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James Aspinall
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Dear James

Re: Public Service Pensions Governance Reforms

Following on from the work our authorities have undertaken in meeting the statutory deadline of implementing the local pension board and the approval from DCLG to our joint board, I thought it would be useful to set out in one document the governance arrangements of the West Midlands Pension Fund with the Integrated Transport Authority.

The Joint Local Pension Board

Attached for your information is a copy of the Pension Board's Terms of Reference. You will recall that on creating the board, a seat was offered to ITA but declined, that position is currently being held by a Finance Director but I want to assure you that when that position comes up for re-nomination, we will of course come to you for first nomination. The role of the Local Pension Board is to assist in the good governance of the scheme and to help focus that work we have devised a work program based on the Scheme Advisory Board's Performance and Benchmarking criteria. A copy is enclosed for your records. As this is a joint board, if there is anything you think should be included in their work for ITA please let me know.

The Pensions Committee

Following delegation from ITA the WMPF Pension Committee is now the decision making body for the ITA pension fund. To assist in our understanding of what that means I have set out below the service areas we believe are covered by this delegation and which now fall as the responsibility of the Pension Committee.

- Management and Administration of the Scheme
- Asset Allocation
- Fund Manager selection
- Provision of administration services
- Appointment of advisors
- Procurement of related services (including, but not limited to, actuarial, legal, custodian)

While the Pension Committee undertake this work, the delegation received to WMPF is not a full delegation, ITA remain the legal entity responsible for the pension fund and any agreements entered into will be in the name of ITA not WMPF. Assets will be held in the name of ITA and there are no staffing implications.

In addition all investment strategy set by the Pension Committee will be done in consultation with ITA's Investment strategy panel (ISP). Indeed, the ISP will put recommendations to the Investment Advisory Sub Committee/Pension Committee.

The Investment Advisory Sub Committee

Pension Committee has delegated to the Investment Advisory Sub Committee a number of key duties

- 1) To monitor and review investment management functions.
- 2) To review strategic investment opportunities.
- 3) To monitor and review portfolio structures.
- 4) To monitor implementation of investment policy.
- 5) To advise on the establishing of policies in relation to investment management including the appointment and approval of terms of reference of independent advisors to the Fund.
- 6) To monitor investment activity and the performance of the Fund.
- 7) To oversee the administration and investment management functions of the Fund.

Accounting

WMPF will continue to prepare the ITA Fund's annual report alongside its own. General ledger accounting will be in Centro's Agresso system, with Centro's Finance team taking the lead on preparing the annual statement of accounts, working in close collaboration with WMPF's Finance team. Operation of the ITA Fund's bank account and daily treasury management activities will be carried out by WMPF.

All direct costs will be billed to the ITA Fund; in addition, WMPF will make a recharge for the costs of internal management and administration, currently £150,000. These costs may increase in future, in light of the unitisation strategy now applying to the ITA Fund and the associated complexity.

Annual Report to ITA

In accordance with the terms of the delegation from ITA, we will provide your committee with an annual report on the work of the Fund.

I hope this letter provides you with the assurance that the Fund is operating effectively on behalf of ITA and that our understanding of the delegation is clear.

I would also like to highlight that the Fund has last month, secured the CIPFA accreditation for the Mark of Governance Excellence. We are the first pension fund in the UK, both in the public and private sector, to achieve this accreditation and we are very proud of the work of our officers in meeting this standard.

Should you have any further queries regarding this matter, please do not hesitate to contact me.

Yours Sincerely



Geik Drever
Strategic Director of Pensions

Pension Board Terms of Reference

1. All persons appointed to the Board will adhere to the Committee's Code of Conduct, including the duty to report conflicts and undertake training as required to ensure they meet the legislative requirement to have the knowledge and understanding required of them to undertake their role.
2. While not a formal committee of Council, meetings of the pension board will be formal occasions to be minuted adhering to the due process and rules of procedure so far as such do not make the business of the board unviable. Business to be conducted by the Pension Board shall be noted on a formal Agenda at least five working days in advance of the meeting. Additional business may be added to the Agenda at a later date with the consent of the Chair. Business not noted on the Agenda may only be considered at the meeting if agreed by majority vote. This is to ensure all information is available and has been read and understood by pension board members.
3. The Pensions Board shall meet a minimum of twice yearly on a bi-annual basis. The ability to call additional meetings rests with the board and with pensions committee, such additional meetings to meet the minimum quorum requirement.
4. Persons appointed to the pensions board have the same right of access to information and documents to be considered as elected members as outlined in the The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 and the The Openness of Local Government Bodies Regulations 2014. Save as all other provisions of these regulations do not apply to the pension board.
5. The Pension Board shall have the reporting obligations as set out in the Fund's 'Pension Board Reporting Policy'.
6. The Pension Board shall adhere to the operational policies of the Fund.

Membership

7. The Pensions Board consists of 12 persons made up of 5 employer and 5 member representatives in equal proportion plus 2 Wolverhampton City Council Elected Members. The employer and member representatives will hold the majority.
8. Recruitment to the board will follow the Fund's 'Pension Board recruitment policy'
9. The quorum is 7

10. Substitutions for the Pension Board shall be available by representative group not by individual board member. Substitutions will be sought as part of the appointing process. Where substitutions are required to attend the pension board meetings, formal notice of their attendance should be provided to the Fund at least two working days in advance of the meeting to afford the opportunity of papers to be circulated and read.
11. The term of office for a person appointed to the Pension Board shall be for a period no shorter than one year and no longer than two rotations of nominations or their term of office (where the person is an elected Councillor, whichever is the shortest). Nomination to the Pension Board shall take a 4 year rotation with one third nominations received in year 2 and one third nominations received in year 4, and so on. Such rotation not to fall in the same year as Pension Committee rotation. This is to ensure a consistency of knowledge within the Pension Board and to assist with the development of knowledge and experience.
12. Nominations to the pensions board will be sought from the nominating body group on each occasion as the rotation for appointment arises. Where more than one nomination is received interviews for the vacant position will be held by the Director of Pensions, the Chair of Pensions Committee and one other.
13. Person's appointed to the Pensions Board are expected to make themselves available to attend meetings. Person's appointed who fail to attend 3 or more events (to include meetings and training) will be asked to leave the Board and a replacement sought from their nominating body unless there are exceptional reasons for their failure to attend. Such reasons to be considered by the pensions board.
14. Other than by ceasing to be eligible to sit on the pensions board (to include failure to attend meetings), a person appointed to the pensions board may only be removed from the position during their term of office by majority vote of the pensions board.
15. A person appointed to the pensions board may retire their position at any time. In such cases a nomination will be sought from their nominating body.

Chairing the Board

16. It shall be the first business of the Board at its annual meeting to nominate a Chair and a Vice-Chair for that year
17. In the event of a tie of votes of any business to be conducted, the Chair will have the casting vote. In circumstances where the vote is to

appoint a new Chair, the outgoing Chair will have the casting vote in the event of a tie.

Information

18. Information relating to the work of the pension board (including any relevant minutes) will be published on the fund's website, save where such information is confidential or exempt under Schedule 12A.
19. Information detailing the pensions boards terms of reference shall be published on the fund's website together with the any vacancies as they arise.

WORK PROGRAM OF THE WEST MIDLANDS PENSION FUND LOCAL PENSION BOARD

Role	Area of work	Action	Date
Good Governance			
	Policy review	Monitoring of Fund's policies and working practices with full annual review	July 2015
	Fund Communication	To monitor fund performance on the availability of information and quality of information produced by the Fund	July 2015
	Customer Engagement	Through the review of the customer engagement strategy to include customer journey mapping	January 2016 meeting
	Cost efficient administration and overall VFM fund management	To monitor performance annually	January 2016 meeting
	Internal and external audit	To work with the Fund's compliance team during annual audit in the compilation and presentation of Fund policies and working practices	January 2016 meeting
Fund administration			
	Data Quality	To monitor the quality of data received from employers and suggest ways to improve through working with employers.	Each meeting of pension board

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Role	Area of work	Action	Date
	Employer covenants	Understanding of the covenant framework and monitor high risk	January 2016 meeting
Investment	Performance	To receive updates on the Fund's performance	January 2016 meeting
	Investment Strategy and Implementation	To receive updates on the Fund's work in this area	January 2016 meeting
Finance	Employer contributions	To monitor performance and suggest ways to improve through working with employers.	January 2016 meeting
	Annual report and accounts	To consider the annual Scheme Advisory Board report following publication of our report and to draw comparisons as areas for proposed improvement. http://www.lgpsboard.org/index.php/schemedata/scheme-annual-report	July 2016