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Dear Liam

Re: LGPS Governance Guidance

Further to the issuance of the consultation documents in October seeking comments on the Draft Statutory Guidance of the future governance structure of Public Service Pension Schemes, please find our comments below.

The response is on behalf of the West Midlands Pension Fund (WMPF) and the West Midlands Integrated Transport Authority (WMITA).

WMPF provides pension services to over 270,000 current and former members of the seven West Midlands district council and over 400 participating employers. It is one of the largest local government pension funds in England and Wales and as at 31 March 2014 had assets valued at over £10 billion.

WMITA is a closed fund with over 5000 members and had assets valued at over £400 million at 31 March 2014.

Within this response where reference is made to 'WMPF' it is to be construed as to include WMITA also. Given the size of the guidance document, WMPF are only commenting on the points it wishes to highlight as a priority and not the document as a whole which we believe is well drafted and comprehensive.

Legislative background and structure of governance arrangements from 2015 – paragraph 3

WMPF welcome the proposal in the draft guidance that pension funds can establish the local pension board in advance of it taking effect.

There was some concern from our Trustees and employer representatives of the inconsistency created by having a local pension board timetabled separately to the municipal year and we welcome this acknowledgment in the draft Guidance in providing for the board to take effect at a later date.

Local Pension Boards – paragraph 3.27

WMPF welcome the outline provided in the Guidance, however greater clarity on what it means for the pension board to "assist" the pension committee is still required. How will it assist, will it be advisory?

Scheme Advisory Board – paragraph 3.31

We welcome the requirement for the Secretary of State to have regard to the advice of the Scheme Advisory Board. We would require greater clarity on what basis that advice is to be provided and on what engagement from the funds will be sought in preparing that advice.

The Regulators' Powers – paragraph 4.10

WMPF acknowledge the ability of the regulator to step into funds that underperform however we believe the term "desirable" in paragraph 4.10.1 to be too wide and request clarity on what constitutes "desirable".

We also seek clarity on the definition of "underperform" and what the performance indicators will be.

WMPF propose that this term be amended to state "necessary".

Appointment of Local Pension Board Members – paragraph 5.11

WMPF welcome guidance on how the recruitment of persons appointed to the pension board should be undertaken. As a Fund with over 450 employers and 270,000 members recruitment will be a costly task to engage such a large group. We would seek a cost-efficient platform that is fair and transparent.

We have previously recruited to a Governance Review Working Party that consists of employer and trade union representatives and believe the forum used in this recruitment process through engaging our employer peer groups, trade union representatives and through our mid-year review was very successful. We welcome the ability to use platforms such as these in the recruitment of the pension board also.

Board knowledge and understanding – paragraph 6

WMPF welcome the clarity presented in the guidance which outlines the ground level knowledge required of pension board members.

What is unclear is the sanction available to a pension board where a person appointed fails to adhere to the training requirements and we would welcome guidance on this element also.

Reporting – paragraph 8

WMPF agree that internal reporting mechanisms would be beneficial to the Fund and its work with stakeholders however we do not feel it necessary to report annually on the activities of the pension board given the requirement in the regulations to publish information about the board. It is proposed that meetings of the board be conducted in accordance with the administering authority's standing orders, to include the publication of minutes. This would resolve the need for a formal annual report of the board. It is proposed that the pension committee reports to Full Council annually and includes any points to note from the pension board.

Other matters

The guidance refers to a number of policy documents and papers that local authorities need to consider drafting to support the terms of references and suggested processes, will the Scheme Advisory Board or Pensions Regulator be providing template policies?

Yours sincerely



Geik Drever
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