and appropriately resourced staff. – The Fund actively participates in networking and information sharing with peers and industry practitioners, both learning from others and sharing its own practices. – Technical specialists within the Fund monitor and interpret legislative changes and communicate requirements to the wider organisation. A specialist team from existing resources has been established to implement the 2014 Scheme and external advice will be utilised, where appropriate, to support the Fund.
2. Demonstrate ‘value for money’ in the Fund’s operations:	
<ul style="list-style-type: none"> – Demonstrate quality of service delivery – Benchmark performance costs and service quality 	<ul style="list-style-type: none"> – The Fund has developed and implemented a number of key performance indicators (KPIs) to ensure targets for service delivery, both internally and externally, are reviewed, measured and reported on a timely basis. Performance targets are a combination of internally determined and external benchmarks and are ordinarily reviewed quarterly, however these have been temporarily suspended in respect of administration, whilst the re-structure is implemented and new, more robust measurements are put in place.

PRIORITY AND OPERATIONAL ACTIVITY	PROGRESS UPDATE
3. Develop, implement and maintain customer engagement strategies:	
<ul style="list-style-type: none"> - Develop technical support for maintaining communication strategy for employing bodies - Develop communications with stakeholders and monitoring of pension provisions to individuals - Develop, consult upon and implement the Pensions Administration Strategy - Hold Employer AGM - Develop and implement customer engagement strategies 	<ul style="list-style-type: none"> - The Employer Summer Meeting took place in July 2013, where Fund officers updated employers on the 2013 actuarial valuation process and developments in respect of the 2014 scheme changes. The meeting included presentations and round table discussions and drew positive feedback from attendees. - The Fund held its first Employer AGM in December 2012 which was attended by representatives from 54 employers. Presentations were made by Fund staff and the Local Authority Pension Fund Forum, the Local Government Association and the Fund's Actuary, Mercer. Planning is underway for the 2013 AGM to be held in December. - The Fund maintains a comprehensive website, providing documentation and information for members, employers and other interested parties. The website provides important information for stakeholders, such as proposed legislative or scheme changes. - The web portal is used by all 7 Councils, along with a further 248 employer accounts across 62 employers, for retirement estimates and other employer data. Scheme members can access their individual records to update data and to date some 5,729 (approximately 1.6% of membership) have requested registration to the service with 3,542 having activated their accounts. - The bi-annual civic Roadshows were held in June 2013 at the seven district sites across the West Midlands. The Roadshows attracted more than 700 visitors from across the Fund's membership including active, deferred and pensioners. General information was provided in addition to details of proposed 2014 Scheme changes and auto-enrolment.

PRIORITY AND OPERATIONAL ACTIVITY	PROGRESS UPDATE
	<ul style="list-style-type: none"> – Seminars and 1-2-1 clinics have also been held in 2013 targeted at a senior level audience. – Three, week long retirement planning events have been held throughout the year at venues across the West Midlands in partnership with Prudential. Presentations focused on updating members on the proposed 2014 Scheme changes. – Customer surveys are analysed and resulting improvements are implemented as part of the changes to processing. – Engagement with employers in respect of the Pensions Administration Strategy and performance reporting is on-going.
4. Management of risk strategies:	
<ul style="list-style-type: none"> – Regular risk management reviews – Review of major changes and new activities – Develop and maintain risk management approach in order to give annual assurance statement – Develop and implement Business Continuity Planning 	<ul style="list-style-type: none"> – An extensive risk register is maintained covering a wide range of issues across investments and benefit operations. The register is subject to annual review and quarterly monitoring. It is available to internal and external audit. – Quarterly compliance testing has produced no reportable issues. The investments and operations compliance functions have been integrated to provide a Fund-wide function. – The annual assurance statement was presented to the April 2013 Pensions Committee. – The Fund has appointed a lead officer to manage the preparation and implementation of the new LGPS 2014 Scheme. – The business continuity plan was reviewed and updated in April 2013, with key staff having been trained and a full test due during Q4 2013.

5. Deliver the agreed investment strategy:	
<ul style="list-style-type: none"> – Review, implement and monitor investment strategy – Communicate and consult on progress – Develop appropriate changes for approval – Monitor and highlight opportunities with due regard to risk – Explore, evaluate and consult on options to Sub-Committee and interested parties 	<ul style="list-style-type: none"> – Hymans Robertson are the Fund's strategic investment advisor and a full review of the investment strategy and allocation is underway, with regular progress reporting being made to Members. – The Fund's SIP has been updated and was presented to the April 2013 Committee. – Work has commenced on reviewing the future structure of the Fixed Interest and Absolute Return portfolios following recommendations from Hymans Robertson. – The Fund's response to potential investment opportunities will be further developed in conjunction with advice from Hymans, following the on-going review of the Fund's strategic investment allocation benchmark.
6. Active management of Environmental, Social and Corporate Governance (ESG) issues:	
<ul style="list-style-type: none"> – Voting and engagement through partnerships – Reviewing investment processes to encourage ESG 	<ul style="list-style-type: none"> – The Fund continues to vote at company meetings for the majority of its global holdings, and employs PIRC to advise on corporate governance issues. As an active member of the Local Authority Pension Fund Forum, the Fund also works in conjunction with a number of other public sector pension funds to engage with investee companies on a variety of issues, with the aim of encouraging best practice and enhancing investment returns. – A document outlining the Fund's compliance with the UK Stewardship Code is published on the web-site. Periodic assessment of the Fund's activities are undertaken on behalf of the Financial Reporting Council, and in addition, further research projects and engagement is undertaken on behalf of the Fund by PIRC. – The Fund signed up to UNPRI in 2011. The annual assessment survey will be undertaken and reported during 2013 and guidance has been provided by LAPFF in order to assist with the assessment and reporting requirements.

7. Triennial Actuarial Valuation:

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| <ul style="list-style-type: none"> - Engage with employing bodies and discuss issues - Collect data for valuation - On-going review of investment strategy in order to maintain SIP and FSS - Regular monitoring of funding levels | <ul style="list-style-type: none"> - The Fund maintains a comprehensive website, providing documentation and information for employers on a variety of matters, including the actuarial valuation. - The Employer Summer Meeting took place in July 2013, where Fund officers engaged with employers and updates were given on the 2013 actuarial valuation process and assumptions, and developments in respect of the 2014 scheme changes. The meeting included presentations and round table discussions and drew positive feedback from attendees. - The Fund held its first employer AGM in December 2012 which was attended by 54 employers. Included in the presentation was a detailed overview of the forthcoming valuation objectives, timetable and data requirements, by the Fund's Actuary, Mercer. Planning is underway for the 2013 AGM to be held in December. - Data has been collected, collated and submitted to the Fund's actuary for the 2013 valuation, the results of which are due out in the autumn. - A comprehensive review of the investment strategy and asset allocation is currently being undertaken. The SIP and FSS will be further updated to reflect any changes resulting from this review, and from the outcomes of the 2013 actuarial valuation exercise. |
|--|--|

8. Trustee and Consultative Panel Training:	
<ul style="list-style-type: none"> – Maintain and expand the opportunities to build Trustee knowledge and understanding – Monitoring of approved training policy – Identification of training needs and development of training plan 	<ul style="list-style-type: none"> – Structured induction training provided to Trustees by the Director of Pensions is available to all Members as required. Two days of formal training took place at the Fund's offices in January and February 2013. A 'mop up' session for those unable to attend took place on the 23rd April 2013. Further structured training days are scheduled for 2013/14. – A Trustee Training Policy was approved by Members at the November 2012 Committee and progress reported to the June 2013 Pensions Committee. – The revised CIPFA Knowledge and Skills Framework has been provided to Members.
9. Developing People:	
<ul style="list-style-type: none"> – Ensure a skilled and professional workforce – Identify and address training and development needs – Measure and improve competency levels 	<ul style="list-style-type: none"> – Structured induction training is provided in-house for all new employees. – Annual appraisals are undertaken by all Fund staff to determine competency levels and to identify training needs and objectives.

KPI - ACTIONS, TIMESCALE AND REPORTING JULY 2013

No	Description	Target	Actual Performance	Period	Previous Performance	Previous Period	Movement
1	INVESTMENT RETURNS/OVERALL FUND PERFORMANCE Returns to be within 2% of the benchmark (3 Yr Rolling)	VARIANCE +/- 2%	BENCHMARK 8.86%	Jul-13	BENCHMARK 8.90%	Jan-13	0.15%
			ACTUAL 9.25%	Jul-13	ACTUAL 9.14%	Jan-13	
2	BENEFIT STATEMENTS ABS issued to 95% of eligible active members by 30th September	95%	89%	Sep-12	87%	Oct-11	2.00%
	DBS issued to 85% of eligible deferred members by 30th October	85%	88%	Jul-13	83%	Jul-12	5.00%
3	CONTRIBUTIONS RECEIVED Main Fund 98% (total value) of contributions to be received by the due date.	98%	99.92%	Jun-13	99.32%	May-13	0.60%
	Travel Fund 98% (total value) of contributions to be received by the due date.	98%	100.00%	Jun-13	100.00%	May-13	0.00%
4	EXTERNAL ACCREDITATION The Fund to be shortlisted for all of the awards in which it is entered.	100%	50%	Jul-13	100%	Jul-12	-50.00%
5	COST PER MEMBER Administration cost per member to be reduced from budgeted figure of £24	<£24	£20.48	Mar-13	£21.05	Mar-12	£0.57



Pensions Committee

25 September 2013

Report Title	Compliance Monitoring	
Originating service	Pension Services	
Accountable officer(s)	Geik Drever	Director of Pensions
	Tel	01902 55(2020)
	Email	Geik.drever@wolverhampton.gov.uk

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.