



GOVERNANCE COMPLIANCE STATEMENT MARCH 2019



West Midlands Pension Fund

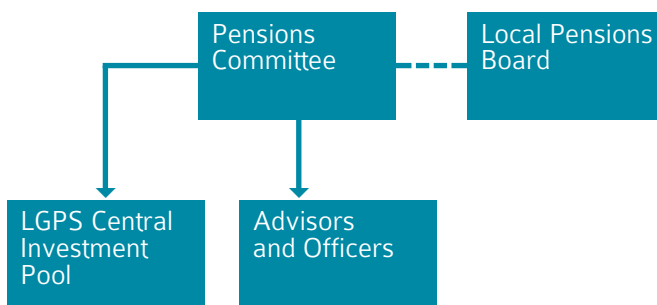
COMPLIANCE AND BEST PRACTICE

The Fund is required to publish a compliance statement under Regulation 73A of the Local Government Pension Scheme Regulations 1997 (as amended) and review that statement on an ongoing basis under Regulation 31 of the 2008 Regulations. Under Regulation 31 (3) (c) there is a requirement to measure the Fund's governance arrangements against a number of standards set out within guidance issued by the Ministry for Housing, Communities and Local Government (MHCLG).

In accordance with this requirement, what follows is the Fund's assessment of its compliance with the standards as outlined.

GOVERNANCE OF THE FUND

Principle A requires funds to establish a formal committee structure; to comply with this, the Fund's governance arrangements has four key elements:



PENSIONS COMMITTEE

The management and administration of benefits and strategic investment strategy is fundamentally the responsibility of the Pensions Committee established by the City of Wolverhampton Council (the administering authority) which has representation from the seven West Midlands metropolitan district councils and local trade unions.

The Committee administers the scheme in accordance with the regulations and best practice and determines the strategic management of the assets based upon the professional advice it receives and in consideration of its overriding duty to pay members' benefits when they fall due.

The roles of the members and the Committee are as follows:

- 1 To discharge the functions of the administering authority for the application of the local government pension schemes in the West Midlands.
- 2 To put in place and monitor the arrangements for the administration of contributions and payments of benefits as required by the scheme, ensuring contributions are invested appropriately and assets are able to meet payments when due to members.
- 3 To determine and review the provision of resources made available for the discharge of the function of the administering authority.
- 4 To set strategic asset allocation and monitor investment performance.

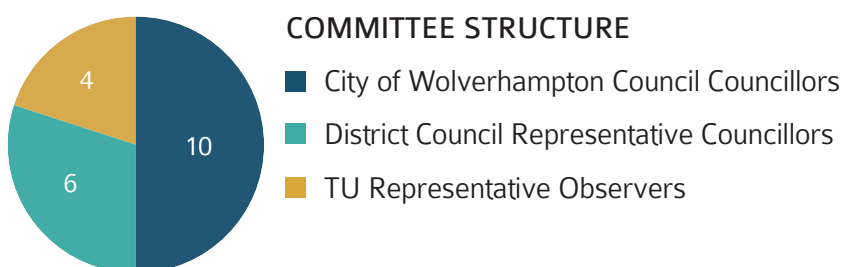
The key duties in discharging this role are:

- 1 To be responsible for compliance with legislation and best practice;
- 2 To review and agree the Investment Strategy Statement and Funding Strategy Statement for both funds;
- 3 To monitor funding and investment activity and the performance of the Fund's investments;
- 4 To produce and maintain a Pension Administration Strategy, Governance Compliance Statement, Communications Statements and publish a Pension Fund Annual Report;
- 5 To determine employer admission policy and agreements;
- 6 To appoint and monitor an investment pool operator to manage the assets of the Fund;
- 7 To appoint Committee advisors;
- 8 To determine detailed management budgets; and the Fund's Service Plan
- 9 To administer all aspects of the West Midlands Pension Fund on behalf of City of Wolverhampton Council and the West Midlands Integrated Transport Authority Pension fund under S101 Local Government Act 1972 delegation from the WM Combined Authority.

The Director of Pensions oversees the implementation of Fund policy and the management of the day-to-day operational functions through the Fund's service areas. The Committee are advised and supported by the Managing Director, Director of Pensions, Assistant Director, Heads of Service and Senior Finance and Legal Officers from the City of Wolverhampton Council.

TRADE UNION REPRESENTATION

The Fund invites trade unions to sit on the Pensions Committee as observers on behalf of our pension scheme members. Four representatives are invited from the three main trade unions as recognised by the City of Wolverhampton Council. The trade union observers are invited to sit and debate matters at committee meetings and receive the same access to papers, meetings and training opportunities as other Committee members.



LOCAL PENSIONS BOARD

As required by the Public Service Pensions Act 2013, the City of Wolverhampton Council as administering authority established the Local Pensions Board to assist in the good governance of the scheme by ensuring the Fund's compliance with legislation and statutory guidance.

Consisting of six member and six employer representatives, two of which are Wolverhampton elected councillors. The Board publishes an annual workplan focussing on the Fund's governance and administration processes, monitoring the Fund's compliance with statutory and regulatory guidance and working with officers to ensure the highest standards are met. The workplan covers the broad range of functions undertaken by the Fund including data management, financial management, funding policy and implementation of investment strategy.

Both the Pensions Board and Pensions Committee operate as Section 101 delegated committees (as defined in the 1972 Local Government Act). Therefore, information that is presented to the Committee, is available to members of the Board and vice-versa. The establishment of the Pensions Board as a S101 committee reflects compliance with Principle G of statutory guidance. Both local governance bodies perform a joint role for the WMPF and WMITA Fund.

INTEGRATED TRANSPORT AUTHORITY PENSION FUND

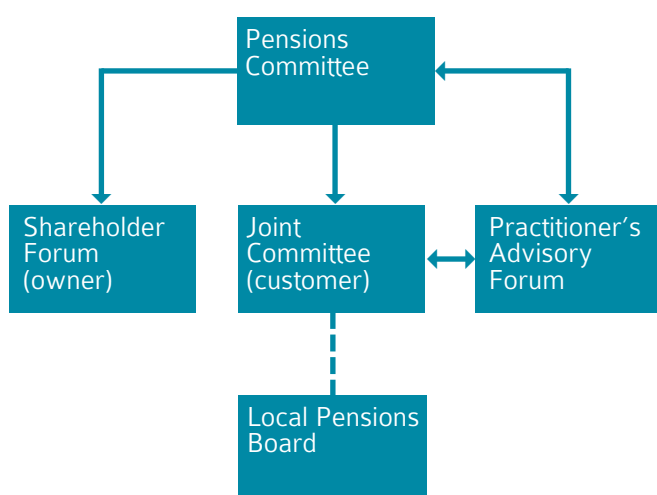
In addition to the management and administration of pensions on behalf of the local authority employers within the West Midlands, the Fund also undertakes this role on behalf of the West Midlands Integrated Transport Authority (WMITA) by delegation under S101 of the Local Government Act 1972.

The governance arrangements set out in this policy apply to the Fund's management of the WMITA Fund also with the additional requirement to report back to WMITA once a year.

INVESTMENT POOLING

Following the launch of the pool company, LGPS Central Limited on 1 April 2018, the Funds, as two of the nine partner pension funds across the LGPS Central Investment Pool, continue to work with the company to further develop the required 'business as usual' governance oversight and monitoring arrangements.

The City of Wolverhampton Council (representing both Funds) sits as a shareholder of the company on the Shareholder Forum. Both Funds are customers of the company and are represented on the Joint Committee. The Joint Committee is advised by the Practitioners Advisory Forum on which the Director of Pensions sits as advisor. Additionally, the Local Pensions Board plays a role in assisting with investment pooling governance and reporting, further improving accountability and transparency for LGPS scheme employers and members.



ADVISORS AND OFFICERS

Pension investment, funding and administration are complex areas and the Fund recognises the need for its Committee and Pensions Board members to receive appropriate and timely training and advice. Against this background, its principal advisors are as follows:

- i High level advice on general management from the Managing Director of the City of Wolverhampton Council (also Head of Paid Service).
- ii Legal and general administrative advice and management from the Senior Legal Officer of the City of Wolverhampton Council who is also the monitoring officer for the Council.
- iii Financial and technical advice from the Director of Pensions who is the lead senior support officer and has direct responsibility for implementing funding and investment strategy; budget and service delivery; risk management and compliance through a team of professionally qualified staff and the investment pool LGPS Central Limited.

- v Senior pensions officers are responsible for employer relationships, data quality, finance, operations, pensions benefits administration and communications.
- vi The Council's Director of Finance is also the Section 151 Officer for the Fund (with the Assistant Director – Investments and Finance, as the Deputy Section 151 Officer for the Fund, having operational responsibility on a day-to-day basis).
- vii Independent assurance on the Fund's risk management, governance and internal controls processes from the Council's Internal Audit function
- viii A range of external specialist advisors are appointed, covering areas such as:
 - Investment strategy and asset allocation
 - Funding strategy and employer covenant review
 - Alternative security arrangements and specialist agreements
 - Corporate governance and responsible investment issues

Details of the Fund's advisers are published in the Fund's annual report and accounts.

FUND MISSION STATEMENT, OBJECTIVES AND PRIORITIES

Each year, through the adoption of the five-year Service Plan, the Pensions Committee determine corporate priorities for the Fund. The Service Plan outlines how those priorities will be met through detailed corporate priorities and how progress will be monitored through the Fund's performance framework.

Pensions Committee hold the responsibility of monitoring the performance framework through regular reporting provided by Fund officers on areas such as key performance indicators and corporate priority monitoring. The Fund's Service Plan is published on its website.

In line with ensuring the achievement of Fund objectives, the Pensions Committee also have oversight of the Fund's management of risk. The Fund sets out its approach to risk management within the Internal Controls Framework which can also be found on the Fund's website.

ROLE OF COUNCIL MEMBERS

The City of Wolverhampton Council is responsible for administering and discharging the functions as administering authority for the West Midlands Pension Fund and the WMITA Pension Fund. In addition to discharging the administration of benefits, recording of contributions, etc, the Council is also responsible for the investment of the employer and member contributions. In accordance with Principle B of the statutory guidance, because the Fund covers the majority of local government employees in the West Midlands, as well as many admitted bodies, representatives from all seven metropolitan district councils are invited to serve on the Committee. There is also active representation on behalf of the employees and pensioners from trade union representatives.

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

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

In addition to the setting of policy and investment parameters for the Fund, Committee will at least annually review the performance of LGPS Central in terms of service delivery, product development and progress towards meeting the objectives (aligned to Government criteria) to deliver increased capacity to invest with strong governance and enhanced returns (after cost). Any concerns will be raised through the Joint Committee and Practitioner's Advisory Forum.

STANDARD REQUIRED OF A TRUSTEE

The standard required of a Trustee in exercising their powers of investment is that they must take such care as an ordinary prudent man would take if he were minded to make an investment for the benefit of other people for whom he felt morally bound to provide.

That duty includes the duty to seek advice on matters which the Trustees do not understand, such as the making of investments, and on receiving that advice to act with the same degree of prudence. This requirement is not discharged merely by showing that the Trustee has acted in good faith and with sincerity. Honesty and sincerity are not the same as prudence and reasonableness. Accordingly, although a Trustee who takes advice on investments is not bound to accept and act upon the advice, unless in addition to being sincere, he/she is acting as an ordinary prudent person would act.

ROLE OF A LOCAL PENSIONS BOARD MEMBER

“The scheme manager (Pensions Committee) for a scheme has a Pensions Board with responsibility for assisting the scheme manager to comply with the scheme regulations and other legislation relating to the governance and administration of the scheme and any requirements imposed by the regulator. The Pensions Board must also assist the scheme manager with such other matters as the scheme regulations may specify.”

A member of the Local Pensions Board of a public service pension scheme must be conversant with:

- the rules of the scheme, and
- any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.

A member of a Local Pensions Board must have knowledge and understanding of:

- the law relating to pensions, and
- any other matters which are prescribed in regulations.

The degree of knowledge and understanding required is that:

- appropriate for the purposes of enabling the individual to properly
- exercise the functions of a member of the Local Pensions Board

In appointing representatives to the Local Pensions Board, the Committee must be satisfied:

- that a person to be appointed as a member of the Local Pensions Board does not have a conflict of interest and
- from time to time, that none of the members of the Local Pensions Board has a conflict of interest

Each member or proposed member of a Local Pensions Board must provide such information as is reasonably required for the purposes of reviewing actual or potential conflicts of Local Pensions Board members.

A conflict of interest may arise when Local Pensions Board members must fulfil their statutory role of assisting the scheme manager in securing compliance with the scheme regulations, other legislation relating to the governance and administration of the scheme and any requirements imposed by the regulator or with any other matter for which they are responsible, whilst having a separate personal interest (financial or otherwise), the nature of which gives rise to a possible conflict with their statutory role. Further information on the role of a Local Pensions Board member can be found within the Governance section of the Fund’s website.

COMMITTEE AND OFFICERS' KNOWLEDGE AND SKILLS

Committee and officers' knowledge and skills is recognised as important, and a range of measures are in place to equip them to undertake their role.

In compliance with Principle E of the MHCLG statutory guidance, the Fund places the knowledge and capacity of its Committee and Pensions Board members at the forefront of its good governance ensuring Committee and Pensions Board members and officers have the relevant skills and knowledge to perform their roles. The Fund applies the CIPFA Knowledge and Skills Framework to achieve this objective and meets the legislative requirements set out in the Public Service Pensions Act 2013.

Framework

Six areas of knowledge and skills have been identified as core technical requirements for those associated with LGPS pension funds:

- Pensions legislation and governance context
- Pension accounting and auditing standards
- Financial services procurement and relationship management
- Investment performance and risk management
- Financial markets and products knowledge
- Actuarial methods, standards and practices

It is not the intention that Trustees should individually become technical experts, but collectively they have the ability, knowledge and confidence to question and challenge the information and advice they are given, and to make effective and rational decisions.

Officers advising members and implementing decisions should have a more detailed knowledge appropriate to their duties.

Officers are expected to demonstrate their professional competency against the framework through appropriate 'continuing professional development' (CPD) arrangements'.

The Fund has an approved trustee and Pensions Board member training policy, and includes in its Annual Report and Accounts details of the knowledge and skills development undertaken by these groups. The Fund also has in place effective training monitoring and is able to demonstrate

- how the framework has been applied
- what assessment of training needs has been undertaken
- what training has been delivered against the identified training needs

REPRESENTATION OF OTHER INTERESTED PARTIES

The Fund is open to any organisation with a direct interest attending the regular Committee meetings to observe proceedings, and the Fund will engage with employing bodies on significant issues affecting them so their views can be taken into account before a decision is made, eg, three-yearly actuarial valuations.

The Fund will provide information on its website and directly to employing bodies on issues in which they may have an interest.

The Local Pensions Board is seen as the main area of involvement of active, deferred and pensioner members as well as our broad range of employer groups who are represented on the Board, and on the Fund's Employer Peer Group.

The Fund does engage directly with individual members providing relevant information, the content determined by the responses to the information provided and requested.

Further information on the Fund's approach to engagement and involvement with scheme employers and members can be found in the Customer Engagement Strategy and the Employer Engagement Roadmap.

In providing opportunities to engage with various stakeholder groups, The Fund determines that it complies with Principle I of the statutory guidance.

ORIGINS OF THE FUND AND RESPONSIBILITIES

Following the 1974 reorganisation, all Council employees in the area (excluding teachers, police and fire officers) were members of the West Midlands Superannuation Fund with the former county council as administering authority. The 1986 reorganisation led to the City of Wolverhampton Council becoming the administering authority for the Fund and local government employee pensions other than teachers, police and fire officers in the West Midlands. Responsibility for discharging the administering authority role is delegated to the Pensions Committee which has representatives from the metropolitan district councils as the largest employers and four trade union representatives nominated from across the region.

The changes in responsibility for the delivery of Council services has seen a growing number of private sector firms and voluntary organisations becoming members of the Fund in respect of the workforce that delivers public services with the largest employer group being academies.

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

The administering authority (the City of Wolverhampton Council) through the Fund:

- Collects employer and employee contributions.
- Invests surplus monies in accordance with the regulations and agreed strategy.
- Ensures that cash is available to meet liabilities as and when they fall due.
- Manages the valuation process in consultation with the Fund's actuary.
- Prepares and maintains an FSS (Funding Strategy Statement) and an ISS (Investment Strategy Statement), both after consultation with interested parties.
- Monitors all aspects of the Fund's activities and funding.

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

The individual employers:

- Deduct contributions from employees' pay.
- Pay all contributions as determined by the actuary, promptly by the due date.
- Exercise discretions within the regulatory framework.
- Make additional contributions in accordance with agreed arrangements in respect of, for example, early retirement funding strain.
- Notify the administering authority promptly of all changes to membership, or as may be proposed, which affect future funding.
- Discharge their responsibility for compensatory added years which the administering authority pays on their behalf and is subsequently recharged to them.
- Comply with the requirements of the Fund in relation to its Pension Administration Strategy and data quality.

The Fund's actuary:

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

APPENDIX 1: STATEMENT OF COMPLIANCE TO GUIDANCE

To further outline the Fund's compliance against the statutory guidance, what follows is an assessment of the Fund's governance arrangements against each principle.

	Not Compliant				Fully Compliant
Principle A- Structure					✓
Principle B- Membership					✓
Principle C- Selection					✓
Principle D- Voting					✓
Principle E- Training					✓
Principle F- Meetings					✓
Principle G- Access					✓
Principle H- Scope					✓
Principle I- Publicity					✓

Notes:

Principle B (a) and (b) – are not applicable to the Fund

Principle F (b) and (c) – are not applicable to the Fund

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